What is critical here is your mind-set
ECA JOURNAL LONG READ

By Stefanie Babst, Strategic Analysis Capability, NATO

Strategic foresight: inspiring our thinking about the (un)known (un)knowns

INTERVIEW

Juhan Parts, ECA Member

Engaging in foresight: a must for the ECA to be a global leader in public auditing
66 How foresight is used by auditors: some first-hand insights from the National Audit Office of Finland
By Jenni Leppälahti, National Audit Office of Finland

69 The ECA’s future institutional positioning: conditions and options
By Matthias Rossi, Professor at Augsburg University

72 DIRECTOR’S CUT
Technology will be everything, also for the ECA
Interview with Magdalena Cordero, Director Information, Workplace and Innovation directorate
By Gaston Moonen, Directorate of the Presidency

77 From foresight to audit selection: examples at the ECA
By Matteo Tartaggia, Sustainable Use of Natural Resources Directorate

79 Peer learning on foresight: experts meet at the OECD
By Gaston Moonen, Directorate of the Presidency

83 REACHING OUT
2018 ECA Award for Research into Public Sector Auditing: a tribute to former ECA President Jan O. Karlsson
By Roberto Gabella Carena, Directorate of the Presidency, and Gilberto Moggia, information, Workplace and Innovation Directorate

88 Drawing attention to the ECA’s ‘flagship’ product: the annual report
By Vincent Bourgeois, Directorate of the Presidency

91 ECA congratulates Kosovo’s National Audit Office on its 15th anniversary
By Mindaugas Pakštys, Private Office of Rimantas Šadžius, ECA Member

93 Reinforcing cooperation in the common interest: the European Parliamentary Research Service visits the ECA
By Helena Piron Mäki-Korvela, Directorate of the Presidency

95 Austrian presidency of the Council: Federal Minister Josef Moser visits the ECA
By Arjen Lok, Private Office of Lazaros S. Lazarou, ECA Member

96 FOCUS
ECA Publications in October 2018

99 NEXT EDITION

---

The future of Europe: a collection of opportunities
Presentation by and interview with Klaus Welle, Secretary-General of the European Parliament
By Derek Meijers and Gaston Moonen, Directorate of the Presidency

---

Strategic Foresight at the U.S. Government Accountability Office
By Stephen J. Sanford, U.S. Government Accountability Office

---

The ECA’s future institutional positioning: conditions and options
By Matthias Rossi, Professor at Augsburg University

---

Reproduction is authorised provided the source is acknowledged

The contents of the interviews and the articles are the sole responsibility of the interviewees and authors and do not necessarily reflect the opinion of the European Court of Auditors.
A few days ago, I heard the following radio ad: ‘Contact us so we can solve your problems through our audit intelligence robot.’ It turns out that audit firms in the private sector now use audit robots to examine process and transaction flows, including auto-learning capacities. I knew this was happening, but what surprised me from the radio ad was how mainstreamed it already is for audit firms. Audit work being done by robots is a scenario three colleagues and I identified about three years ago, based on the feedback we received through an internal survey we had organised about imagining the future of the ECA in 2040. The big difference is that most respondents thought it would happen in a decade or so. As technology moves on, can people keep up? Or better, can we stay ahead?

Auditors are specialised in looking at facts, which many of us relate to the past tense. In doing so, auditors and certainly auditors in the public sector - try to contribute usefully to future decisions, both for accountability reasons and for the sake of a learning government. As important as facts from the past are, so are changes in the future, whether presented as risks or as opportunities. As hypothetical these changes may be, being prepared to cope with them as individual, company, government or society will make you better off. Not being prepared will quickly push you into crisis management. While the essence of politics is to imagine what the desired future might be, the underlying thought is that we can create our future instead of being subject to it.

Foresight – exploring information on possible developments and their potential impact - is not as far away from audit as people may think. In financial audit, some form of foresight is embedded in the accruals accounting system. Future liabilities and returns need to be accounted for, and it is the auditor’s role to examine how well this is done. In a rapidly changing environment, insights into future scenarios that quickly change these liabilities become more and more important. Audit firms approving the accounts of companies which go bust a month later may otherwise face liabilities themselves.

Performance audits often look at future risks, such as the sustainability of the programmes implemented or envisaged, and their impact, whether realised or foreseen. This provides insights which can easily be related to foresight, as for example can be seen in the challenges the ECA formulated in its landscape review on climate change. How quickly these challenges become real, and even may turn into concrete liabilities, is shown by a recent court ruling holding government accountable for not acting on foreseen climate changes. Foresight, in this case with climate change scenarios involving impact predictions and possible remedies, becomes a more and more powerful tool. Otherwise even financial liabilities might be looming, to be reflected in… the accrual-based accounts.

Within the ECA, the discussion about the relationship between audit and foresight, and how better to link the two, is ongoing. It was the main topic of the annual seminar of the ECA leadership last September. In view of this discussion, we have made foresight the main theme of this Journal, to provide more information about foresight as expertise and to show the possible links between audit and foresight. We have a range of articles providing insight on what other organisations, be it EU institutions or international organisations, do to be more future proof. We look at what foresight entails for auditors in the private sector and other supreme audit institutions and we conclude with some perspectives on what foresight can imply for the ECA.

There seems little doubt that technology will change the way we conduct our audits in the future. One only has to look back twenty or even ten years to realise that. And the expectation is that the digital transformation will only speed up this process. Will the ECA be a leader in using this technology? Even more interesting is the question how this transformation will affect the activities of the ECA. How will the ECA remain relevant and provide the best possible information – be it based on hindsight, insight or foresight? How will public auditors help policy makers and decision makers to steer the future, instead of reacting to it?

Gaston Moonen
Forecasting the future is a skill that humans have been trying to develop since the beginning of time. However, even with modern quantitative approaches, forecasting a single future can prove fatal. By working with foresight in relation to alternative futures, leaders are engaging with uncertainty as an opportunity. Angela Wilkinson, Senior Director with the World Energy Council, and Betty Sue Flowers, Emeritus Professor at the University of Texas, focus on some core elements that foresight professionals of today use to generate insights about possible futures.

**Forecasting: building on the past**

The most important responsibility of the leader of any organization is to think about the future and to design ways that the organization can thrive within it. From that perspective, every leader is in the business of foresight – usually with the help of professionals. In the ancient past, these professionals did use crystal balls, or the entrails of sacrificed animals, or the patterns of stars to predict the future. In modern times, professionals are more likely to extrapolate the trends of the recent past into the future and give the leader or CEO a more or less useful forecast.

Quantitative forecasting is still the most common method of predicting a single, most likely future, even though it can produce dangerous and deeply flawed results. The danger comes from the complacency that forecasts generate, based as they are on the assumption that the future will be like the past. The only thing we know with any certainty about the future is that whatever it will be, it will not be like the past. In other words, the future is uncertain, and uncertainty creates anxiety. Forecasting alleviates anxiety in that it is an organized, data-rich way to go wrong with confidence.

Forecasting has other advantages as well. It reduces uncertainty into quantifiable and manageable risk. In addition, it’s linear, and human brains are hard-wired for linear thinking. This linearity makes it a natural fit for working with cost-benefit analysis. Assuming that the future will be like the past in predictable ways also avoids a challenge to the status quo, which is usually more comfortable for the powers-that-be as well as their corporate partners, who, like all of us, prefer to avoid thinking about the possibility of unpleasant surprises.

**Foresight: capability towards a flexible and creative future orientation**

Foresight, which is not the same as forecasting, requires the building of new organizational capabilities. While forecasting can be valuable, especially in the short term, foresight
professionals know that what organizations need is not simply a crystal-ball vision of the future, but the organizational capacity for engaging in a process of social learning that leads to a flexible and creative orientation to the future. Such an engagement with the future takes a number of forms, but four of them, in addition to forecasting, are of greatest use:

- Megatrend identification;
- Horizon scanning;
- Scenario building;
- Visioning with back-casting.

**Megatrend identification: new patterns with unfamiliar impacts**

*Megatrend identification* helps loosen up forecasting to include combinations of different trends that might interact in new ways to produce new patterns with unfamiliar impacts. Imagining possible pattern shifts can also disconnect leaders from the habit of looking at forecasts as isolated linear trajectories.

Of course, megatrends cannot provide the assurance of the numbers that can be attached to single-trend forecasts. Instead, leaders have to develop the capacity to see possible larger systems at play, some of which might include elements that seem to have no direct bearing on the future of a particular organization, but have a very significant impact when combined with other trends. Using megatrends, leaders and their organizations can, working with qualitative futures narratives, to start to ‘think outside the box’ of the expected, forecastable future by asking ‘What if (the pattern shifts)? So what? (How, when, and with what impacts?) What does it mean for us? What now? (What options for action and with what impacts?) What does it mean for us? What now? (What options for action?)' 

**Horizon scanning: signaling potential trends and trend breaks**

*Horizon scanning* resembles the identification of megatrends – but in reverse. Megatrends are important trends arising from the present, which are likely to affect the future; horizon scanning looks at weak signals ‘coming from’ the future rather than the past or present to see trends that are starting to bend or break and what new trends might emerge. Dialogues about outlying technologies or nascent political or social movements can be stimulating in themselves, but horizon scanning is of limited usefulness unless it is linked to other processes, such as scenario building.

**Scenario building: using plausible futures to engage uncertainty as opportunity**

*Scenario building*, like forecasting, creates fictions about the future, but these stories differ from forecasts in three very important ways. First, while scenarios must be plausible to be useful, and while they often employ data-based research for their content, they are not extrapolations of present trends. Many times, in fact, they challenge those trends, introducing ‘bends’ in the trends designed to challenge forecasts in useful ways.

Second, they always come in sets, usually of two to four. A scenario is not a picture of ‘the’ future but is presented as one of several different possible futures. If each scenario in a set of scenarios is equally plausible, then the leaders for whom the scenarios have been created cannot choose a future to believe in, but must act as if any of them might come true – or any of a number of other futures. The practice of testing strategy within the different futures presented by the scenarios trains the minds of leaders to treat the future as a necessary fiction rather than as a prediction.

Third, the key purpose of a scenario set is the creation not of the stories in themselves, but of a platform for rich and wide-ranging dialogue that will bring assumptions to the surface. Scenarios are designed to encourage constructive engagement with uncertainty in order to avoid missed opportunities and blind spots. Such dialogues can lead to a shared sense of a desirable future that a team wishes to move towards, even in the face of this uncertainty.
Among the many subtle by-products of engaging with scenarios is a greater sense of confidence in relation to an uncertain future. This confidence is quite different from the feeling of security that arises from accepting a single predicted future as ‘true’. It is related, instead, to the capacity for agility and resilience – getting ahead of connected challenges through imagining different potential paths.

One of the most profound uses of scenarios is as a stage for dialogue on extremely complex, contentious issues. Where there is deep disagreement, a wide-ranging, open, and honest discussion is almost impossible under normal circumstances. Champions of one side or another must consistently argue their strongest position, for example, and often it is politically dangerous to step into the shoes of an opponent to explore how the issue might appear from another point of view. In most such politically charged situations, discussions quickly become arguments; or, if the atmosphere is congenial, the ‘elephants in the room’ are politely ignored.

In such a situation, a team comprised of people from many different perspectives can create scenarios together even when they cannot agree on policy positions. After all, scenarios are only stories. Any team member can create a story from another point of view. Often, in the process of creating that story, those who hold an opposing position begin to understand the other point of view and to see possible opportunities for collaboration. A different kind of listening occurs, and often, a shared understanding emerges.

Ideally, scenarios are created by a team that represents the whole of the organization. From this divergence of viewpoints sometimes a vision of a preferred future arises – and then foresight actually leads to a design for the future rather than simply a reactive attempt to predict it. Once a vision has emerged, a pathway from the future can be built back to the present.

**Visioning with back-casting: not prediction, but aspiration to implement imagination**

Visioning with back-casting can translate a symbolic picture of the future into a rational strategy and functional plan with actionable milestones and budgets.

Creating such a vision and stress-testing it against different future contexts (scenarios) that would include the results of forecasts and megatrend analyses would require the use of all these methodologies. An inspiring and actionable vision of the future is, after all, what leaders need to give us. In effect, it is the leaders who show us the picture of the future in the crystal ball – not as a prediction but as a powerful aspiration. The future is not for seeing, but for creating.

**Towards a futures-centric auditing profession?**

Auditing is a retrospective activity – looking back to assess whether financial aspects of decision making by leaders and organizations have followed the agreed rules of accounting and, if relevant, cost-benefit analysis. Auditors engage with the push of the past but, as yet, are not equipped to work with the pull of the future.

What social need and purpose would a futures-centric auditing profession serve? Would the emphasis be on demonstrating social benefits of economic efficiency and/or anticipating the return-of-investment in terms of human-centric wellbeing and social flourishing? Such a shift would also require a new leadership culture, not just a change of tools. Building an organizational futures muscle – that is, a strategic foresight capability – would involve grappling with the quality of imagination and social learning processes involving intersubjective judgements, rather than relying on the numbers alone to speak the truth.
Strategic foresight is in vogue. In the past few years private foresight companies and consultancies have mushroomed across the globe, offering their services and products to businesses, governments, international organizations and individuals; in short, to all those who seek to obtain insights and analyses about future geopolitical developments and potential risks. National governments and international organizations have perhaps taken a little longer than private corporations to discover the advantages of strategic foresight but many of them have accelerated their efforts recently. Most European countries as well as the United States and Canada have started to invest in strategic foresight resources and structures. In many European capitals, dedicated foresight teams and tools have been created in order to complement traditional policy planning and intelligence gathering. In Brussels, the center of the European institutions, the strategic foresight vocabulary has entered the language of policy-makers and bureaucrats alike.

ECA Journal short read

**Increased strategic foresight resources and structures** Both public and private organizations engage more in future challenges and risks. The continuously globalized world and technological development contributes to this interest.

**Domino effects and hard to predict unknowns** The complexity of today’s world reinforces the need to reassess the so-called ‘butterfly effect’ which stipulates the way in which small causes can have very large effect in complex systems. Equally, there are unknown threats and challenges that cannot be measured beforehand by strategic and systematic human thinking. In addition, human beings have cognitive biases leading to blind spots for emerging issues.

**Multiple futures** Understanding the past does not necessarily bring forward useful future strategies. Foresight mechanisms can offer a way of engaging in the unknown challenges and risks and sharpen our eyes, with the aid of scenario planning, about multiple futures and provide inspiration.

**Optimising strategic foresight** If organised in an interdisciplinary and inclusive manner and taken up at policy-making level, strategic foresight may provide a useful mind-set and method for decision-makers ‘to look out of the window’ with a fresh pair of eyes.

* The views expressed in this article are those of the author and do not represent any official NATO position. This article was also published on the website of the Munich Security Conference, held from 16-18 February 2018. See [https://www.securityconference.de/.../natos-strategic-foresight-navigating-between-bla..](https://www.securityconference.de/.../natos-strategic-foresight-navigating-between-bla..)
Complicated is not complex

The reason for the growing interest in strategic foresight is obvious: in our increasingly globalized world, decision-makers want to guard against the many strategic surprises out there. Arguably, comprehending the complex realities of today’s world is hard enough, yet trying to grasp the future seems even harder. Stephen Hawking, the British theoretical physicist, once (2000) said that the 21st century will be the century of complexity and he was right. It is mostly due to profound technological advances in the past few decades, particularly in the areas of telecommunications, the internet and more lately block chain technologies and artificial intelligence, that our world has become deeply interconnected and complex. Indeed, one could argue that we are now at the beginning of what may become the most dramatic change in the international order in several centuries, the biggest shifts since a group of European rulers signed the Westphalian Peace Treaty in 1648 and thus created an entirely new concept of sovereign states.

‘Look out of the window!’

The profound and fast changes we are witnessing every day illustrate that complex is different from complicated. For a layman, the inner workings of a battle tank may look like a highly complex thing but in reality, they only reflect a complicated process. Complicated systems, in principle, follow Newtonian characteristics in that they perform predetermined and repeatable functions. By contrast, a complex system contains a large number of autonomous elements that constantly interact with each other in non-linear ways. Complex-system scientists - when asked ‘What is a complex system?’ - usually just reply ‘Look out of the window!’ Clouds, mountains, rivers, the entire landscape of our world are expressions of what results from unpredictable interactions. Changes in complex systems – whether ecosystems, stock markets or human-centric domains like cities or states – can sometimes take place not in a smooth progression but in a sequence of fast catastrophic events.

Butterfly effects

The US mathematician and meteorologist Edward Lorenz, a pioneer of the chaos theory, coined the famous term ‘Butterfly effect’ for describing the way in which small causes can have very large effects in complex systems such as the weather. In the same vein, Per Bak, the well-known Danish theoretical physicist, reminded us that the domino effect in complex systems can sometimes have catastrophic effects: ‘Cracks in the earth’s crust propagate this way to produce earthquakes, often with tremendous energies.’ Translated to our political world of today, we seem to be faced with exactly this: propagating effects and surprising energy. Radical change in one area produces radical change elsewhere. The days of simple interactions and easy-to-map dynamics lie definitely behind us. It is the complexity of change and its unpredictable outcomes that pose a genuine challenge for decision-makers.
Black Swans or Unknown Unknowns

What governments fear most are strategic surprises or so-called Black Swans, a category of futures that the philosopher and statistician Nicolas Nassim Taleb (2007) described as ‘rare, hard-to-predict developments that have a large, game-changing impact’ on peoples, national interests, policies, processes and many more areas alike. In 2002, not long after the terrorist attacks of 9/11, the former U.S. Defense Secretary Donald Rumsfeld referred to Black Swans as ‘unknown unknowns’: ‘There are known knowns. These are things we know we know. We also know there are known unknowns. That is to say there are some things we do not know. But there are also unknown unknowns, the ones we don’t know we don’t know.’ This well-known phrase is often quoted in a satirical way but it contains a large kernel of truth.

In the past few decades, the world has had to cope with some Black Swans or unknown unknowns; for example, the Asian financial crisis in 1997/98; the global economic and financial crisis caused by the sudden collapse of Lehman Brothers in 2008/09; the Arab Spring in 2010; the Fukushima nuclear disaster in March 2011 and, of course, the 9/11 terrorist attacks on the United States. They not only caused major disruption but had large, far-reaching repercussions on numerous states, their policies, concrete actions and ultimately a huge number of people.

Blind spots

It is our own human nature that hampers our efforts to think about the future more systematically, with a long-term, open-minded view. Indeed, all human beings – including those in power positions – are afflicted with cognitive biases or, simply put, blind spots. Many of the past and current crises, political upheavals, natural disasters or pandemics do not fall into the category of Black Swans. We could have guarded against some of them or at least mitigated their effects if decision makers had been prepared to read the signals announcing these events correctly and if they had spent sufficient time and effort to prepare for contingencies. But allowing our blind spots to dominate our thinking and focusing on immediate issues rather than long-term strategies is not only a tempting choice for policy-makers across the board - it is also an expression of a deeply engrained human attitude.

Hindsight is not foresight

But even if decision-makers in governments were to become more conscious of their respective cognitive biases and developed a fresh way of thinking, detecting plausible signals that point at future strategic surprises remains an extremely difficult exercise. For one, it is much more demanding than explaining, in hindsight, why certain events unfolded as they did. True, an entire industry of scientists, academics, analysts and commentators are busy offering reasons why the Russian leadership decided to annex the Crimean peninsula in spring 2014 or why in 2016 a majority of British voters opted for their country to leave the European Union. While it is obviously important to make sense of past strategic surprises, these are, in essence, all ‘post-mortem’ analyses. Their thinking and explanation is fundamentally backward-looking. Yet, providing hindsight of past events – regardless how useful such an exercise is – does not necessarily translate into foresight. Simply because we can provide an explanation for, let’s say, why the current state of affairs between Russia and the West has evolved in a certain way, does not mean we are in a position to forecast the next political drama or catastrophe.
Black Elephants

Sometimes our preparedness to take long views on future trends and events is challenged by another member of the animal kingdom, the Black Elephant. Singapore’s Peter Ho, one of the intellectual fathers of strategic foresight, has called a Black Elephant the ‘evil spawn of our cognitive biases.’ It is a cross between a Black Swan and the proverbial Elephant in the Room: a problem that is actually visible to everyone but no one wants to deal with it. When it blows up as a serious problem, a widespread reaction is that of shock and surprise, whereas, in reality, it should not have come as a surprise.

Was the migration crisis that hit Europe reportedly ‘out-of-the-blue’ in 2016 a Black Elephant? I suppose so. The pull and push factors that drove a dramatically growing number of refugees and migrants from the conflict zones in Syria, Iraq and North Africa towards Europe were known for some time; so was the demographic data as well as the nexus between organized crime and human trafficking; and still many European governments pretended that the arrival of hundreds of thousands of people on their doorsteps came as an utter surprise to them.

There are other examples illustrating that most of the recent strategic shocks were in fact rather known unknowns or Black Elephants. For example, Russia’s arrival in the Syrian conflict zone in autumn 2015 or North Korea’s reinvigorated desire to challenge the international community’s resolve with missile tests could be categorized under this heading.

Strategic Foresight is not about predicting the future

Can strategic foresight make a difference? The cautious answer is yes, perhaps. Strategic foresight or futures thinking can be a useful way for governments and international organizations to better understand global complexity and prepare against Black Swans or Black Elephants. For sure, strategic foresight is not about predicting the future. Nobody can predict what precisely the year(s) to come will bring. But understanding key global and regional trends, detecting critical uncertainties and risk factors and developing scenarios about potential future developments makes a lot of sense if one wants to avoid nasty surprises.

For strategic foresight to be successfully embraced both as an anticipatory mindset and a method, we must accept that we will have to continue to live with a high degree of uncertainty now and in the future. For some politicians, this may sound banal; in the eyes of others, such a statement is antithetical to what they aim to make voters believe, namely that they have a firm and clear view of what the future holds. Strategic foresight methods, processes and products, however, are not meant to explain the future in linear terms. By contrast, they can help to better understand the complexities surrounding us; they can help challenge our own assumptions and make us aware of our blind spots; they can help sharpen our eyes about multiple futures and inspire our thinking about the unknown unknowns out there – but serious strategic foresight analyses and scenarios will never seek to tell a group of policymakers that the future is straightforward and black or white.

Scenario planning and horizon scanning should be inclusive and interdisciplinary exercises

Scenario planning exercises can be a meaningful way to make people aware of uncertainties, risks and problems but also opportunities. Developed by the oil giant Shell in the 1970s, scenario planning has become a globally acknowledged and broadly used foresight tool. In countries such as Finland and Singapore, scenario
planning exercises are held regularly on a national level and based on a whole-of-government approach, i.e. all ministries and offices of the government are involved at senior level. In Finland, not only the executive but also legislative branch participates in scenario planning exercises. In both countries, scenario planning is part of the national strategic planning process and thus taken seriously.

Horizon scanning is another, complementary foresight method. It is not meant to be a description or analysis of the current state of affairs but rather an effort to distinguish ‘noises from signals,’ to observe the unfolding of important, emerging trends and to identify potential critical game-changers. Data mining tools can meaningfully support horizon scanning exercises in that they help digest big data and search for weak signals that could evolve into sudden shocks. Ultimately, however, they cannot replace the sense-making process that is still the task of a person.

Finally, it should be highlighted that strategic foresight works best if organized in an interdisciplinary and inclusive manner. If scenario planning, for instance, is purely exercised by a small group of like-minded individuals that sit on the margin of the policy-planning process and have no linkages to the other parts of the bureaucracy, the impact will likely be very limited. Likewise, if strategic foresight products are not shared at the policy-making level they do not have a great impact either. Ideally, strategic foresight should help bring the various silos in a bureaucracy together in order to generate a broad and diverse spectrum of individual assumptions, mental maps and perspectives.

**NATO’s strategic foresight**

So where is NATO in all of this? In recent years the transatlantic Alliance has significantly upgraded its intelligence and crisis anticipation capabilities in order to better guard against unpleasant surprises, risks and threats, regardless whether they come from the East, the South, cyber space or through technological advances. Among others, a joint civilian-military Strategic Analysis Capability (SAC) provides NATO with strategic foresight analyses and scenarios about future developments of strategic relevance for the Alliance. SAC regularly engages with external foresight teams, regardless whether they sit in Allied capitals, NATO partner countries, the private sector or other international organizations.

NATO’s strategic foresight themes range from Russia’s future course of action at home and in NATO’s eastern neighbourhood, to future scenarios for the conflict-ridden Middle East and North Africa region, from the future evolution of the terrorist threat to NATO’s member countries to the many strategic unknowns that come with the global rise of China, and from the question what the cyber threat may look like in five plus years to the potential impact of new disruptive technologies. These and related topics cannot come as a surprise to anyone since they are populating the pages of numerous public outlooks and foresight reports. But geared towards NATO’s needs they constitute hard and substantial work.

After all, strategic foresight is primarily about encouraging everyone involved in a decision-making process to ‘look out of the window’ with a fresh pair of eyes and try to comprehend the dynamics that are driving our fast-changing global environment with a new way of thinking. This is neither easy nor comfortable. But trying to grasp how the nature of power, and those who yield it, will continue to alter in the years to come, how future relations between states and citizens will change or future wars be fought cannot possibly succeed if we still use the mental maps of the past. We may not find all the answers to these and other questions but at least we should try to pose them as smartly as possible.
2019: Turkey leaves NATO and moves closer to Russia. A fundamental challenge to the Alliance’s cohesion. Scenarios of that kind and their potential consequences are the subject of your foresight study. What are the concrete benefits of such an approach?

Scenario and foresight thinking can help us to prepare for unexpected events. International politics has produced one surprise after another in recent years: Brexit, Trump, Crimea, to name just three prominent examples. And more surprises are bound to follow. So it is useful to think through situations that are conceivable, such as a Saudi-Iranian rapprochement or South Korea acquiring nuclear arms.

In the introduction to the study you call for expectation management. What can political decision-makers expect from your foresight analysis? And what should they not be looking for?

We have no crystal ball, we cannot predict the future. We need to make that very clear to avoid disappointment. But we can help to sharpen political sensibility about situations that can arise unexpectedly. That

* This article was also published on 13 September 2018 on the website of Stiftung Wissenschaft and Politik, the German Institute for International and Security Affairs, see https://www.swp-berlin.org/en/point-of-view/2018/no-crystal
does not just mean the developments discussed in our study. Instead we need to emphasise the importance of maintaining awareness of other potential developments and their consequences in order to be in a better position to deal with the inevitable surprises.

You have already mentioned two important recent events that were almost completely unanticipated: Brexit and the election of Donald Trump. Why?

In both cases most opinion polls suggested a different outcome. And in both cases the result was very close. With Trump, about 90,000 votes tipped the scale, which is well within the margin of error. It is very hard to anticipate such a result. However, politicians could have been better prepared, for example by thinking through the possible consequences of an unlikely outcome. But to be honest researchers are also often taken by surprise, just think of the Arab Spring. That is another reason why we invest time and energy in scientifically grounded foresight.

How does politics need to change in order to predict and prepare for these kinds of events?

It is important to regularly examine situations that could happen, even if they appear unlikely. There are two objectives to this. One is to better anticipate possible developments, the other to run through the very concrete responses to unexpected events: Who takes part in the briefings, what questions need to be discussed, and how should information be communicated? Simulations and scenarios can assist that process. It would certainly help if there were more incentives for this form of analysis at the administrative level.

What distinguishes scientifically grounded foresight from forecasting?

A forecast involves a prediction of the timing and probability of a specific event. Foresight concerns hypothetical developments. What might be the consequences if the United States, China and Russia agreed to reform the United Nations in line with their own interests? Or if the EU’s security databases were systematically manipulated? We draw attention to events that might occur and how they might develop. And we examine the best available responses.

What criteria do you apply for selecting foresight contributions?

Three criteria are important: consistency, plausibility and relevance. Consistency relates to the described situation: Is it coherent? Plausibility refers to political context: Is this a conceivable situation? You need both scientific expertise and creativity to do this convincingly. And then there is relevance: The most interesting situations are those that would have considerable impact on German and European foreign and security policy, but are not currently at the centre of political attention.

Your study also includes two ‘foresight reviews,’ revisiting contributions written in 2013. What is the purpose of this exercise?

The foresight review is a methodological innovation. The authors review contributions prepared several years ago. They examine which influencing factors were thought to be especially important at that
time, and contrast these expectations with what has really happened. This kind of self-reflection allows us to update our ideas about future developments.

In the first foresight review the author reflects on her scenario of a breakthrough in electricity storage revolutionising the energy sector. How has that changed today?

What she did not anticipate in 2013 was the rapid decrease in the oil price which discouraged investment in energy efficiency. That factor plays a much larger role in her current contribution.

The second foresight review considers whether the Brexit negotiations proceeded as the author expected in 2013. What are his conclusions?

Broadly speaking the negotiations have gone pretty much as expected – and the author was writing three years before the 2016 referendum! What he underestimated was the potential for conflict within the British government and the political cohesion of the EU-27.

How can this insight improve future foresights?

Systematic scholarly self-reflection can sharpen our awareness of important factors we might overlook or discount. So we are learning for future foresights.
Scenario mapping: helping regulators to imagine possible futures

By Paul Moxey, Professor at London South Bank University and with SAMI Consulting, and Gill Ringland, SAMI Consulting

Scenario planning to identify risks and opportunities

Scenarios develop awareness and challenge current assumptions, beliefs and paradigms. Scenarios can help anticipate risks and opportunities: they are pictures of how the world might look in the future. Scenarios are used extensively by regulators, such as the European Commission. Similarly, EU Agencies such as Frontex (Border Control) and OSHA (Health and Safety), apply these techniques to explore future risks.

Scenarios however are not forecasts. As Figure 1 below Shows forecasts are over precise. Scenarios are based on plausible ways the future might evolve. Each scenario contains a set of different assumptions about how the future may play out – but the actual future may well contain aspects from more than one scenario! Looking at scenarios can therefore help regulators to imagine possible futures in order to anticipate changed government priorities.

Within the public service, mapping scenarios for the future is most often used by the executive branch, i.e. those who govern. Paul Moxey is Professor of Corporate Governance at London South Bank University and Fellow with SAMI Consulting and as auditor worked in both the private and public sector. Gill Ringland is Fellow Emeritus with SAMI Consulting and she has written several books on scenarios in various fields of activities. Below they present a short case study on how this works in practice. Their article also argues that scenario planning should be used by auditors, helping them to interact better with their auditees.

Foresight Case study: UK water supply

In one of our recent assignments, the UK water services regulator (Ofwat) organised a (long) one day workshop with stakeholders to gain new insights about water. Overall, 24 experts from across the industry, consumer groups, government and other regulators participated. SAMI Consulting was asked to assist in identifying the factors affecting the UK’s use of water between 2016 and 2050; imagine how the water industry might evolve; and hence how this may affect the role of the regulator.

Today

- will water supply, treatment and ownership be global/national or local/individual?
- will water be on the agenda (personal/community/national) or not?
It is in particular the second question, which challenges current assumptions: public water supply is currently not on the agenda since it is largely taken for granted. However, this might not remain so if, for example, access were curtailed or the cost were to rise significantly in the future. Conversely, the importance of water in many domestic and industrial applications could reduce due to new technologies, e.g. biotechnological waste treatment or waterless clothes washing. This would support the scenario that water supply will not be on the agenda.

Given the long time horizon to 2050, it would be foolish to take anything as for granted. At the same time, some variables – such as the impact of climate change and the growth of new technology – will surely drive the use and supply of water. The effect of these variables will however be different in each scenario.

Determining the big questions is always a matter of lively discussion within a workshop group, while naming the scenarios is often a source of hilarity! The names should be such that you can describe the world to your mother-in-law and she says ‘Oh, I get it!’ In this workshop, syndicates competed to provide a set of names – the syndicate which used the names of Hollywood films won, and the four possible future worlds were as in the figure. Taking the ‘Waterworld’ scenario (see Figure 2) as an example, we could imagine newspaper headlines such as ‘Standpipes in Downing Street’ and ‘London faces third year of drought.’

In this scenario, a key challenge would be to ensure the resilience of the water supply infrastructure: innovative and adaptive companies would have an advantage at times of volatile water markets, and traditional water companies might not be able to compete. A major challenge in this scenario would be the cost of building a grid only to be needed at times of regional shortage. Even if introduced just to make customer billing easier, remote metering would enable new developments such as seasonal pricing for water, or surge pricing as a tool of demand management in times of drought. Such changes could be introduced very quickly; and would need an accelerated regulatory response.

In this example, using these scenarios could help the regulator understand how the industry might change and to start discussion with stakeholders on priorities. The scenarios would give the staff confidence in engaging with stakeholders, knowing that a wide range of inputs had converged on determining the big questions. And all the participants enjoyed the process and the challenge of thinking about the future without fear, uncertainty and doubt!

And obviously, we also developed similar scenario stories for the other three quadrants.
But what about audit?

Scenarios could clearly be used in financial audits to consider issues of going concern and viability and in considering the range of uncertainty in considering the risk of material misstatement. We believe that they could be even more effectively applied in non-financial reviews and value-for-money audits. Scenario planning could be particularly useful in the early stages of an audit: both to help in scoping possible risks and, if auditees are involved, improving engagement with the client.

In fact, it seems strange that auditors rarely use foresight tools to help them consider the risks and opportunities associated with the area under their scrutiny. Examples could be high level, Europe-wide reviews exploring the consequences of proposed EU policies and programmes, or for exploring risk in specific budgetary areas.

And a final consideration: the result of using scenario mapping together with the auditees could also be that the audit would then be more about collaboration and less, as can sometimes be the case, about confrontation.
The sensation of living in a rapidly changing world is often attributed to technological changes that quickly follow one after the other. Duncan Cass-Beggs is Counsellor for Strategic Foresight at the Organisation for Economic Cooperation and Development (OECD). In this article he zooms in on the future of the ‘digital transformation’, and how foresight can play a role in exploring uncertainties, future scenarios and implications, including for auditors.

**Rapid change and highly divergent outcomes**

Over the coming years, digital transformation will drive rapid change on an unprecedented global scale. This pace and scale of change creates a high level of uncertainty for decision making. The potential for sudden discontinuities and highly divergent outcomes mean that the future cannot be assumed to resemble a linear extrapolation of current trends. Responsible decision-making requires that organisations invest greater effort in considering proactively a range of plausible future scenarios and their potential implications. Doing so can help ensure that strategies and policy frameworks put in place today are more likely to be resilient and adaptive in the face of the various potential directions that digital transformation could take.

**Identifying key uncertainties**

An important step in preparing for the future is to identify relevant key uncertainties. These are issues where, based on the best current evidence, there remains significant debate and divergence about the potential direction of change and likely future implications. The following are seven examples of key critical uncertainties surrounding the future of digital transformation.

A first key uncertainty is data control: will the increasingly vast amounts of data generated through online activities and the Internet of Things (and the conversion of this data into value through artificial intelligence - AI) be controlled by individuals, governments, corporations, or intermediary organisations? Or will data be so ubiquitous and plentiful that nobody can effectively control its production or use?

A second critical uncertainty is market structure and concentration: will network effects and increasing returns to scale cause global data-driven markets to be connected through only a few online platforms serving as intermediaries? Or could an abundance of data and accessible AI lead to a decentralisation of economic activity to a large number of smaller organisations and firms?

A third uncertainty concerns the internet and international trade: will the principle of a globally connected ‘open Internet’ continue or will there be stronger cyber boundaries between nations, regions, or different technology platforms?
Fourth is the world of work: to what extent will automation replace or complement human activities? Will an automated world see higher or lower unemployment, and to what extent will traditional employment contracts be replaced by self-employment and gig-work – where individuals provide short-term labour and may be paid by output delivered rather than time spent?

A fifth uncertainty is around well-being: will further digitally-driven development worsen inequality? How will the increasing ability of AI to detect moods and influence opinions impact mental health as well as trust and cohesion in society?

Sixth, security and privacy: will improved security measures lead to lower levels of digital risk or will more sophisticated malware and greater integration of the physical and digital worlds increase risks and conflict? Will a more interconnected world lead to the end of privacy, or will technologies be developed to strongly protect privacy at the source of data collection or its use?

Finally, there is critical uncertainty on the role for governments: might a growing number of governments take a more active role in facilitating digital transformation by providing unique digital identities to citizens and building the infrastructure digital firms operate in? Who will control the potential next frontier of governance, namely the ongoing iterative process of ensuring alignment between AI and societal values?

Exploring Alternative Scenarios

On the basis of key uncertainties one can elaborate a range of alternative plausible scenarios about the future. Scenarios are neither predictions nor aspirations, and it is assumed that none of them are likely to come about as described. Rather, the aim is to provoke discussion about a broader range of future possibilities than may commonly be considered in policy-making. The following is an example of four draft scenarios currently being explored at the OECD, representing broad alternative contexts for the future of digital transformation:

Scenario 1 ‘iChoose:’ a world where individuals have taken their online data and identities into their own hands, and are using this in active ways to further their economic opportunities, civic participation, and personal development.

Scenario 2 ‘Platform governments:’ in this scenario, a number of governments have taken a highly active role in digital transformation and gained increasing effectiveness and relevance as a result. These governments are developing their own online platforms to manage interactions with citizens, business, and civil society.

Scenario 3 ‘Corporate Connectors:’ large, global technology corporations as one-stop shops for virtually every aspect of our lives. They take a more active role in global governance and in addressing challenges such as climate change and digital security.

Scenario 4 ‘Artificial Invisible Hands:’ a super-abundance of data, artificial intelligence and universally accessible tools of digital innovation have created a world where economic activity is highly decentralised and in a rapid ongoing state of innovation and disruption. Applying foresight to explore implications for policy
Applying foresight to explore implications for policy

Using strategic foresight to explore the key uncertainties and scenarios outlined above can help organisations better anticipate and prepare for the future by making better decisions today. Some questions that can help start discussion in your organisation include:

- What are some key uncertainties regarding the future impact of digital transformation for your organization or in your policy area?
- How might different scenarios relate to your policy area? What new opportunities and challenges could emerge under each?
- What changes may be needed to your strategies and policies today in order to be better prepared for different scenarios in the future?

Foresight for Auditors

The high level of uncertainty created by digital transformation has a number of specific implications for auditors. How could digital transformation impact the function of auditing? For example, what if the ability to audit algorithms and the use of big data for their impacts becomes an increasingly important priority, and what new techniques, skills and capacities would this require? How can auditors contribute to the readiness of governments and organisations by conducting strategic foresight studies on emerging issues and their implications? And finally, how can auditors help to ensure that their clients are adequately preparing for digital transformation and its uncertainties? For example, how could performance audits include a requirement to identify and consider key future uncertainties and scenarios and the implications of these for achieving the objectives of the program?

By demonstrating, supporting and encouraging good practices in foresight the audit function can play a major role in helping organisations and governments – and by extension society – prepare for an uncertain future.
Engaging in foresight: a must for the ECA to be a global leader in public auditing

Interview with Juhan Parts, ECA Member

By Gaston Moonen, Directorate of the Presidency

At the end of 2017 the ECA College decided to establish a ‘Future Foresight Task Force’. This group of five ECA Members and support staff was asked to develop proposals that would help to make the ECA ‘future proof’. Juhan Parts is chairing this Task Force, and is keen to explain why it is so important for the ECA to engage in foresight and what it entails for the ECA.

Foresight and vision

When speaking with Juhan Parts about foresight it quickly becomes clear how much he is at home with the topic and determined to make it stick at the ECA. His replies and analysis are laden with facts, but delivered with wit, enthusiasm, and visionary perspectives on how to move this topic forward. And with no fear of being explicit and taking positions: ‘Whatever we do at strategic level, we should first have a broad picture. This is always a challenge: what do you do to create a vision! Foresight provides you with tools to develop such a vision and find answers, answers on how to be at the cutting edge of digitalisation, to be leaders in public auditing.’

Working on foresight and creating foresight capacity is not new for Juhan Parts. He explains that foresight was a core element in his previous functions, which included, respectively, Auditor General, Prime Minister of Estonia and Minister of the Economy and Communications. ‘When I was a minister we developed, in 2010, what we called Growth Vision in a public body called the ‘Estonia Development Fund’. This was meant to be a ‘constant foresight’ institution focusing on economic development. In addition, we initiated a process in Estonia’s government, asking questions such as ‘What does government mean in a democratic, free society, with many stakeholders in business, academia, civil society, local government, and operating in the EU?’ It means that you cannot govern on your own. The biggest challenge for politics
Interview with Juhan Parts, ECA Member continued

is how to come together and have a common platform for understanding where we are going. The logic here is common goal-setting to create a growth vision for a country, in my case Estonia. Juhan Parts refers to a document entitled ‘Goals and aspirations for the next decade.’ He adds: ‘We started this work with an enormous trend mapping exercise for our country, with the ultimate aim of developing a vision for its future. It was during this effort that for the first time I had the opportunity to work with professional foresight people. When we came together in the Task Force I was glad to share my experience.’

Audit and foresight: natural partners

When elaborating on the relationship between audit and foresight and why it is important for an auditor to have an idea of the future, Juhan Parts presents a number of arguments. ‘First of all, foresight is not forecasting, it is not speculating. If you look at our work in the Task Force, a very important takeaway is that foresight should always be based on the facts. Looking at the future does not mean leaving the facts aside!’

The second point he mentions is that the audit standards envisage that Supreme Audit Institutions (SAIs) should link their work to emerging risks. ‘As auditors we have to understand the risks – but this is very similar to assessing the likelihood of events that may or may not happen in the future.’ Thirdly, he underlines that SAIs always need to have a broad picture to understand what is going on, globally, Europe-wide, making connections and causal relationships. ‘Foresight can be a tool to provide answers or at least some of them.’

‘Focusing your attention’ is the fourth point Juhan Parts raises. ‘We are a small institution with limited resources. Therefore we need to focus these limited resources on the most relevant topics now and in the future. We need a systematic approach to structuring our areas of responsibility.’ As a fifth element of his response, he underlines: ‘Foresight at audit level should give us a source to set audit criteria and ask questions such as “Are the policies that we examine addressing problems which are likely to remain relevant in the future?”

Core elements to make the ECA future proof

Coming back to the work of the Task Force, Juhan Parts explains the mandate given to the Task Force: what should the ECA do to be future proof? ‘We came up with three elements. First, we need an autonomous capacity and skills to do foresight for audit. Secondly, we should integrate this capacity, this knowledge it provides, into the ECA’s strategy process. And thirdly, this knowledge must be mainstreamed into our core business process, which is auditing.’

Another important element Juhan Parts identifies is how the ECA is going to use technology for its core business. ‘We need to think about new technologies and the impact on our assurance work. Likewise for our performance audits, and here we have to be attentive to the goals the two types of audit work pursue, because they are very different.’

When asked about how to integrate foresight best into the audit process, Juhan Parts points to three aspects he considers essential. ‘The first result of any foresight is trend mapping, and the Task Force did this as a pilot exercise. The outcome is an identification of trends which are most important for the Union, as we are the EU’s external auditor. This pilot exercise should
Interview with Juhan Parts, ECA Member continued

If you go into depth in foresight you will realise that this is some kind of art.

Try to be a leader and not a follower. What is critical here is your mind-set.

We are in a unique position to (...) become standard setters.

Adopting a foresight culture

One of the challenges an organisation faces is how to engage its staff with new things, with management decisions on which course to sail, whether it is a new strategy or the internalisation of foresight methods. Juhan Parts recognises this as a challenge: ‘If you go into depth in foresight you will realise that this is some kind of art, a way of analysing things, a perspective on how to look ahead. It is not simply another in-house administrative procedure to be dealt with.’ He then explains the cultural change that he sees as necessary to come to applying foresight: ‘There should be triggers, call them drivers, if you want. There are goals set for every single audit, and these goals are not just a kind of output, they have to be impactful.’ He clarifies that this goes further than merely communicating about the audit results or doing a conference. ‘It is not simply finalising the audit report, submitting it to parliament, issuing a press release, and done. We need to be clear, beforehand, on what impact we want to achieve, how we achieve it and how to measure whether we have achieved it. What are the triggers that can really create the organisational preconditions to get to such an approach?’ He concludes that the ECA Members and the senior managers have a common challenge to address. ‘Without leadership in this, you cannot change things – just by saying to staff ‘Do it this or that way.’

For Juhan Parts making optimal use of technology, in particular given the ongoing trend towards digitalisation, is ‘an essential building block for making the ECA future proof.’ He adds: ‘My lesson learned from the past is that you need to be open to using emerging technologies to create opportunities. Try to be a leader and not a follower. What is critical here is your mind-set, because you can always find arguments not to do something. At the ECA we should go for innovation, and not find impediments in international audit standards or elsewhere.’ He concludes that this requires a readiness, starting from the top level.

Juhan Parts is convinced that the audit compliance work of the ECA, leading to the ECA’s annual Statement of Assurance, needs to make better use of the new technologies that are already available. ‘Big data, artificial intelligence (AI) and in the future probably block chain; they are developing rapidly and everybody is investing in them. We are in a unique position to make such investments and become standard setters. We are a small institution, but this may be an advantage. I am sure that we can use this technology for our purpose.’

be discussed at management level. This should be, for example, not only identifying that migration is important, but why, what possible scenarios there are with what possible implications. This can serve as input for the next phase in our strategy.’

As a second stage Juhan Parts indicates a need for a permanent internal capacity for scanning the ECA’s audit environment, and in particular for identifying how the auditee is tackling the trends which were identified in the previous phase. ‘Subsequently we get to the real strategy – what goals the ECA will set up in the audit work, considering these trends and scanning information. Once we have those goals we want to achieve with our audit work, in each specific area, we can ask which audits we need to achieve these goals. This is where our audit work programming comes in.’ With a smile he adds: ‘This means that when we come to launching the audit, the background dynamics are already there!’
Main takeaways from the 2018 ECA seminar on foresight

As to the outcome of the discussions he held with his colleagues at the ECA seminar on foresight, Juhan Parts identifies four main takeaways. ‘As to the two questions of whether we should introduce foresight into our strategy process and consider an oversight capacity, I think the overall consensus was clearly positive. Another important takeaway was that the digital reality is already here or, if not, coming soon. Our choice is to jump on this train regarding the digital transformation of our assurance work, or not.’

As a third issue he indicates that the ECA mandate is much broader than it sometimes is considered to be in-house. ‘We should not diminish our mandate by not using it to the fullest. Our mandate is what was ratified in the Treaties and agreements by all EU Member States. Our mandate is a duty to protect taxpayers’ interests and the effectiveness of EU policies, no less. There is sometimes confusion about what we are obliged to do, what we are entitled to do, etc. On top of this, not questioning certain political decisions is sometimes used as a pretext. Everything is political, but for us, as the EU’s external auditor, it is crucial that we assess the effects of these policies in an independent, objective and professional way. This is a very big challenge and makes us an important element in the functioning of EU democracy.’ Clearly intrigued by the topic he adds: ‘If we diminish our role, for whatever reason, we diminish the functioning of democracy.’ Then, concluding: ‘Then we have to ask ourselves why the situation in the EU’s neighbourhood is getting worse, or why the convergence of the less developed economies in Europe is not happening anymore. What is our responsibility here?’

As a fourth take away, he refers to other SAIs: ‘Others are using foresight for their work, some have already been doing so for several years.’ He recalls the case of the U.S. Government Accountability Office, that they have been applying foresight for over eight years now. ‘The SAIs in the USA and Finland are probably most advanced, but they are not the only ones.’

Setting our own agenda

For Juhan Parts foresight also provides an opportunity for the ECA to be in a better position to set its own agenda, making well-informed choices based on scenarios linked to facts instead of intuition. ‘Of course, the logic is trend mapping, environmental scanning, goal setting and then the selection of specific topics to be audited. But always keeping in mind: what impact do we want to achieve? Every audit should have such building blocks.’ He underlines that it is not always easy for auditors to have impact and that another challenge will be to analyse all the facts. Again, he comes back to the importance of being an objective, impartial guardian of taxpayers’ money. ‘We need to be bold and critical, but also fair when assessing policy impact. And we need to be aware of preconceptions on certain policy issues.’ In his opinion, the core question should always be what the effectiveness is of using EU taxpayers’ money through European programmes or EU regulation. ‘We should not be echoing the Commission, not for our audits, nor in our opinions on future legislation.’ As for the level of interest in reports produced according to this logic, Juhan Parts is not afraid: ‘If audits are chosen in line with our goal setting there will be interest in what we say.’

Apart from what the ECA audits, Juhan Parts believes that the ECA should set its own agenda on how it audits. He expands on an issue he raised before. ‘Take our assurance work. Many things are going on regarding financial audit topics and everybody is trying to track this, be it in the private audit or public audit arena. The trick is how to change the whole issue.’ Juhan Parts can imagine a big impact here: ‘If we change the current logic it will change... always keeping in mind: what impact do we want to achieve?’

We need to be bold and critical, but also fair when assessing policy impact.
the total management and control landscape. If we are able to do this in an
innovative way, calling for a new way of thinking and organising at the level
of the auditee, see how robots can help in audit, how we can use analytical
tools offered by AI to innovate and identify compliance risks, fraud risks, etc. -
then we can trigger a fundamental change. And we need to start here, at the
top of the audit pyramid.’

Setting the agenda also entails fulfilling some conditions. For Juhan Parts it is
clear that much more expertise is required. ‘If we want to be more pertinent
we will need more policy expertise. And I mean confirmed experts in the
areas we choose to focus on. And this means that we should be able to
offer them something interesting.’ He believes the ECA is in a good position
to offer an interesting work environment, provided that there is enough
flexibility in the ECA’s human resources policy. For him, this even goes as
far as being independent of the Commission’s staff regulations, which is
currently not the case. ‘For me this is a strange set-up and decreases the
flexibility we need.’ A second element he raises is more networking. ‘In the
areas where we need this expertise we will need more networking.’

**Foresight on the ECA: which future(s)?**

When discussing the future(s) of the ECA and where it will be in ten years
from now, Juhan Parts expresses a strong hope that foresight will be
embedded in ECA activities, as proposed to the ECA Members: ‘I really think
we need a strong and permanent foresight capacity that is firmly plugged
into the strategic planning and audit processes.’

In addition, he believes that there are at least two decisive factors on
how the ECA will look in the future. ‘I think independence is critical to be
independent of the sector, as an audit institution, vis-à-vis your auditee. It is
not that we just declare, as ECA Members, ‘We are independent.’ We should
really look at the mind-set, motivation and conditions of everybody working
in our organisation in the sense that they optimise such an independent
attitude.’ He links this to performance audits and the choices made there: ‘If
we have the right expertise, if we get the right drivers in place for selecting
the topics that have an impact, then we can be standard setters in adding
value for policy decision-makers.’

The second decisive factor he identifies is the digital challenge. ‘If we take
up this challenge of digitalisation, and we do an extremely good job during
the next ten years … then we will be global leaders in public audit. But it
cannot happen overnight. We should test learning by doing. To become the
standard setter in auditing we need to start today.’
Establishing the Task Force

The story of the Foresight Task Force began in September 2017, at last year’s ECA seminar, the annual ‘away days.’ At that seminar, the ECA Members shared the feeling that while the then recently adopted 2018-2020 strategy of the ECA provided a strong impetus for improving and extending the range of products and communicating better about them, the ECA could still do more to develop its forward thinking capacity. The Members saw the need to improve the ECA’s ability to identify long-term policy problems and to make use of this information when formulating its strategic and operational priorities.

The 2017 seminar concluded that the ECA needed to reflect on establishing a strategic capability, almost like an internal think tank, thinking structure in order to make the ECA future proof. To follow up on the conclusions of the seminar, a Task Force composed of five ECA Members (Ildiko Gáll-Pelcz, Mihails Kozlovs, Leo Brincat and João Figueiredo, chaired by Juhan Parts) was set up. The Task Force is supported by the Directorate of the Presidency.

The Task Force started its journey in January 2018 with a clearly spelled-out mandate from the ECA College: identify future thematic areas of interest for EU citizens and policy makers and assess the need for a permanent future foresight capacity in the ECA.

The Task Force decided to first explore the future-proofing and foresight theory and methodology. It did so by studying a wealth of literature and by reaching out to the vibrant community of foresight professionals in audit firms, European and international institutions, academia and SAI’s. Some of these consultations were conducted as part of study visits to partner organisations such as the United States Government Accountability Office, the United Kingdom National Audit Office and private audit firms. As a result, the Task Force established a firm grip on understanding the foresight toolbox and along the way made dozens of valuable connections with foresight experts.

Pilot trend watch

The Task Force quickly realised that a frequent starting point, and indeed the backbone of any foresight activity, is analysing trends and drivers of the future. To get ready for future challenges one has to scan the environment of the organization to detect indicators and drivers that give clues about the future. When doing this, it is vital to truly look beyond the current, imminent challenges in our environment and project the organization in the future.

Therefore, the Foresight Task Force undertook a pilot trend analysis for the ECA based on more than 40 internationally recognised trend studies and consultations with more than 60 experts. The resulting study, in its preliminary version, has been presented internally at the 2018 ECA seminar (see page 32). This study is meant to be a living document that will form the basis of future ECA foresight work. So far the study has not been published, but a visual overview in form of a metro map is reproduced on the next two pages.
Technology wake-up-call in audit

The trend analysis pointed in particular to the opportunities provided by new technologies for the future of audit, in particular of financial and compliance audit. The Task Force held several consultations with private audit firms and concluded that there are many developments, which are analysed and reported to the ECA College for possible options.

The accelerated development of digital technologies and artificial intelligence has opened up huge possibilities to improve the quality, efficiency and relevance of assurance audits. High-level commitments by Commission and Member States to create a European-wide e-government may create additional opportunities. Innovation in these areas could lead to large resource savings. The use of these new methods depends largely on access to and connections between auditee data sets. Guaranteeing full access to these systems will thus be key. The Task Force also consulted, particularly for the trend watch, with ECA senior officials and experts in the Audit Chambers. In addition, it consulted support services like information technology.

ECA events centred on foresight

Foresight was also the main theme at the 2018 ECA seminar on 20/21 September that was organised by the Foresight Task Force, with the help of experts from the Organisation for Economic Cooperation and Development and the U.S. Government Accountability Office.

Participants discovered what future-proofing and foresight is, how other organisations introduced it and how they use it fulfil their core mission. The seminar also explored options for the ECA to use foresight in its core business and discuss the implications of such an approach on audit and support processes. This event was organised around a set of thought provoking speeches by external guests, which allowed the ECA Members to have a very productive discussion on the way forward with foresight in the ECA.
The Task Force was also asked to prepare the Management Seminar on 6 December 2018. This seminar will provide an opportunity to discuss the foresight topic with the middle management level.

**Foresight principles**

As regards ECA’s future foresight work, a few basic principles clearly emerged for the Task Force:

- Foresight and future-proofing are umbrella terms for methodologies and approaches that take volatility, uncertainty, complexity and ambiguity as their starting point, explore possible and probable futures, including a preferred one, and generate insights and ‘cross-sights’ that enable transformative decision making today.

- Foresight is about the core business process. For Supreme Audit Institutions (SAIs) that means it is not an intellectual side-event but impacts the strategic orientation, the selection of future audits and reviews, methodology and reporting as well as the development of future capacity and knowledge. Consequently, foresight is used at key decision-making points on strategy, work planning, audit methods and reports.

- Foresight is an organisational mind-set – a way of doing things – that affects everybody in the organisation albeit in varying intensity. That means that it has to be introduced gradually but thoroughly through leadership from the top and will require time to take effect. While it might be driven from a core team, it has to be clear for everybody else what it means for them and for the organisation as a whole.

- Finally, foresight is about leveraging external resources and partners. SAIs are generalist organisations that depend on external expertise and should be very sensitive to outside signals, in particular when it comes to future developments.

**How will the ECA become future proof?**

By the end of the year, the Task Force will submit a proposal to the ECA College on how to build foresight into the core business processes in order to become more future-ready. The proposal will build on the experience of other organisations recollected by the Task Force as well as the input received at the ECA seminar. Thinking about the future is of course not entirely new to the ECA. The Task Force will therefore analyse current strategy, planning, audit and support processes to see where elements of foresight could usefully enhance our practice. If the proposals are approved by the ECA College, the ECA will continue its foresight journey in 2019.
The 2018 ECA seminar: all about making the ECA ‘future proof’

By Barbara Auer, Directorate of the Presidency

This year’s topic for discussion: making the ECA ‘future proof’

This year’s ECA seminar took place on 20 and 21 September 2018 in Überherrn, Germany. For two days, the ECA Members discussed how the ECA should position itself to be better equipped to face future challenges and to benefit from future opportunities.

The seminar, and the different topics discussed, had been prepared by a ‘Foresight’ Task Force led by ECA Member Juhan Parts, with support from the ECA’s Directorate of the Presidency (see also the article on the Task Force on page 27).

Discover future-proofing and foresight: OECD and the US GAO sharing their experiences

The seminar’s first session focused on future-proofing and foresight at other organisations. Two external guest speakers shared their organisation’s experiences and insights with the ECA leadership: Duncan Cass-Beggs, Counsellor for Strategic Foresight to the Secretary General of the Organisation for Economic Cooperation and Development (OECD), and Stephen Sanford, Strategic Planning & Innovation Manager at the U.S. Government Accountability Office (GAO).
Duncan Cass-Beggs recalled that in a world where change happens faster than individuals or governments can keep up with, foresight is more important than ever (see more details on page 19). He defined foresight as thinking systematically about the future to inform decision-making by exploring and preparing for alternative plausible futures. In his keynote speech, he also suggested that the ECA should look into the following three ‘foresight’-related questions:

- What plausible future changes could impact the ECA – its role, capacities, etc. (i.e. ‘foresight for the ECA’)?
- How can the ECA build foresight into its own work (e.g. foresight influences audit scope, questions and methods, i.e. ‘foresight in ECA audit work’)?
- How can the ECA support anticipatory governance practice by EU institutions and governments, i.e. assess if the Commission has considered relevant future scenarios (e.g. ‘auditing for foresight’)?

The second guest speaker, Stephen Sanford, presented how the GAO uses foresight to set priorities and be proactive in a political context. In his speech he underlined the strong commitment to foresight by the GAO and its leadership. Foresight is operationalised across a number of functions; it is integrated in the core of what GAO does. Stephen Sanford also explained that foresight practice and culture is spread across the organisation through a range of activities that are coordinated by a central strategy team. Taken together, these activities form the GAO ‘foresight ecosystem’, including:

- Environmental trend scanning
- Leadership decision-making support
- Planning support (i.e. strategic goals and planning priorities are informed by trend analysis)
- Audit work support (i.e. foresight influences the approach and reports of audit engagements)
- Capacity building such as speaker series, fora and trainings
- Participation in external foresight networks

According to Stephen Sanford, foresight at the GAO is aligned with its core mission: to improve accountability and the performance of the federal budget. His article on page 62 provides more details on the GAO’s approach to foresight.

**Foresight in action – a workshop facilitated by the OECD to introduce the ECA leadership to scenario planning**

The second session was a workshop facilitated by Josh Polchar and Julia Staudt (both OECD). The workshop consisted in developing scenarios in small groups. Once these ‘stories of the future’ were developed, participants identified concrete changes the ECA could make to become better prepared to succeed in the future.

The facilitators underlined that scenario planning should not be confused with predictions; rather it aims to ‘train’ leaders to imagine possible, albeit unlikely, disruptions and reflect on how their organisation could react to them.
Digital audit - a revolution in the making

The third session was centered around a presentation on the topic of digital transformation for audit by Brice Lecoustey, partner at the Luxembourg practice of Ernst & Young (EY). He explained how current technology is already changing the methods and even the meaning of audit. In the past few years EY has made big strides towards automating many audit procedures. This has already changed the audit of routine transactions, and in future will also be extended to non-routine transactions, involving estimates, judgements and even audit scoping and risk assessment. Brice Lecoustey’s article on page 52 provides more details.

The lively discussion after this presentation showed that digital audit is also an urgent matter for the ECA, and the main question to be answered is where to apply it in its audits.

The ECA’s future institutional positioning - what are the options?

The fourth session focussed on the ECA’s future institutional positioning. The guest speaker, Professor Matthias Rossi from the University of Augsburg, presented his reflections on this topic.

According to Professor Rossi the ECA has a broad mandate under the Treaty which should allow it to play a more active role than in the past. His contribution on page 69 provides further details.

Final session of the 2018 ECA seminar – all about drawing (preliminary) conclusions...

During the final session, a clear consensus emerged amongst the participants: more needed to be done in the areas discussed over the previous two days. In particular, the ECA should embrace strategic foresight across the organisation, but in particular in its strategic and work planning and audit work (methods, scope, reports and recommendations).

Studies such as the ‘ECA trendwatch’ - which had been prepared for the first time for the 2018 ECA seminar - could be an important element of a future ECA foresight system (more details in the article on page 27). However, such analysis would need to be broken down to determine the specific implications for our audit work and our organisation and to support decision-making in strategic and annual planning.

Moreover, the ECA could consider setting up advisory bodies with internal and external experts to support future-oriented decision-making. Participation in external foresight community networks could also be envisaged, as long as the ECA’s institutional independence was not compromised.

As Leo Brincat, one of the members of the Task Force, put it: ‘In a world of rapid change and uncertainty, doing nothing would represent the highest risk. Foresight is a collective responsibility; it has to be lived and understood by everybody.’

The ECA seminar is not a forum for taking decisions. President Klaus-Heiner Lehne therefore invited ECA Member Juhan Parts and the other members of the Task Force to submit their proposals, by the end of the year, on how to best introduce foresight at the ECA.
Work on Long-term Trends and Uncertainties at the IMF

By Alberto Behar and Kristina Kostial, both with the International Monetary Fund, and Professor Rafael Ramirez, University of Oxford, and with Normann Partners*

As is the case with many other organizations, the International Monetary Fund (IMF) has been using scenario planning (SP) as part of its foresight work, known inside the building as ‘Long-term Trends and Uncertainties’ (LTU). Within the IMF Alberto Behar and Kristina Kostial, working as respectively Senior Economist on the Scenarios Team and Deputy Director in the Strategy, Policy and Review Department, work on a daily basis with these issues. In this article, they explain, together with Rafael Ramirez, Professor of Practice and Director of the Oxford Scenarios Programme, Said Business School and Green Templeton College, University of Oxford, and with Normann Partners, and who advised the IMF in this work, explain why and how this is done and provide some insights on how this type of foresight work has helped the IMF in doing its work.

By Alberto Behar and Kristina Kostial, both with the International Monetary Fund, and Professor Rafael Ramirez, University of Oxford, and with Normann Partners*

---

Engaging with long-term challenges and being agile in the face of uncertainty enhances the IMF’s effectiveness

The IMF’s primary mission is to ensure the stability of the international monetary system. It does so in three ways: surveillance of the global economy and the economies of member countries; lending to countries with balance of payments difficulties; and giving practical help to members through capacity development.

IMF surveillance and lending programs involve rigorous analysis of developments with horizons of up to five years. Yet the global economy is undergoing longer-term transformations that subject the future to considerable uncertainty and complexity. So, the question arose of how to incorporate these aspects in our analysis.

By their nature, long-term transformations are subject to Knightian Uncertainty. Such “unknowable unknowns” contrast with quantifiable risks, which have implicit or modelled distributions derived from past relationships or data. Scenario planning (SP) engages such uncertainty, thus complementing the IMF’s more established methods for discussing and quantifying economic risks. SP helps us surface and challenge assumptions and explicitly map our different mental models through which to interpret events. Notably, SP recognizes diverging views as an indispensable asset because the Knightian future is unknowable.

IMF in its second round of building and using scenarios

With strong support from and engagement with our top-level management, we are experimenting in the IMF with establishing SP in the institution while not overly formalizing it. As a learning institution, the IMF emphasizes SP as a learning process – documents are inputs, not final products. So far, we have done two rounds of SP.

---

* The views expressed in this paper are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

1 In particular, we have used the Oxford Scenario Planning Approach (Ramirez & Wilkinson, 2016; Ramirez, Churchhouse, Palermo, and Hoffman, 2017).
The first round, which started in 2012, commenced with the preparation of LTUs, on which we sought feedback from senior officials and the IMF’s Executive Board. Based on these LTUs, senior managers - in a dedicated two-day workshop - developed a set of scenarios.

The second scenario round started in 2016 and is in progress at the time of this writing. Here we asked junior staff and guests from outside the Fund to build new scenarios structured along axes representing two key uncertainties (the deductive method). This approach differed from the one we used in first round, which did not have pre-imposed structures (the inductive method). Implications of the scenarios were then discussed by management and the Executive Board and also used by various departments to think about specific problem sets that are relevant to our 189 member countries.

The current scenario set considered possible future contexts the Fund may face over 25 years and is structured by two key uncertainties. First, how much might technological change enhancing humans (or not) have mattered for the economy directly (e.g., the future of work and global income distribution), and indirectly through how policymakers and regulatory frameworks act? Second, to what extent might societies have come to trust the ability of established institutions to deliver services amid such changes? How such uncertainties might play out is depicted using three scenarios (Figure 1).

**Circle of Trust:** Technology raises productivity and well-being. Political systems deliver stability amid pressures on wages and demand for social services. Distributed Ledger Technologies make transactions more efficient but add systemic risks and challenge traditional regulators.

**Twin Peaks:** Automation has progressed, winners take all, and trust in political systems is eroded. Activity concentrates in powerful centers. Wage compression causes a global recession prompted by a crisis in a large economy. Shockwaves split the global economy into two blocs.

**Tech Race:** Technology is well integrated, but information mismanagement creates distrust in data and institutions. Corporations, individuals, and governments are in a competitive struggle amid political, economic, and social fragmentation.

*Source: IMF*
How LTU has influenced our work

According to Jeremy Bentham, Shell's Vice President who heads their scenario team, effective SP leaves 'fingerprints' on the insights it generates. We have found several marks of our SP on IMF work. Examples are presented in Box 1.

Box 1: LTU Fingerprints on the IMF's Work

**Surveillance:** Thanks to recognizing their importance for global financial stability, formerly 'emerging' trends like inequality are now part of our surveillance. LTU helped us gear up to advise how countries can assist those left behind by technological change and global economic integration. Scenarios inform Early Warning Exercises, which aid surveillance through discussions of vulnerabilities to plausible though low probability and high-impact risks.

**Lending:** In response to the Ebola outbreak, we established the Catastrophe Containment and Relief Trust to provide grants for debt relief for the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters within a very short time frame. SP sensitized us to how the Fund can help stop a non-economic trigger from causing a global snowball effect on economic growth and stability.

**Capacity Development:** The scenarios helped assess how technological changes affect members' needs and the modes for assistance.

IMF experimenting in incorporating LTU more in operational work

Attempts to tie scenario planning to our work program continue to show promise. For instance, the IMF is working on identifying new surveillance priorities and reviewing how it might better conduct surveillance. We want this review to look at the future surveillance landscape through the lens of uncertainties concerning long-term economic prospects, while exploring challenges and opportunities for our member countries and the global economy. Also, the sub-Saharan Africa Fall 2018 Regional Economic Outlook\(^2\) features new purpose-built scenarios in a chapter on the future of work. The scenarios, which describe potential paths for technology, global economic integration, and climate change, call for openness to adapt development strategies. The scenario set, which will feature at a special event in sub-Saharan Africa in December, will inform our dialogue with sub-Saharan African countries.

---

The European Political Strategy Centre's Experience with Strategic Foresight: safe-spaces, networks and walking-the-talk

By Ricardo Borges de Castro, European Political Strategy Centre, European Commission

The European Political Strategy Centre (EPSC) is the European Commission's in-house think tank tasked with providing the President of the Commission and the College of Commissioners with strategic, evidence-based analysis and forward-looking policy advice. To fulfil this mission, Ricardo Borges de Castro, advisor on Strategic Foresight to the EPSC, explains how the EPSC brings foresight to the frontline of EU decision-makers.

Mainstreaming foresight

With regard to the future, policy- and decision-makers start from a level playing field. Unless one has extra-sensorial abilities, no one knows what it holds in store. In fact, the future should always be expressed in plural terms: there are several plausible futures, not a single one. To use Stuart Candy’s clever expression, the future is a ‘landscape of possibilities,’ even if in most settings (maybe with the exception of the private sector) it is more frequently seen as a landscape of challenges.

Yet, strategic foresight and anticipatory governance techniques can help policy- and decision-makers better prepare for the future. And, in today’s more volatile, uncertain and complex world, these approaches and tools are rapidly growing in importance. Once misunderstood or scorned (‘Ah! So you’re the guy with the crystal ball?’) foresight is today being mainstreamed across policy areas. Indeed, many, including in the European Union, are now following in the footsteps of Finland and Singapore – perhaps two of the world's best examples in the field of governmental foresight.

This was in fact part of the reason for setting up the European Political Strategy Centre (EPSC) – the European Commission’s in-house think tank: to provide President Juncker and the College of Commissioners with strategic analysis and long-term policy advice. As an on-demand, service-oriented policy ‘start-up,’ the EPSC has sought, from the outset, to reconcile the usual constraints of day-to-day priorities and politics with long-term strategic thinking and planning. This implies a degree of agility and flexibility that is not necessarily a given in many large public administrations, and that also leads us to innovate in the way strategic foresight methodologies are used – especially with regard to its resource and time-consuming nature.
Key elements in the EPSC’s foresight journey

The EPSC’s strategic foresight journey has been – and continues to be – one of creating safe spaces for open debate, building internal and external networks and walking the talk.

Safe spaces are particularly important because conformity, groupthink and risk-aversion do not mix well with preparing for the future. Creating a safe-space within the Commission, where colleagues from across the institution (and elsewhere) can break the usual silos and hierarchical barriers, and openly brainstorm about policy issues and their potential future implications, has greatly contributed to our mission. Like holding a blank sheet of paper waiting to be filled, not knowing about the future is an ideal starting point to challenge assumptions, push beyond traditional intellectual barriers, and reach uncomfortable no-go areas. The EPSC’s lunch seminars are now a cherished tradition that have helped nurture creativity and out-of-the-box thinking among Commission staff.

Networks are also central to our work. By both reaching in and reaching out, the EPSC is building a network of internal and external experts that are key to exchanging ideas and contributing to the Centre’s intellectual muscle. Whenever possible, rather than only reading a report or a book, we seek to engage with its authors. This gives us a chance to ask questions, to challenge or be challenged by those who know most about a given topic and to see the issues through the lenses of others. The EPSC also regularly takes the extra step to go directly to where the knowledge and experience is and learn from those who lead in their respective fields. The Centre’s study visits to IMEC – which stands for Interuniversitair Micro-Electronica Centrum - in Leuven (to learn about state-of-the-art research and innovation) or to the City of Mechelen (to understand how counter-radicalisation strategies can be successful) are just two examples.

By spearheading the Commission’s involvement in the European Strategy and Policy Analysis System (ESPAS) – a unique EU inter-institutional collaboration that aims to build preparedness for upcoming challenges and opportunities, the EPSC also contributes to building a global community of foresight practitioners, strategists and planners, from the US, Canada or Brazil to Singapore and Pakistan. The ESPAS Annual Conferences held in Brussels (the next one will be on 28-29 November 2018) act as an incubator and springboard for emerging ideas on the future(s), as well as an advocacy platform towards a ‘culture of preparedness,’ across governments, institutions and societies.

Of course, more than creating a niche within the Commission, the EPSC is dedicated to making strategic foresight more of a mind-set within the institution. And our work starts in-house: we walk the talk. Strategic foresight is mainstreamed across the EPSC’s interdisciplinary team. Trends, horizon scanning, scenarios, visioning, backcasting or even the ‘zoology’ of foresight (i.e. Black Elephants, Grey Swans, Black Swans, etc.) are now part of the group’s vocabulary and work.

EPSC helping others towards strategic foresight

Either through learning by doing or with the help of expert training, the EPSC team has been fully introduced to the methodologies and techniques of foresight. To support and expand this effort beyond EPSC walls, and with the help of Angela Wilkinson – a world-renowned foresight expert – the Centre has published a Strategic Foresight Primer. This readily accessible and easy-to-use guide on strategic foresight — a ‘foresight for dummies’ — explaining the nuts and bolts of the process, can be used by anyone, from the public to the private sector.

As the ECA makes its own inroads into foresight, it can count on the EPSC’s intellectual safe space, be part of its growing network, and ‘walk this walk’ together as the European Union continues to shape its future.

---

1 European Commission, European Parliament, Council of the EU, and European External Action Service, with the Committee of the Regions, European Economic and Social Committee and European Investment Bank as observers
How foresight helps parliamentary work: the European Parliament’s experience

By Danièle Réchard-Spence, European Parliamentary Research Service

Governing is all about anticipation and making well-informed choices. As a key player in the Union’s political process, the European Parliament is developing a foresight capacity. Danièle Réchard-Spence is Head of the Global Trends Unit embedded in the European Parliamentary Research Service. She explains what her unit does and how it reaches out both internally and externally to ensure that foresight information gets to policy decision-makers.

Developing foresight capacity

Foresight is a proactive approach to help us conceive alternative futures, using established techniques such as horizon-scanning, trend analysis and scenario development. This work begins with factual evidence, but it is not about ‘forecasting’ or ‘predicting’, it is about understanding what might happen in the future and how we could or should anticipate adapting.

The European Parliament (EP) has long been active in this area. In the 1980s it created the Science and Technology Options Assessment (STOA) panel. Legislators and policy-makers needed independent, impartial and accessible information about developments in science and technology (S&T), and scientific foresight projects were conducted to this end.

After several crises hit the European Union, a further step came in 2015. The Global Trends Unit was set up within the European Parliamentary Research Service (EPRS) to mainstream strategic foresight. This unit is tasked with systematically studying changes in the global economic,
Continued

The Global Trends Unit focuses on medium- and long-term trends that may not be high on the agenda right now, but have far-reaching and potentially disruptive implications.

**Plugging foresight into parliamentary work**

How does this work feed into parliamentary work? The annual ‘Global Trendometer’ aims to provide foresight for decision-makers in the EU, by analysing changes in these medium- and long-term trends. The publication does not offer answers or make recommendations; rather, it presents summarised information derived from a range of carefully selected sources (such as OECD, US National Intelligence Council, NATO or World Bank reports). The latest issue of the Global Trendometer (September 2018) analyses long-term trends on India, the labour-share of income, and democracy and artificial intelligence. It also features two-page contributions on geoengineering, remittances, food security in China, economic waves, the US after Trump, public procurement and deep fakes. The Global Trends Unit may also monitor external studies, such as on the ‘Global trends 2030: geopolitics and international power’ or ‘Global trends 2030: impact and implications for economy and society in the EU.’

Publishing insightful written material is only one part of foresight. Another is mobilising collective intelligence and imagination to engage in longer-term thinking about the challenges and choices. To this end, the Global Trends Unit is experimenting with a particular tool, that of the ‘Key Assumptions Check.’ This is a structural analytical technique which allows for a rapid interactive check of a small number of initial assumptions on a specific subject. The goal is to ensure that its work serves its primary ‘client,’ the Member of the European Parliament. The unit also maintains a continuous worldwide dialogue with other organisations, working on foresight or maintaining data sets that can fuel into its work. In terms of being in-reach, the Global Trends Unit for example set up the ‘EPRS Foresight Club,’ which meets on the Friday following a Strasbourg EP plenary session. The setting of this meeting is informal, playful even: a theme is set, most often by a participant outside the unit. After a short introduction to get the ball rolling, participants have the opportunity to comment on the topic from their own perspective. A recent Foresight Club session, in July, explored the topic of space data; a forthcoming session will consider ‘remittances.’

**ESPAS: teaming up EU institutions on foresight**

The Global Trends Unit’s work serves as a direct contribution to what is known as the ‘ESPAS’ process. The European Strategy and Policy Analysis System (ESPAS) was established in 2010 at the initiative of the European Parliament. It has developed into a permanent process of administrative cooperation at high official level to share analysis of long-term trends facing the Union. The four partner bodies are the European Parliament, the Council, the European Commission and the European External Action Service. The Committee of the Regions, the Economic and Social Committee and the European Investment Bank take part as observers.

The upcoming ESPAS Conference (28-29 November), jointly organised by the European Parliament and the European Commission will wind up the 2015-2019 cycle with a view to publication of the 2019 ESPAS report on Global Trends.

**Foresight strengthening democratic capabilities**

In today’s world of ‘uncertainties’ and ‘risks,’ democracies need to demonstrate their capacity to set long-term goals, to anticipate what is coming, to mitigate risks and to develop resilience. It is commonly assumed that authoritarian regimes have a kind of comparative advantage in this. This assumption needs to be challenged: there is no better place than a democratic representative institution to put together collective intelligence, find the necessary compromises, and to give a sounding board to dissenting voices. This is where foresight can help.
What does the future hold for the EU? How will the EU hold on to the values which are fundamental to the European project? On 17 October 2018 Klaus Welle, Secretary-General of the European Parliament, gave a presentation with the title The Future of Europe, focusing on longer-term thinking, and on the political and societal challenges the European Union (EU) will have to face in the near future. With the EP elections coming up in 2019 he pointed out the numerous external pressures and influences that concern EU citizens, such as globalisation, migration, or economic stagnation. Below you will find the key issues he presented. Subsequently you will find the interview he gave Derek Meijers and Gaston Moonen about the links between the global race, institutional quality, and ambitions and their fulfilment.

**Historical perspective: putting the EU of today in perspective**

Attendance by ECA colleagues was high for Klaus Welle’s presentation, who was introduced by Eduardo Ruiz Garcia, ECA Secretary-General. Klaus Welle opened his introduction by looking at two words often heard nowadays: Europe and crisis. He suggested starting with a historical overview, presenting the achievements of the EU. Such a historical view could help to put things into perspective. He referred to the late eighties of the last century, highlighting that the existence of the EU overcame totalitarianism, not only in some Member States in Southern Europe, but also for Eastern Europe. The West - standing for human rights, a liberal democracy where the rule of law prevails - managed to move over 1000 km to the east, and in a peaceful way. He also referred to some figures that tell a story, such as, due to an increasingly global economy, life expectancy in Africa going up by 20 years - in approximately half a century.

He continued along these lines. Klaus Welle recalled that in the nineties Eurobarometer expectations were not very optimistic about the introduction of the euro or the ratification of the Maastricht Treaty. Nowadays, the euro is the second currency in the world. And from a historical perspective there has been, since the nineties, almost an avalanche of treaties: Maastricht, Amsterdam, Nice, Lisbon - with huge consequences for the mandate and activities of the EU as a whole and the EP in particular. In 1991, the EP’s mandate related mainly to budgetary provisions. In 2018 the EP is on an equal par with the Council, having the last word on a number of issues.
Geographical perspective: outside and inside the EU

In analysing historical trends, Klaus Welle found that, for every generation, once or twice sudden shifts occur and history seems to take a different direction. This was clearly the case in 1991 with many changes happening on the eastern borders of the EU. He referred to possible forces that might lead to such change, for example the general feeling of solidarity in Germany, allowing reunification in 1990. He has the feeling that now we are also living through a turning point. This was more clearly the case, in his view, in 2016, when the referendum for Brexit was held and Donald Trump got elected as US President. And there is much less of a feeling of solidarity now, it appears, with neighbouring countries of the EU. He pointed to tensions with Russia, blocking countries such as Ukraine and Georgia from taking over more ‘western’ based institutional reforms. And looking at the southern EU borders, he referred to religious battles going on in the Arabic world, military dictatorships and migrant burdens for some countries such as Libya, or failing state structures (Lebanon). He observed that, overall, the global order, established in 1945, has been called into question, not least for the World Trade Organisation, handicapped by actions of one of the global players. As a last geographical perspective, he referred to trouble on the northern EU border, with Brexit looming. Insecurity seems to prevail on all of the EU’s borders.

Klaus Welle pointed out the same conclusion could be drawn for developments inside the EU: the 2008 financial crisis is not over yet since there is no proof yet that the EU can go back to normal financial conditions. He drew an analogy with a patient still used to the safety and comfort of intensive care. In addition, the financial crisis left some systemic question marks: is it a system where financial profits are privatised and losses are to be borne by the community, by the public at large? And has globalisation brought progress for all of us, also if you are less rich, less educated, less successful? Klaus Welle referred to the last US presidential election, where industrial workers – apparently sharing a feeling that they did not benefit from globalisation – tipped the scale towards Trump. Job security also looms large for jobs formerly considered safe, like bankers and lawyers, where big changes also seem to be coming for ‘white collar’ workers. Another example he gave related to the media, where there used to be an intrinsic quality control, a certain codex of staying close to facts, and being explicit about it if you did not. Nowadays, in social media, this assurance of quality control seems to have disappeared, with news provision aiming more and more to be entertainment. Therefore, Klaus Welle concluded, insecurity also prevails inside the EU.

Changes in political outlook: from an open to a closed perspective

The EP Secretary-General also identified some changes on the political stage. While in the past a centre-left government would be succeeded by a centre-right government, leaving the fundamentals of the system unchanged, things have changed with the rise of populist parties. Klaus Welle mentioned that ‘nationalist’ parties was a more appropriate name here, since an important element in their programme was to provide protection to citizens through closure. This goes together with a key question on what kind of society political parties propagate: open – inside a country, towards the EU, or at global level. Or closed, closing doors on trade, migration, climate protection, multilateralism. For him this leads to the question of whether, if the citizen is looking for protection, it can be offered in an open society? Or is it necessary to close? He recalled the Bratislava Council meeting in 2016,
where an agenda of protection in an open system was developed: border protection, immigration control, antiterrorism measures, or social protection, to mention but a few.

With this in mind, when looking at the EU and EU action, Klaus Welle identified a mismatch between what citizens asked for – protection – and what the EU delivered. Or, as he subsequently phrased it: ‘People have been asking for an elephant and we delivered a mouse.’ In his view, the EP is one of the most sophisticated legislative machines, processing thousands of amendments with no problem. But he argued that nowadays it is not good enough to be a legislator. What is needed is complementary executive capacity. This means an ability to deliver executive action, not only legislation. The EU needs to build up complementary executive capacity so that when a request from Bulgaria for border support arrives – as it did in 2015 – the EU can deliver.

Obstacles - and opportunities for the EU to deliver

Looking at citizens’ expectations Klaus Welle raised the following core question: is the EU able to deliver? He identified six obstacles to doing so.

A first obstacle is that the EU is not built on a demos present in one nation, but in 28, soon likely to be 27. So the EU is based on pluralism. This makes it a lot more difficult to provide solidarity. For the EU, however, the underlying motto is cooperation. And the goal is to bake a bigger cake so that everybody can get a bigger piece. The model is not: somebody else gets my piece of the cake. As soon as an image of winners and losers occurs, the EU model has difficulties coping. Redistribution policies at EU level are not popular and are often left in the hands of the Member States – see for example social security issues and taxation. Or, take the distribution of migrants - also more a zero sum game. If problems of redistribution occur, then the policy answers shift. Klaus Welle pointed to the shift in resolving banking problems – from bail-out to bail-in. Or the shift in migration issues – from redistribution to border control agreements with EU neighbour countries or solutions through development aid.

Secondly, solidarity is based on a common identity. Klaus Welle referred to figures of 5% of Europeans calling themselves first European and then a Member State nationality, while 40% would give the European identity as second choice. So how to grow such a common identity? He concluded that this needs time to be developed. After all, in the 19th century only 3% of what are now called Italians spoke Italian. Over 200 years ago Germany counted over 300 different entities.

As a third obstacle Klaus Welle referred to the EU budget, representing about 1% of overall EU Gross Domestic Income (GDP). Also here, history puts things into perspective for us: in 1913 the US federal budget amounted to a similar 1%, which changed substantially with the introduction of a national income tax and the challenges faced during the Depression. However, there are ways out, as Klaus Welle pointed out, referring to the Juncker Plan, formally known as the European Fund for Structural Investment (EFSI), which shows that leveraging EU finances is a possibility.

Klaus Welle identified the Treaty on the Functioning of the EU as a fourth obstacle, saying that, unlike in the past, a ‘wholesale’ Treaty change would be very unlikely for the future: ‘We need to work with the Treaty we now have.’ He suggested changing the perspective on the Treaty, looking not at the Treaty as what we are not allowed to do, but seeing it as a collection of unused opportunities. He pointed out that the real sovereignty transfer takes
place through political decisions. He gave the example of the concept of **Spitzenkandidaten**, which was not specified in the Treaty but worked out for the EP, the Commission, and the Council. The clearest example was Claude Juncker being *elected* as Commission President. He brought forward another concept – with a German name - the EP is currently working on: ‘Leistungsbilanz,’ identifying at different levels, including communities, what the EU does for you, bringing the EU closer to its citizens.

Klaus Welle identified the executive capacity of the Commission as the **fifth obstacle**. Clearly the Commission has a need to have more executive capacity to assist where Member States cannot cope alone with transnational issues, such as security.

The **sixth and last obstacle** he mentioned was strategic planning capacity: to what extent is the EU capable of facing other blocs. China is establishing itself as a global power, leading to clashes with the US on trade. And with an annual growth rate of 7% India is moving up. For Klaus Welle this raises the question: will Europe be an actor or an object for others to toss around?

**The future is soon, opportunities are now**

Finally, he put time into perspective: 2030 seems like a long time away but that time span - from now - contains only two legislative terms. Klaus Welle pointed out that nobody knows what 2030 will look like. However, the question is how we have to change now to remain in command of our own fate. He concluded that the EU should be seen as a collection of opportunities, expressing the hope that the plans for improving the EU will turn out well.

---

**Reflecting with Klaus Welle:**

**interviewing him about the future of Europe and foresight**

---

**Level playing field and EU institutions**

*The EU is continuously competing with the rest of the world on economic issues, for example the costs and conditions of labour. Competitors may not always respect the conditions and regulations the EU has put in place to create a level playing field. How can the EU address this issue, ensuring economic activity within the EU?*

Competing on salary levels or working conditions has never worked, because if that were the case, Africa would be the global economic leader. Yet it is not. I think you always have to see this ‘global race’ in the context of productivity levels, as high
productivity levels give you the possibility to keep up an ambitious system of environmental and social protection. Therefore, I think that our productivity is a key factor in staying ahead and maintaining all the living conditions that we are very much attached to. But it will also depend on our innovative capacity and the quality of our institutions.

*Speaking about the quality of institutions, there is some fear that, at the level of EU institutions, this quality is negatively influenced by the institutional habits that jeopardise good governance, the rule of law, human rights and social protection. How should the EU and its institutions deal with that? How can we arm ourselves against forces that seek to lower the hard-fought-for norms and values currently in place?*

This issue is one of the reasons why I insist that we have to think of the EU, not only as the EU institutions, but as the sum of the EU institutions, the Member States, the regions, cities, localities and villages. Why? Because 99% of what is executed and administered, is executed and administered by the Member States, by regions, or even at local level.

The quality of this multilevel EU is directly proportional to the quality of the administrative structures of the individual Member States. This is also why the European Parliament and the European Commission follow the issue of the rule of law in certain Members States very, very closely. And it is not an issue of sovereignty, because the moment you choose to join the EU, to integrate and benefit from it, you also commit to uphold a certain institutional quality, and you cannot deviate from that afterwards.

*Looking at the quality and functioning of the EU institutions, and specifically the EP: was this one of the reasons you set up the European Parliamentary Research Service (EPRS)?*

The idea behind the EPRS was to develop the EP’s secretariat general from a more administrative body into a parliamentary support service that actively enables the Members of the European Parliament (MEPs) to take best-informed decisions, thus adding value to the overall quality of EU politics and governance. To be able to do so, we first increased our productivity in the technical support services, such as translation and interpretation, which allowed us to innovate and to shift resources to political support for MEPs and to build up a fully-fledged research service of 160 analysts.

An important aspect of the ERPS is that its publications are public, whereas many national parliamentary research services do not share their documents more widely. This was essential for us. The result has been an EPRS that benefits the EP as a whole and contributes to a more informed public debate. And not only at EU level, but also in the Member States, where we can see that national parliamentarians are making use of our products to have a more informed debate at national level as well.

This links back to my view of the European Union as a system of multilevel governance. As the democratic quality of governance is not just decided at EU level, but also by the democratic quality that exists at national or regional levels. And if we believe in democratic scrutiny, it is our obligation to strengthen those institutions and politicians in their role. Which in turn will boost confidence in the EU institutions as well.

*The ECA is very conscious of writing in an accessible way for its stakeholders, for non-expert readers, and aims to be transparent and inclusive for the EU citizen.*
These are some of the key moral values of the EU, and where citizens expect EU institutions to lead by example. However, some people, like a former judge of the ECJ, warn of the moral corruption of EU institutions, referring to criticism related to the appointment of senior EU staff or discussions about the lack of transparency on cost reimbursements. What do you think should be done about this for the future?

The EU is a very complex organism and can only operate in a process of permanent adaptation. Surely, we can always improve ourselves, and we should! But when we compare our project, it becomes clear that the EU institutions are far ahead of what is currently the standard at national level.

The main question is: do people still believe in the gains of cooperation, or do they believe they are better off by just defending their own interests without that culture of cooperation? The EU depends on people believing that through cooperation we can grow the cake and improve our lives and well-being. Which is contrary to nationalism, which basically says to the whole population: your piece of cake would be much bigger if you wouldn’t cooperate.

Facts, perceptions and ambitions

Taking up the issue of a well-informed and fact-based public debate, you mentioned in your presentation that we have seen increasing friction between facts and perception in recent years even to the extent that subjective perception may have outweighed objective facts as the decisive factor in national elections. What role should the EU institutions play, and this is especially relevant for the ECA as an institution that is built on fact-finding and objectivity?

The EU can only be successful if it has the trust and the active support of its citizens, and to earn and keep this, we need to be factual and show them what we do. Of course, some national politicians try to take advantage of the people’s perception for their own gains, and people are entitled to choose to regard or disregard individual facts. Nevertheless, I am convinced that a clear and factual message will last longer than one that plays on gut feelings and fear.

However, it is also a question of language. As EU institutions, we should not formulate from our own perspective, but from the citizens’ point of view. That is a big difference. When we write in a way that is widely accessible and ensure we are not excluding people just because of the way we are writing, or the words we are using, we can reach our public and enable citizens to make their decisions based on the facts.

In your presentation, you mentioned that one of the problems of the EU was that in some areas people expected the EU to deliver an elephant, but what the EU came up with was a mouse. In its most recent annual report, the ECA stressed that the EU should not make promises it cannot deliver. Although these are slightly different perspectives, both point out that the EU should be realistic in what can be done. What is your perspective on that?

The trick is to combine realism and the question of what can be done today, with the knowledge that, in the long term, we have to be further ahead. People see the world changing around them and look at the EU for – bold – answers. They want to have a clear perspective and the EU should offer that. This means that we have to be realistic today and at the same time ambitious to be able to improve ourselves tomorrow.
What if …?

FOresight, the special theme of this ECA Journal, is an essential element of this realistic and forward-looking attitude. How do you relate to foresight and the way foresight is actually used in the political decision-making process?

Foresight is a very useful process in which the institutions and their administrations can explore different perspectives on the future with the help of scientists. Identifying different possible futures also means having the chance to avoid certain futures, or some of their aspects.

Moreover, foresight helps us to create and promote a culture of cooperation between the different institutions and other administrations, as we start to understand that we are really working on the same issues. We might come from different points of departure, but we are working towards the same goal.

Foresight includes thinking in ‘What if’ scenarios, perhaps not unfamiliar for economists such as yourself. What do you consider the most daunting ‘What if?’ question for the next ten years?

The key issue will undoubtedly be the rise of China and how the US will cope with it. The question being whether the global order can find a balance in that situation that is acceptable for everybody or not. China surely has the potential and ambition to develop to number one status and that implies it will contend with the US for that status. You can already see the US has been changing its view on China very drastically in the most recent months and taking action, and that will force everybody else to take a position.

In your presentation ‘The Future of Europe’, you opened by saying that the title is very positive, implying that it actually has one. Then you raised the question of whether the EU would manage to stay in charge of its own future, or be subject to other actors’ future activities. Given all the challenges ahead: if we continue the way we are working now, will it be a bright future?

I think that if you compare the EU with any other region in the world, we have the best starting position. The EU has the best living conditions and offers the best opportunities to its citizens. And although there is always room for improvement, people, when they look around, often realise they would not be better off anywhere else. However, in order to keep what we have achieved, we will need to permanently adapt, modernise and innovate. We need to be intelligent when making our strategic choices. That is the main point.

I see no reason to be gloomy. We have all the tools and opportunities, we are the biggest economy of the world, bigger than the US, and we are more populous. Sure, we need to continue to develop our institutions, our mechanisms, our policies, and our ambition, but the potential is all there. The only question is whether we have the political will to achieve it!

The EU has the best living conditions and offers the best opportunities to its citizens.

I see no reason to be gloomy. [...] the potential is all there.
Designing a new audit manifesto – the ICAEW AuditFutures programme

By Martin Martinoff, Institute of Chartered Accountants in England and Wales

The accountancy profession is mostly organised around professional accountancy institutes, serving as an organisation to train, regulate and represent the accountancy profession, often since quite a long time. One of them is the Institute of Chartered Accountants in England and Wales (ICAEW), in the business since 1880. Within the ICAEW Martin Martinoff leads the AuditFutures programme, the ICAEW’s foresight and innovation initiative on the future of the profession. He explains what it entails and what he sees as the key elements in designing a modern audit profession.

How could we reach escape velocity?

In physics, escape velocity is the minimum speed needed for an object to escape from the gravitational influence of a massive body. The audit profession in the UK is certainly under massive pressure, with mounting scrutiny and criticism. It intensified after the collapse of Carillion in January 2018. In response to the publication of the parliamentary select committees’ report in May, Michael Izza, the Chief Executive of the Institute of chartered Accountants in England and Wales (ICAEW), said on the BBC Today Programme that it represented ‘a watershed moment for our profession.’ This episode could turn out to be the defining moment for our future. Fresh thinking is desperately needed not only to retain our position in society, but to move to ‘a higher orbit.’

Six years ago, in the fallout of another crisis, ICAEW launched AuditFutures with that very mission. As a foresight and innovation programme, AuditFutures has the ambition to motivate and empower people by creating a more positive and creative vision for audit and to catalyse innovation by creating spaces for dialogue, collaboration and experimentation within the profession. Over the past few years, we have developed innovative ‘thought-leadership’ – a strategy for innovation and growth - and practical resources in a number of areas. Our insights could offer fresh ideas at this pivotal moment for the profession and to influence its course.

We need radical thinking and collaborative action

AuditFutures is an action-research programme that uses interdisciplinary thinking, design-led processes and interactive workshops. We work in collaboration with others. Our projects, events and activities are undertaken in partnership with organisations and individuals that bring different perspectives and thinking. We invite challenge and welcome diverse points of view. Our programme is influenced by thought-leaders from civil society, business and education to develop insights and to design practical steps to enable a more systemic change that targets organisations, society and human capabilities.

We create safe spaces for dialogue and experimentation, and build platforms to engage innovators from academia, policy and practice. Our public events and bespoke sessions for organisations share the style and spirit of entrepreneurship and progressive learning in an exciting, fun environment. More than 2,000 people from 200 institutions have taken part in our activities and over 24,000 people have visited our website.
The crisis is an opportunity

It is encouraging that there are already several initiatives in the public arena on the future of the profession. They all have the potential to address challenges such as regulation, services and markets of the profession. Therefore, our support and contribution are essential.

However, the insights from our AuditFutures work suggest that ‘people and purpose’ are two essential areas that are not the focus of ongoing public inquiries. Therefore, it is important that we take a more systemic and thoughtful consideration of the following questions:

- How do we attract, motivate and inspire people to become auditors? We have the opportunity to redefine what it means to be an audit professional and to reimagine how we educate and empower people.
- How might we develop a positive vision for the profession? By articulating and upholding a greater purpose, we can proactively lead the discussion, instead of responding to challenges and accepting decisions imposed on us.

These are the focal points of the AuditFutures work, which argue that we should look at the current crisis as a great opportunity to break through the noise and reimagine the profession.

Reaching new heights

AuditFutures sprang up as an innovation and foresight programme within ICAEW, seeking to reimagine the profession within 21st century society. By responding dynamically to evolving social needs, technological disruptions and concerns about the changing nature of professional work, we offer fresh alternatives.

From our portfolio of projects and initiatives, there are four distinctive messages that are very relevant today. We want to propose these as the key elements in designing a new audit manifesto for the modern audit profession:

Inspire people with a bold and ambitious vision for a higher purpose

What can truly motivate people to engage and excel in their work is the understanding of a purpose behind their actions and work. When people get personally involved, this builds intrinsic motivation and moral sensitivity. A vibrant and socially relevant profession that inspires and attracts talented people who are searching for meaning and purpose.

Revive professionalism through powerful education

We need new and powerful educational experiences that develop a sense of liberation, curiosity and commitment in aspiring professionals. Education and training should broaden the perspective of auditors beyond the required excellence through technical knowledge and skills but proactively guides them to develop an understanding of higher purpose, values, public good, and ethical leadership. The concept of ‘professionalism’ should be taught intentionally and discussed critically (through integrating narratives, experience and philosophy) with the objective of humanising the technical content and helping shape perceptions, responsiveness, emotions and intuitions as part of the professional identity.
Rethink how we learn and share in the profession and reimagine collaboration

The traditional organisational strategy is to innovate and then build barriers to entry. At times of renewed attention to improving audit quality and fostering market competition, there are fresh leadership opportunities for firms to learn from each other and to share knowledge and experience. We need to think about the practice areas where all firms could perform better and should be collaborating instead of competing.

Adopt a design-mindset and philosophy

We want to start with the premise that the profession is offered a design opportunity and everything within its ecosystem should align with the professional identity, values and purpose. A design-led approach will help create the new norm for the marketplace by innovatively reimagining what the profession does and how it does it.

We invite you to join us

In these times of unprecedented social, economic and technological change, we are looking at the society of tomorrow to design the profession of the next generation. We offer fresh perspectives and radical thinking to help understand the key issues and create lasting solutions. To unlock social and organisational innovation, we need inspiring collaborations with firms, businesses, universities, professional and regulatory bodies at both individual and organisational level.

AuditFutures is an opportunity for you to share your ideas and passion and to learn and contribute to shaping the future of the profession. We have mobilised a movement and developed a comprehensive programme to reimagine the future of the profession. Our collective ambition depends on collaboration with others. We invite you to bring your passion, experience and commitment to achieve something bigger together. Everyone and all perspectives are welcome!
Digital transformation – where private audit firms stand

By Brice Lecoustey, Ernst & Young Business Advisory Services

Changes in data quantities and data handling methods will have numerous consequences for audit - quite possibly they will be game changers for the profession, and, certainly for some, they will also be mind-boggling, perhaps even disruptive. Brice Lecoustey is Ernst & Young Partner in Advisory Services and is leading the EU Luxembourg Digital Transformation Initiative. In this article Brice gives meaning to a number of concepts related to digitalisation and provides guidance on their impact.

Leveraging advanced technologies

Looking at digital impact from an audit perspective, it is not about dealing with technologies that are disruptive in themselves, it is rather about pace, agility, and handling the explosion of data all around us which is no longer ‘owned’ or ‘controlled’ by anyone. In audit, these massive amounts of data need to be processed rapidly, efficiently and without error, in order to satisfy future expectations concerning the creation of value in real time while keeping major organisational risks at a minimum.

Major paradigm shifts are expected for many markets, as well as for government and public services. Over the next few years the government will operate much more by using citizen data to start and collaborate in continuous two-way conversations based on “seamless user experiences”. Through the Internet of Things (IoT) and big data, proactive monitoring will be supported and services delivered by moving to smart assistants, Artificial Intelligence (AI) and chatbots. The expectation is that data, knowledge and capabilities will be shared in an open and collaborative approach across departments, as opposed to the silo structures of the past. Cases for change seem to be endless.

With the right digital solution and strategic implementation, public organisations can address some of their most pressing challenges and transform every facet of their operations. For example, through the introduction of AI, massive volumes of unstructured data can be processed in a fraction of the time humans take. This will support workforce optimisation by allocating the right resources to the right tasks. Instead of spending valuable time on repetitive and routine tasks, human experts can now focus on more complex, higher-value activities, such as risks and the appropriate response, in a way not previously possible. Furthermore, AI and data analytics will support complex problem solving by understanding context, revealing patterns and providing insights from data to help predict future events and guide more effective decision-making. Even business risks, such as noncompliance, financial or reputational harm, can be reduced by leveraging advanced technologies through the secure and centralised collection of management information, audit records, and process logs.

Enabling a continuous and proactive audit

Given the opportunities of technology, the entire audit profession and its focus will evolve and shift away from historic performance to a more stakeholder-
Digital transformation – where private audit firms stand continued

But which technology is the right one and will provide benefits that will make a positive difference? I prefer to break the field down into three high-level audit types. First, data analytics can help to establish the scope of the audit and carry out risk assessment in preparation for the actual audit itself, by drilling into the accounts and related journals. Secondly, Robotic Process Automation (RPA) and analytics have already achieved great track records for the audit of routine transactions. And thirdly, for more complex and non-routine transactions that require estimates and judgements, cognitive computing, AI, and predictive analytics will provide great value.

However, simply choosing a certain technology will not be the most effective approach. To deliver advanced and insightful audits to clients, there is a need to deploy a combination of digital technologies and methodologies throughout audit execution. Preferably, suggesting a data analytics solution needs to be followed up by offering a scalable solution for capturing, processing and analysing the available data. This goes all the way up to using visualisation in reports, and will drive efficiencies by applying sophisticated software robotics.

Game change in auditing skills

This change in the audit process has a direct impact on the auditing skills needed to provide future digital audit services that go beyond numbers. The ideal auditor of tomorrow will act in multiple roles, combining a variety of personal and functional skills, to bring a broader range of knowledge and capabilities to the table. Audit teams will need to cover a diversity of perspectives and backgrounds. Collecting and analysing more data than ever and using advanced technology, such as AI and machine learning, means that the auditor’s classical role will be transformed into a more strategic advisory and analytical one providing more business insights and forward scenario planning. The auditor will be capable of examining unusual and unexpected items, revealing, addressing and resolving risks, thus improving the quality and relevance of the audit.

But despite the technological advances, the auditors and their deep institutional knowledge and judgement are key to assurance. The digital transformation, even in a rapidly changing profession, is all about people and properly handled change management.

Well-known management approaches can still be used

The general change management building blocks for a successful digital transformation of the audit profession are not any different from those applied in other fields, nor are they geared specifically to this profession. Besides the critical human factor, appropriate processes and tools, as well as a proper framework policy, governance and risk management will be needed. The system architecture and technology provided should support the digital change activities while the performance measurement framework is being set up and integrated. Furthermore, it needs to be ensured that the digital function resides and interacts meaningfully within the organisation and other teams.
Undertaking digital transformation will require proper roadmap planning, followed by assessment of the current state of digital maturity and the opportunities/threats. Such a transformation also requires a vision, formulated as a digital journey based on the definition of a digital strategy, to name but a few key elements. The implementation itself should be embedded in a proper governance structure and implementation roadmap and transformation plan. The entire roadmap ought to include regular reports and validation to ensure consistency and corrective steering to keep the process on track.

**Data revolution for the benefit of human capital**

Just to be clear: the audit of the future is not about being paperless. It is rather about changing and evolving the audit process by leveraging advanced technologies and combining them with specialised and diversified talent to provide greater insights and, ultimately, value and confidence to stakeholders. The data deluge is changing the way organisations are run and thus the way they are audited. Broad and far-reaching benefits can be achieved by a holistic digital transformation that does not eliminate human capital but elevates it to value-added activities.
How to evaluate future readiness

In globalised, increasingly interconnected value chains, companies are confronted with much greater risks than in former times; even small market shocks can be fatal in their consequences and even threaten their existence. In addition, these dangers often cannot be predicted. Due to the increasing complexity and rapid dynamics of international economic development, they are likely to become even more virulent in the coming years.

All this makes the future more uncertain than ever. The road from here and now to tomorrow has become riskier and less predictable. How well prepared are organisations? Do they have the necessary foresight, flexibility and adaptability? And do they keep an eye on the relevant trends?

At KPMG, we looked into the central question of how to measure and evaluate organisational sustainability. Together with numerous experts and researchers, we have developed the Future Readiness Index, a globally unique initiative that ties in with current research on future-proofing and return on foresight. We have developed the index using the German economy as an example, but the methodology is universally valid.

The Future Readiness Index provides a picture of the future viability of the economy, analyses the dynamics of important developments and shows opportunities for action and industry benchmarks (see Figure 1). The aim is to support companies in deriving suitable measures to increase their own sustainability quickly, pragmatically and effectively.

![Figure 1: Structure of the Future Readiness Index](Source: KPMG Germany, accessible via website: www.kpmg.de)
Determining future readiness: the German case

The index is based on a survey at the beginning of 2018 of more than 600 top managers from companies representing twelve key industries and about eleven percent of the German Gross Domestic Product (GDP). We asked them to reflect on their current mood regarding future optimism, to evaluate how they are positioned with regard to decisive business factors, to state their current investment focuses, and to judge the importance of future trends. By employing an extensive big data analysis, we derived which trends will really be fundamental. We then compared them to the answers given by the top managers in their self-assessment.

The overall result (see Figure 2): 6.3 on a scale of 0 to 10 with the upper end indicating optimal future preparedness.

Looking at the four subcategories gives a more detailed picture. Overall, 82 percent of the German top managers surveyed look ahead at least somewhat optimistically. Only a mere 6 percent found reason for pessimism. The economy is strong, demand is high. Almost three in four judge their product portfolio to be good or very good. Interestingly, we found that companies overwhelmingly invest in those areas in which they are already strong. Capital is put where the juice is flowing.

Missing some trends

Giving insights on precisely what will drive the future is the centerpiece of the study. Analysing 24 million data points – scientific publications, patent registrations, and other sources – the KPMG Research Cloud provided a trend map, which was matched with the answers provided by the survey. Companies have realised how important customer demands have become in a digital world with constant feedback loops. Meeting exactly the customers' needs is now possible and increasingly achieved.

The most urgent topics for us, however, are declining innovation cycles followed by automation. That includes the mounting pressure for faster product release. The intelligent factories of the future allow just that. Companies should therefore expand their efforts for moving towards Industry 4.0. As the trend is just as important for the service sector, service companies should advance on installing Robotic Process Automation and other process optimising technologies so as not to fall back behind international competitors.
Insufficiently prepared for geopolitical challenges

Managers point out some weaknesses themselves. In total, 62 percent feel insufficiently prepared for potential substitutes. A similar proportion (63 percent) identify deficits in their preparation for geopolitical changes.

![Figure 3: Prioritisation of geopolitical challenges across different industries](source: KPMG Germany, 2018)

German companies seem a bit fatalistic when confronted with the current geopolitical risks (see Figure 3). Only 19 percent of the companies surveyed assigned a high investment priority to adaptations to international crises and conflicts. At the same time, just about a third of the manufacturing industry companies judged their adaptability to world economic or geopolitical wobbles to be good.

Moving to ‘next level forecasting’

It is no surprise that companies which apply professional strategic planning tend to be more successful than those stumbling into the future. Some disregard long-term planning as looking into the crystal ball. Others claim it is too expensive, while a third group is convinced they are already doing the right thing. All of them risk missing important innovations and falling behind their competitors. Our Future Readiness Index shows that this risk is real.

Planning has to go beyond simple projections, as complexity and dynamics have increased, extrapolation of historic data only goes so far, and sector limits become more and more obsolete. We would advise developing next-level forecasting by employing comprehensive foresight, scenario analyses and trend radars. The Future Readiness Index with its connected self-assessments can be a substantial part of that. The value of the findings will even increase with subsequent editions in coming years.
Assessing future readiness: how a private audit contributes to addressing foresight

Figure 4: Digital Atlas Platform and connected assessment services providing an overview of more than 60 connected business assessments including the Future Readiness Assessment and a wide range of issues such as robotics, compliance, security, governance and transformation.

Source: KPMG Germany, 2018. Please see https://atlas.kpmg.de
Moving from hindsight to insight and beyond: how the Commission’s IAS embraces foresight

By Manfred Kraff, Internal Audit Service of the European Commission

That future developments have a bearing on the work of auditors and how they execute this work is not only clear for external auditors but also an issue for internal auditors. Manfred Kraff, Director-General of the European Commission’s Internal Audit Service (IAS) explains below how insights obtained during assurance work performed by the IAS are increasingly needed to provide foresight on future challenges for the European Commission as a whole and the IAS in particular.

Value of internal audit for stakeholders

In 2017 the Institute of Internal Auditors (or IIA), the professional body and standard-setter in which the auditors of the Commission’s Internal Audit Service (IAS) are members, presented a model to demonstrate the value of internal auditing for stakeholders (see below).

In essence, the IIA value proposition for stakeholders is that internal auditing is made up of a combination of assurance, insight, and objectivity. Internal Auditing provides assurance on the organisation’s governance, risk management and control processes to help the organisation achieve its strategic, operational, financial, compliance and performance objectives. Regarding insight one can say that internal auditing is a catalyst for improving an organisation’s effectiveness and efficiency by providing observations, conclusions and recommendations based on analyses and assessments of data and business procedures. Lastly, objectivity means that with commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an Independent source of objective advice.

At the Commission’s IAS we consider that whilst assurance is primordial - through its function at the centre of the organisation and with its independence in reporting - it brings an insightful view to its stakeholders in many situations. We are now analysing how we can use foresight – defined by the Cambridge Dictionary as ‘the ability to judge correctly what is going to happen in the future and plan your actions based on this knowledge’ - to better prepare and execute its work programme, encapsulated in its 3-year Strategic Audit Plan (or SAP).
Moving from hindsight to insight and beyond: how the Commission’s IAS embraces foresight continued

Role of IAS in identifying key cross-cutting themes

The current and future environment in the European Union and the major milestones ahead (such as preparing for the withdrawal of the United Kingdom from the EU, launching the new Multiannual Financial Framework (MFF), electing a new European Parliament and a new Commission taking office in 2019) will bring specific risks and/or challenges for us all. However, at the same time, improved management and control systems and new instruments also provide opportunities for the Commission to deliver and maximise the impact of the EU policies. The role of the IAS is to identify the most relevant risks and develop a SAP that supports the Commission and the individual Directorates General (DGs), Services and Executive Agencies in achieving their objectives and provides insight and recommendations in those areas where improvement is necessary.

At this stage the IAS has identified the following key cross-cutting themes which may be further adapted after the consultation process with the audited DGs:

- Delivering better on the ground: better regulation, implementation and enforcement;
- Strengthening the performance focus: completing the 2014-2020 MFF and preparing the future MFF 2021-2027;
- Information technology (IT): securing the IT systems and supporting the Commission activities and policies;
- Leveraging the impact of EU funding: innovative financial instruments;
- Addressing the challenges of externalisation (e.g. reliability of assurance provided by third parties, adequate and effective supervision strategies and ensuring value-for-money when third parties are implementing the EU budget);
- Protecting the EU budget: effectiveness of the corrective capacity.

The DGs have been polled for their views on the main risks related to these topics, as well as identifying other key themes/risks at their own level, and those at the family/cluster of DGs/Services.

IAS Annual Conferences providing a platform of exchange of ideas

The IAS Annual Conferences provide a platform of exchange of ideas where professional auditors and financial managers can enhance their knowledge in various domains thus helping them to provide better insights based on their work, which in turn is to the benefit of the stakeholders. On opening the IAS 2017 Conference entitled ‘Innovation and creativity in internal audit – Myth or reality?’ the Commission’s First Vice-President Timmermans considered that it would be impossible to prepare the Commission for the future without modernising its work methods and that this could not be done without creativity and forward thinking. He called upon the IAS to assist the Commission in designing frameworks to cope with these fast evolving changes – by offering the foresight as to how money can be spent well and by ensuring the Commission continues to be accountable, in every possible meaning of the word, to the citizen.

This transition to working on foresight will affect not only the speed and the quality of the assurance that the IAS can provide to its stakeholders, but also the expectations of the stakeholders themselves. Eventually, in order to survive, internal auditors need to stay ahead of the game and thus need to take more innovative approaches in preparing their work.
Assurance based on past events (such as compliance with legal requirements, or adequate functioning of control systems) is no longer in itself sufficient, as it is unable to provide the foresight previously mentioned. Stakeholders and managers expect internal auditors to be more forward-looking and—as trusted advisors—to help them navigate their organisations through a fast moving environment. Obviously, this a major challenge for the audit profession and will require some creativity.

The IAS’s upcoming 2018 Conference on 6 November 2018, entitled Internal Audit: Embracing the challenges of the future, will explore the global challenges affecting the Internal Auditing profession and focus on the challenges in the future in order to outline those strategies, tools and approaches deemed most effective for the delivery of value-added results and assurance. In effect, the Fourth Industrial Revolution is challenging governments and organisations to keep pace with the exponential growth in innovations in technology and fast-evolving external framework. This urgently calls for an adaptation of the Internal Auditing profession to the new upcoming needs. On the one hand, given the ever-evolving pace of change it is more complicated for auditors to stay aligned to the entity’s top risks and smoothly execute their audit plans. On the other hand, innovation may lead to new areas of focus for auditing, requiring a new, updated skill-set in terms of both technical and soft skills.

Increasing insight and gaining foresight

The IAS intends to use its annual conference, in the company of fellow professionals, to explore and discover new tools, to identify and evaluate those risks that are relevant to the Commission in the future and to build these elements into its new 2019-21 SAP.

Moreover, through learning and exchange of ideas and the possibilities offered by the new technological developments, it is expected that the IAS and other internal auditors will increasingly provide the foresight that internal and external stakeholders expect in order to manage well the risks linked to the Fourth Industrial Revolution.
An overview of GAO and why do we conduct foresight?

GAO is the U.S. government’s independent, nonpartisan supreme audit institution. Since our founding in 1921, we have evolved into an agency of dedicated and multidisciplinary staff, made up of experts in conducting objective and fact-based financial and performance audits, program evaluations, policy analysis, and technology assessments covering virtually every federal program, activity, and function. By investigating all matters related to the use of public funds, we help the U.S. Congress meet its constitutional responsibilities and also help improve the performance and ensure accountability of the U.S. government. In fiscal year 2017, GAO’s work led to $73.9 billion in financial benefits, a return of $128 for each dollar the U.S. Congress invested in us that year. GAO also identified 1,280 other benefits, which cannot be measured in dollars, but that led to program and operational improvements across the U.S. government.

By exploring emerging trends, key uncertainties, and their implications, GAO is able to highlight complex issues of greatest concern to the U.S. Congress and the American people and respond to them by adopting new audit and evaluation techniques as necessary. We also believe that taking a longer view of various trends helps us set strategic and operational priorities and better address crosscutting and interconnected challenges that will require sustained collaboration and innovation.

* David Chrisinger, Foresight and Strategic Planning Analyst at the GAO, contributed to this article.

For nearly 100 years, the United States Government Accountability Office (GAO) has stood at the vanguard of the U.S. government’s efforts to ensure government accountability and effectiveness. To help support these efforts, every four years we publish a strategic plan for serving the U.S. Congress that considers emerging trends that will likely affect the U.S. government and society as a whole.

At a recent meeting of Members of the ECA, I presented on GAO’s strategic planning process, which emphasizes foresight, continuous environmental scanning, and trend analysis as core activities. At the meeting, I noted the approach GAO takes to link foresight and trends about the future to help inform business processes and decision-making processes in the present in order to fulfill our mission.
How GAO conducts foresight

GAO has long engaged in strategic foresight, both in conducting our engagements and managing our operations. Forward-looking GAO work includes fiscal sustainability models showing the future of U.S. debt and deficits and technology assessments on key areas of technological innovation—including artificial intelligence, the Internet of Things, 3D printing, nanomanufacturing, and the use of biometric screening for border security. Such work provides evidence-based analysis to help give policymakers the information they need to manage federal investments in technology and science. In this sense, foresight is at the core of what GAO does.

GAO is one of the few organizations that places responsibility for foresight and strategic planning within the same office. And this makes sense – my team is able to seamlessly integrate the enterprise-wide foresight work we conduct into GAO’s annual and quadrennial planning processes. Moreover, we are well integrated into top management. My office operates under the Managing Director of Strategic Planning and External Liaison, who reports directly to the head of the agency, the Comptroller General of the United States.

We recognize the importance of maintaining external networks with others who use foresight to improve government, such as other supreme audit institutions, international organizations, U.S. federal government foresight communities, private sector entities, and academic programs in foresight. We also manage and monitor GAO’s foresight ecosystem, which is a collection of activities designed to continuously gather information and perspectives on emerging issues, challenges, opportunities to serve as an early warning system for new ideas and trends that might affect our work.
Some of the efforts and programs in our foresight ecosystem include:

Advisory Boards, Working Groups, Forums, Programs, and Committees

- The Comptroller General’s Advisory Board generally meets annually to advise the Comptroller General—the head of GAO—on issues related to carrying out GAO’s mission. The more than 30 members of the board have broad expertise in areas related to GAO’s strategic objectives.

- The Domestic Working Group meets regularly to exchange information and pursue opportunities to collaborate on accountability issues that affect all levels of government in the United States. The working group is composed of the Comptroller General and the heads of 18 federal, state, and local audit organizations.

- Comptroller General Forums are conducted periodically on topics affecting the federal government's role in meeting national challenges. The forums afford leaders and experts in various fields an opportunity to discuss emerging challenges and identify actions to address them. Forum topics have ranged from science and technology issues like artificial intelligence to health care issues like the opioid crisis and financial issues like synthetic identity fraud.

- INTOSAI Emerging Issues Supervisory Committee, on which GAO sits as vice-chair, helps INTOSAI and supreme audit agencies around the world identify important, long-term strategic issues.

- GAO’s Environmental Scanning Platform provides an area where GAO’s foresight and strategic planning team can archive and monitor trends for the use and inclusion in GAO’s strategic plan and other work across GAO. This continuous scanning of trends helps ensure that GAO remains an agile and responsive organization.

Foresight in Support of Audit Teams

- The Priority Framework Program provides an internal planning tool for GAO’s engagement teams to discuss future audit work priorities.

- The Foresight Speaker Series aims to increase awareness among GAO staff of emerging trends that are having transformative effects on government, business, and society. In the last year as part of this program, GAO staff have heard presentations from pioneer of the gene-editing tool known as CRISPR, Jennifer Doudna, as well as an author and prominent expert on climate change and rising sea levels, Jeff Goodell.

- The government audit standards (the ‘Yellow Book’) that GAO publishes call attention to the use of prospective analysis as one approach in setting performance audit objectives.

- Over the years, GAO engagements have featured foresight methods to enhance our work. Some example include: modeling future levels of government debt in GAO’s annual reports about the federal government’s long-term fiscal condition; the use of scenarios in a report on climate engineering; and Delphi methods and forums using subject matter experts to provide a range of views on technical and complex emerging issues.
GAO’s plans for the future

Earlier this year, GAO’s foresight and strategic planning team launched The Center for Strategic Foresight, which is composed of prominent experts from the public, private, and nonprofit sectors who specialize in matters related to strategic foresight and planning. GAO believes that by leveraging the expertise of the Center’s Fellows, we can enhance our efforts to analyze current and projected trends and their potential impact on federal agencies and programs. GAO also believes that the Center will further reinforce GAO’s position in the public sector and wider audit community as a leader in foresight and strategic planning practices and will also help GAO explore additional foresight methodologies and trends.

One area we believe foresight and its methodologies will be particularly well aligned is science and technology (S&T). GAO plans to put additional focus on S&T issues by expanding its longstanding work on technology assessments, oversight of federal government science activities, and technical audit support in engineering, advanced analytics, and cybersecurity.

Providing forward-looking analysis

The future is inherently unknowable, and foresight does not attempt to predict the future. However, by linking foresight to our organization’s core business practices and our audit mandate, GAO can help decision-makers successfully navigate whatever challenges and opportunities the future does present. By being more agile and systematically exploring what lies over the horizon, we believe that GAO will continue to provide the U.S. Congress and the public with timely, relevant and independent analysis to assure the accountability of the federal government and help provide forward-looking analysis that policy makers can use to make decisions that will affect generations to come.
How foresight is used by auditors: some first-hand insights from the National Audit Office of Finland

By Jenni Leppälahti, National Audit Office of Finland

The National Audit Office of Finland (NAOF) aims to make better use of foresight information and techniques in the planning of its activities and in its performance audits. Today’s rapidly changing environment is a challenge for both information users and information providers, such as Supreme Audit Institutions. Jenni Leppälahti, Planning Director at the NAOF, explains how the NAOF has taken up the challenge by rethinking its own working methods and developing techniques to serve the Finnish Parliament and other stakeholders better. She also touches upon the sources used to develop the NAOF’s foresight capacity and recent feedback received from European counterparts through the EUROSAI network.

Foresight plays an important role in the NAOF’s planning activities

The objective of the National Audit Office of Finland (NAOF) is to ensure that it can provide timely and relevant audit information. This obviously requires efficient planning and implementation. In addition, foresight plays an increasingly important role in the NAOF’s analysis of its operating environment. This involves monitoring various branches of public administration and carrying out a ‘whole-of-government’ risk analysis - representing a more integrated approach to public service delivery. And last but not least the NAOF’s analysis also drives the selection of audit topics.

The Finnish economy is currently undergoing several major reforms, which will also have an impact on social structures and the operating models of the public administration. In such a rapidly changing environment, how do we make sure that our audit planning process is generating topics which are still considered relevant even at the time when the audit report is published?

In the planning of its audits, the NAOF makes use of a ‘whole-of-government’ risk analysis of central government finances and the national economy to identify the different risks involved and to assess coverage by its audit activities. The information basis for the risk analysis is gathered utilising different methods and areas of expertise. In addition to methods used in the fields of economics and the administrative sciences, foresight competence and foresight information also help in achieving an accurate analysis of the operating environment. As a part of the risk analysis, we use the information provided in foresight publications and analysis, and different researchers in the foresight field are interviewed for the purpose.

The NAOF has carried out the ‘whole-of-government’ risk analysis since 2008. The purpose of the analysis is to identify the material risk areas, taking into account the sustainability of general government finances and the risks to financial administration. Through the NAOF’s fiscal policy audit function (since 2007) and fiscal policy evaluation function (‘the IFI function’, since 2013) we also emphasise the sustainability of general government finances in our work, as well as in our performance audit recommendations.

NAOF stakeholders expect a foresight perspective

The NAOF carries out regular stakeholder surveys to monitor the expectations and experiences of its stakeholder groups regarding its audit and advisory activities. According to the responses, the stakeholders expect audit opinions to be drafted from a foresight perspective. In addition, they expect the NAOF to follow a constructive approach and consider that audited entities benefit most from recommendations that support their future development work and decision-making.
In Finland, the central government drafts future reviews to support the implementation of the Government Programme. Consequently, there is an abundance of foresight information available. The challenge is to coordinate the timetables of the policy-making carried out by different public officials, as well as their extensive data sets.

However, according to the NAOF’s observations, foresight information is not yet systematically utilised in decision-making or in the data sets used in policy-making. At the NAOF we aim, through our own actions, to promote better utilisation of the existing expertise and information in the policy-making carried out by public officials.

**Foresight techniques require development of performance auditors’ competences**

The current development work aimed at making better use of foresight work in the NAOF’s performance audits is based on extensive functional and information resources and competences. In terms of performance audits, our focus is to identify efficient ways to support and make use of the foresight approach in the NAOF’s audit activities.

In practice, better utilisation of foresight information and identification of effective foresight techniques means a broader perspective for auditing, i.e. integrating new ways of thinking and new approaches and methods as part of the audit work. A small team of performance audit experts hold methodology workshops and are responsible for the networking activities in this field.

The NAOF has already carried out some individual performance audit activities targeting foresight work or utilising foresight information. The purpose of the foresight development project currently underway at the NAOF is to raise awareness of the use of foresight methodologies in performance audits, to carry out capacity building and to further develop the use of foresight techniques in performance audits.

**Networking to develop knowledge of foresight**

The NAOF is engaged in active dialogue and networking with some of the key producers of foresight information in order to ensure easy access to it. For capacity building, methodology development and audit workshops, the NAOF collaborates with the University of Turku’s Finland Futures Research Centre and with the Finnish Parliament’s Committee for the Future.

During spring 2018, the NAOF organised a joint information event on the foresight activities carried out by the central government. The purpose of the event was to exchange information between the different actors and to discuss how foresight information can be used in audit work.

**EUROSAI Dialogue on Emerging Issues**

In September 2018, the NAOF organised a web-based ‘Dialogue on Emerging Issues’ for the European Organisation of Supreme Audit Institution (EUROSAI). In total, 36 European SAIs provided answers reflecting on and defining the most important emerging issues for the SAIs’ work in the 2020s. On the basis of these responses, we identified a number issues and topics related to cooperation, technological changes and the changing role of SAIs. But respondents also suggested ways forward: for example, creating a specific EUROSAI platform for on-line training material, encouraging joint audits, building structures and forums for seamless exchanges of information and fostering staff secondments.

More details on the main survey results related to these three categories are summarised in the box below.
Future planning on foresight

In early 2019, the NAOF plans to arrange a foresight workshop for representatives of Nordic SAIs to exchange information and views regarding the role of foresight work in auditing. The aim of such active networking is to share good practices and learn from each other. This way we will not be left to face this challenge alone.
The ECA's future institutional positioning: conditions and options

By Matthias Rossi, Professor at Augsburg University

Mapping the future as the EU’s external auditor

The Foresight Task Force of the ECA was set up to ‘future-proof’ the ECA. In this context I have been asked to provide my view on the options for a possible institutional development of the ECA in the current setting of the EU.

The following points summarize the main results of my considerations. In essence, I argue that the ECA as the EU’s external auditor:

- should show its ambition to play a stronger role among EU institutions;
- enjoys a broad mandate to carry out its audit for the benefit of the EU and its citizens;
- should build on its institutional independence as a key asset;
- can also play a more prominent role in assessing the impact of forthcoming legislation.

Stronger role among EU institutions

At present, the ECA is suffering from a lack of visibility. Its reports and other forms of observation barely reach the public in the Member States, as important and well-founded as they may be. The responsibility for that lies not with the ECA, but with the basic structures of the EU public sphere – outside the ‘Brussels bubble’ a specific EU public sphere hardly exists. This is to be regretted because the effectiveness of the ECA’s audits and its recommendations is essentially dependent on their impact in the media. Against this background, the ECA can use the forthcoming discussions on the future of the European Union to increase its importance. This discussion was launched by the Commission's White Paper on the Future of Europe, which does not present a single idea for the future of the EU but offers five different scenarios for the Union's evolution, which can also be combined with one another. This White Paper has generated considerable debate within the Union and its Member States without producing a preference for any one scenario.
The ECA is hardly involved in this discussion. That implies at least that there are no plans to curtail any of the ECA’s existing tasks and powers. However, being virtually absent from this discussion is regrettable, because the ECA’s work is affected not only by formal institutional proposals but also by proposals of substance. This is because they concern its subject matter – the implementation of the budget and, ultimately, the implementation of policies. It is therefore highly advisable for the ECA to take an active part in the discussions on the future of the EU. Irrespective of any possible changes at EU level, the ECA should also recapitulate and redefine its role in interinstitutional relations. In doing so, it should consider an increase in its importance based on existing tasks and powers, as well as an expansion of its activities.

**Equipped with a broad audit mandate**

In principle, such an extension of ECA activities is not precluded by any legal constraint. Rather, the Treaties are already open to an extension of the ECA’s fields of action. Of course, the rule of law not only binds the bodies and processes audited by the ECA, it also binds the ECA itself. But the Treaties give the ECA a broad mandate relating to the scope of its audit and also the way in which the audit is conducted. This broad mandate also applies to the products the ECA chooses to present.

The Treaties are therefore more open than it may appear from the ECA’s day-to-day audit work. The numerous and detailed manuals and guidelines that the ECA uses may unnecessarily restrict the legal framework and deprive the ECA, as the Union’s external auditor, of the leeway that is intended by the Treaties. Neither do international standards - like those of the International Organisation of Supreme Audit Institutions (INTOSAI) - limit the ECA’s work: they are meant to guarantee minimum standards, not to exclude other activities. The Treaties cite two auditing standards – legality and regularity and sound financial management. Both criteria – the legal one and the economic...
The ECA’s future institutional positioning: conditions and options continued

one – depend on each other. A measure that is incapable of bringing about the desired objective not only makes no economic sense, it is also legally inappropriate and therefore unlawful. Furthermore, the criterion of sound financial management is sufficiently open to interpretation, giving the ECA considerable room for manoeuvre in this respect.

Moreover, the Treaties do not require the ECA to issue a given type of products. Special reports and opinions are named by the Treaties’ provisions only as examples of ‘observations.’ The ECA is therefore free to invent other forms of publication for its ‘observations.’

At the same time, the decision by the ECA to undertake a new activity must not hinder or even prevent the fulfilment of its mandatory tasks as provided for in the Treaties. It will always have to draw up an annual report and the statement of assurance, and normally will respond to specific requests from other institutions.

For the rest, the general limits of the ECA’s mandate arise from the vertical separation of powers between the EU and its Member States, the horizontal separation of powers between the institutions of the EU, and fundamental rights. Since, however, the ECA in principle has no teeth but mainly operates by publishing information (having no legally binding instruments at its disposal), it is unclear to what extent it would even be capable of crossing these ‘red lines’.

Independent audit as the key element in a self-correcting system

The independence of the Members of the ECA is not only an operational prerequisite, it is its brand and its trump. But it must also be lived in the institution’s day-to-day auditing practice. It is central to the idea that any specific criticism of a particular measure should not be seen as negative for the EU’s image or for the image of one of its institutions. On the contrary, it should be seen as positive in the sense that the EU has an efficient audit institution and is therefore a self-correcting system. A functioning audit system is a central element of the EU’s institutional order. It is in the immediate interest not only of the institutional balance, but above all of the EU’s citizens.

To get an idea of possible future tasks it may be useful to have a look at the Member State audit institutions. They naturally perform the ‘classic’ tasks assigned to audit institutions in a system of parliamentary government with separated powers; in addition, they often perform other tasks. It is certainly rewarding to take a closer look at these powers.

Engaging in forward looking activities: a role in assessing legislative impact?

Particular emphasis could be placed on greater involvement of the ECA in legislation. One way the ECA could proactively engage, in an advisory capacity, might be for it to participate in a form of legislative impact assessment.

In particular, measures of this sort could rid the ECA of its foremost image as a ‘destructive’ force, since, as a rule, impact assessments would include proposals for alternatives. This would give the ECA a contributory function, while also demonstrating that it is not only concerned with finding past inefficiencies but interested in identifying how future action can be more efficient. It would thereby earn respect without compromising its independence, and it would be seen to be working on behalf of and for the EU citizen rather than as just another administrative body of the EU.
Speaking about foresight quickly brings out topics like digital transformation and technology. For Magdalena Cordero this is no surprise. For her, technology offers far-reaching possibilities for innovation in audit which, as she sees it, will mean major changes in how and what the ECA audits. She is keen to share her thoughts about how to bring innovation closer to the ECA’s core business: its audit work.

Technology will be everything, also for the ECA

Interview with Magdalena Cordero, Director Information, Workplace and Innovation

Foresight is clearly a topic that lies close to the heart of Magdalena Cordero. And not only because foresight is a key part of her professional responsibilities. Foresight means being ready for any change that could appear in the future. She points out that ‘technological change can be very disruptive.’

For Magdalena the implications are very extensive. ‘Information technology, today, is at the centre of everything we want to transform.’ She explains a bit further: ‘In some cases, technology is at the origin of the changes, but in most cases it’s impacted. Organisations take decisions that have a technological impact.’ She gives an example. ‘Let’s say you decide to reduce the carbon footprint. This means reducing travelling and optimising heating and cooling. How can you do this? By implementing systems that allow remote working or by analysing the information from temperature sensors.’ She continues, ‘The lack of immediate solutions should not limit the vision. If you have an idea I am convinced that the technology will help with implementation and, if this is not the case, it should not limit your ambition. We need to be ambitious; after all, technology will evolve.’

Technology at the centre of everything

By Gaston Moonen, Directorate of the Presidency

“We need to be ambitious; after all, technology will evolve.”
Interview with Magdalena Cordero, Director Information, Workplace and Innovation

continued

Our ambition is to design business processes controlled by design to facilitate, and even automate, audit.

Having the technology can be a stimulus and source for new questions, altering our approach to what we audit.

You have to find out what knowledge and interest are already in house and show how far you can get by using it.

Innovation in the job title

Ten years ago, Magdalena came to the ECA to work as director responsible for information technology (IT). In recent years her job description has been expanded to include ‘workplace’ and ‘innovation.’ She explains that the second term means keeping a permanent watch on technology, identifying tendencies and possibilities. ‘Artificial Intelligence (AI) is an area we already work on. We want to be ready to work with big data, and text mining – as the data related to audit can be unstructured.’ She points out that auditing involves a lot of reading and understanding, and developments in natural language processing will make machines read for us. Systems can learn, summarise, classify, suggest key words, and much more. We already have technology developed for us in ECALab, with a dedicated group of people specialising in different techniques and helping colleagues to apply them.’

Magdalena also touches upon a topic she has been promoting for some time within the ECA: blockchain. ‘That is going to be the future. Our ambition is to design business processes controlled by design to facilitate, and even automate, audit.’ She realises that for many people blockchain technology is still a mystery. ‘At the ECA we have implemented a pilot to show the potential for blockchain in audit.’

Automation changing the scope of audit: how affecting the what

For Magdalena, it is clear that some technologies, such as robots, will automate part of the auditor’s work; this will allow auditors to focus more on strategic issues. In her perspective, how we audit will have an impact on what we audit and vice versa. ‘The world is now digital, and it is possible to use data analytics to examine the full audit population instead of a limited one, and identify risks.’ Smiling, she adds: ‘Then we can better identify not only what we’re going to audit but also how, with different techniques available to do so. Having the technology can be a stimulus and source for new questions, altering our approach to what we audit.’ She gives the example of an audit on VAT, in which data analytics meant outliers could be easily identified. She is also convinced that the use of satellite data could transform the way we audit agriculture.

Creating ECALab to introduce auditors to new techniques

The existence of technology is one thing, using and applying it is another. Magdalena clearly realises this, pointing to ECALab as a means of address the problem. The ECA decided in early 2017 to systematically move forward with digital audit: data analytics, text mining, visualisation, etc. ‘We decided to assign a physical space and tell people “You’re interested in data analytics, or if you are an auditor with a data project, please come and share on Fridays with those who want to analyse data.” And auditors that had, and have, questions come.’ This is a source of pride for her: ‘I have to say, one year later, we have a fully consolidated ECALab, with resources working on text mining and blockchain, for example, thanks to a small group of enthusiastic officials from different ECA Directorates.’

Magdalena explains that her directorate has created a methodology to move forward with innovation. The first phase is ‘re-use.’ ‘You have to find out what knowledge and interest are already in house and show how far you can get by using it.’ Then comes the second phase, experimentation, which requires dedicated and experienced human resources. She continues: ‘Just re-using we can’t go far. If the College of the ECA believes we need to move forward, and personally I think we have no choice, we need to initiate the experimentation
Interview with Magdalena Cordero, Director Information, Workplace and Innovation
continued

Using technology to realise the ECA strategy

For Magdalena it goes without doubt that using automation technology will be essential for realising the objectives of its 2018-2020 strategy. They relate to three goals: transforming the compliance audit work done for the statement of assurance, increased focus on performance, and thirdly regarding communication. Regarding compliance, Magdalena points out that for reusing work done by others digitalisation can help tremendously. ‘Take those controls that have data, already digital and by using the technology of text analysis we can issue a certification based on a very deep, yet digital, analysis. It will allow you to cover a lot more and find the outliers.’

As to performance she brings up the topic of using open data, adding that Member States need to follow the EU directive on open data. ‘Just by analysing open data, you can add a lot of information into our performance audits.’ She refers to the summer school course in Pisa about data analytics she attended some months ago. ‘We invited an expert from the UK National Audit Office to talk about data analysis and when asked ‘what data are you using’ the reply was: ‘100% open data.’ Just open data, which was encouraging.’

As to the third objective regarding communication remarks that everyone makes the link what technology represents today for the good and bad. This includes the ECA’s presence in social media for which media monitoring tools are used, which is about text mining. With a twinkle in her eye she explains: ‘We use these media monitoring tools for communication. But we should also use them for programming to identify from the media where the focus is, what are the things we should observe. Then it is not just what media says about us, it is what we learn in a subject of interest from the media. If we want to audit something in research, let’s use the tools we have what pops up in media. And use this feeding into our audit work programming.’ She gives a very concrete example: ‘Let’s say passenger rights. Imagine you go to social networks and data mine what the attitude of people, where they feel something goes wrong. That is useful additional information.

A cultural change towards an appetite for... change

TECALab is clearly an important tool for bringing new techniques to auditors. But according to Magdalena something else is needed: an appetite for change and trying new things. With some prudence she explains: ‘It is not easy to create an appetite for change in an organisation that doesn’t want to take the risk of failure. One thing here is that, in order to change, you need to promote the experimental spirit and allow for investment. And make failure part of the learning curve.’

Another important element for the take-up of new technology is understanding the possibilities. ‘Our staff needs to understand that, when we talk about data, we are not only talking about figures or structured information. We are talking about text, pictures, images. All that is data.’ She underlines that text, if digitised, is data.

(On media monitoring tools)... we should also use [...] for programming to identify from the media where the focus is...

It is not easy to create an appetite for change in an organisation that doesn’t want to take the risk of failure.
Then she brings up another misconception. ‘Auditors don’t need to be experts in all this technology, just come to us with their original questions!’ According to Magdalena you need to think in a multidisciplinary way. ‘It is not about training auditors to make them experts, that’s the past.’ For her the set-up will be that the auditor will work together with experts to identify what is happening in an analysis. ‘In an audit team, you need specialised staff to prepare the data and to do the data analyses.’ In her view, this might also have implications for new recruitment. ‘In the private audit sector some companies declare they recruit up to 20% of engineers or mathematicians.’

**Alerting senior management to be prepared**

All these possible changes, including changes in the work of audit, also raise the question about the role auditors may play in the future. According to Magdalena, the nature of performance audit itself might not change that rapidly, but the role of the auditor will. ‘Auditors have a lot of knowledge and expertise. They may play more of a consultancy role, which could increase their influence at strategic level. We are already doing opinions on legislative proposals; this is the beginning of a process.’

Magdalena believes that the core focus for her department and its people will continue to be the promotion of innovation at the ECA. ‘We aim to be innovating. We signal evolutions that are happening, and we want to influence the organisation to move forward. In many cases, these changes are strategic, they represent a real transformation and decisions must be taken at senior management level. Management decisions and sponsorship: this is where real transformation happens.’

Looking back at the 2018 ECA seminar on foresight, Magdalena finds that many of the relevant issues were covered. In this context she refers to the presentation on the ECA trendwatch map (see pages 28-29). ‘This map highlighted, by means of many dots and crosses in this “subway” map, two things I believe are happening with increasing impact for the future. One is artificial intelligence, which will be at the origin of the automation of our jobs, and the other is security and cyber attacks. Those are the most intensively “crossed” features of the diagram. These two topics very much relate to what I mentioned before, the importance of technology.’

On a personal note, Magdalena points out that she expects transformation of cities and the way people live and travel. This also relates to two other topics she highlights. The first is demographic changes: ‘Very important from the perspective of an ageing society.’ The second is climate change. ‘If we want to succeed in Europe we need to focus the campaign on what makes Europe different – all the work on environmental issues. Look at our global competitors – the USA, China. This is the area where Europe can excel in what we are doing well, although certainly not yet perfectly, not enough.’

**Looking back and forward**

When asked about the biggest change at the ECA since her arrival ten years ago, Magdalena gives a striking reply. ‘It is actually change itself. The big change of the ECA is that it has become much more dynamic. Ten years ago not that much was happening, you may call it stable, if you want. The difference now is that we are constantly changing.’ She refers to the ECA’s new
published products, new visuals, the organisational reform, more conferences. ‘What I like most about that change – particularly from the area of knowledge management – is that the ECA has become a more open organisation, and not only one focusing on audit. We work more together with external experts, stakeholders, academics, other institutions.’ She now perceives the ECA as a learning organisation. ‘We are moving much more, trying to improve. I love to be a member of a learning organisation and not a static one.’

And she sees a big challenge when it comes to the ECA’s staff development in the future, giving the example of millennials. ‘We see that they are different, even in the physical space in which they work. This is something we have seen happening, at least in IT organisations. For example, millennials need to receive constant feedback, which poses new challenges for managers. We send alerts about what we observe. Millennials are not here yet, but they will arrive. The managerial skills, the technology we are providing, the way they want to work is completely different. This is a scenario we have to be prepared for.’

Looking forward, Magdalena hopes to see an ECA that will lead in all areas relating to and using digital transformation in audit. ‘The ECA is now held up as an example for performance audit, it’s a leader, at least in my perception. I would like the ECA also to be leading the digital transformation of public audit. But to do so we need to move fast and with ambition.’
From foresight to audit selection: examples at the ECA

By Matteo Tartaggia, Sustainable Use of Natural Resources Directorate

Reflecting on foresight is one thing, but making it a component for guiding the selection of audit tasks which add value is easier said than done. How is foresight information tapped by auditors and used in current audit programming at the ECA? As assistant to the director of one of the ECA’s audit directorates, Matteo Tartaggia is closely involved in the design of audit tasks and gives some concrete examples relating to climate change and agriculture.

Foresight and auditing standards

When developing ideas for potential audit topics, foresight is essential to make sure that the proposed task is going to be relevant to citizens, the parliament and other stakeholders, not only now but also when the audit report is published. Foresight is also recognised by international audit standards: ISSAI 12 – part of the standards used by Supreme Audit Institutions (SAIs) – calls on SAIs to be responsive to changing environments and emerging risks. One could therefore argue that foresight is built into the various stages leading to the choice of audit tasks, from policy scans to the adoption of the annual work programme at the ECA.

From policy scans to the selection of audit tasks

Policy scans are the first step in identifying the latest developments and trends in a policy area. For instance, our policy scan on the environment and climate change starts with an overview of the main climate and environment trends expected in the next five to ten years, and a longer-term outlook, as assessed by the European Environment Agency in its latest ‘state and outlook’ report on the European environment (see Figure 1). In the area of agriculture, our policy scans list new technologies – such as the use of satellite imagery and precision farming – as a key development over the next few years, and a subject highly relevant to our future work.
On the basis of these policy scans we develop our audit ideas. In the Sustainable Use of Natural Resources Directorate around a hundred auditors are involved every year in the development of audit ideas. The sum of their experience, specialist knowledge and particular interests means that we have extensive coverage of topics – including ongoing and future developments across audit areas. They meet, brainstorm, and present their ideas to our management, who, when it comes to selecting which ideas should become audit tasks, are attentive to emerging risks and their impact on the lives of EU citizens.

**Climate change**

Last year we included in our 2018 work programme a task on desertification in the EU as a high priority. Our policy scan had identified an unfavourable trend in soil degradation in recent decades, and the audit proposal had highlighted that, according to the European Environment Agency, over 40 million hectares of land in the EU were sensitive to desertification – an area bigger than Italy and Portugal taken together. With no specific legislation or budget allocations on desertification or land degradation, but several legal and policy documents – and EU funds – potentially addressing these phenomena, we decided to examine whether the risk of desertification in the EU was being addressed effectively and efficiently. As the ECA had earmarked this as a high-priority task, the special report is expected as early as the end of this year.
In fact, the role of foresight is obvious in all our audit reports and other products concerning climate change. In 2016 we looked at the arrangements put in place to ensure achievement of the EU target of spending at least 20% of its budget for 2014-2020 — one euro in every five — on climate-related action. We concluded that progress had been made towards reaching the target, but there was a serious risk that it would not be met without more effort to tackle climate change. Building on this and other reports, in 2017 we published a landscape review on EU action on energy and climate change, identifying a number of challenges, in order to inform both the legislative debate and future audit work.

**New technologies**

But foresight is not confined to the environment and climate change. Another very different but obvious candidate for applying foresight is the area of new technologies. A recent example in our directorate concerns the use of new technologies in agriculture. As I mentioned earlier, our policy scans on agriculture had identified new technologies as a potential game-changer in future years. Upon further investigation, we found that monitoring agricultural activities by using new technologies was likely to develop rapidly, and had the potential to simplify and reduce the costs of checks, for public administrations and farmers, and allow better targeting of EU funds.

In fact, we have experienced ourselves the potential of new technologies in the course of our audits. For years we had been visiting on the spot all the farmers sampled for our compliance audit work for the ECA's Statement of Assurance. In 2017, we decided to make increased use of satellite imagery and the digital measurement systems available, which allowed us to audit remotely one third of direct aid transactions. We expect this ratio to increase in 2018, and reduce even further our trips to the fields.

In light of these developments, we decided that undertaking a task on new technologies in agricultural monitoring would maximise our capacity to comment effectively on the developments expected over the next two to three years, and keep abreast of ongoing developments. This task will also represent an excellent learning opportunity to increase the efficiency of our own audits. In a way, it reminds me of the speech given by Kersti Kaljulaid – a former ECA Member and now President of Estonia – during the celebrations of the ECA's 40th anniversary. A year ago, she was challenging us to 'use technology to make financial audit almost unnoticeable,' so that we would be able to 'deal with more interesting audit questions, while algorithms sneak through the digital trail of the bills relating to the EU budget.' I doubt that we are completely there yet, but using techniques such as I have described above proves that we are accepting the challenge.

**Foresight never ends**

The challenge that doesn't end once we have selected an audit task. We have seen how foresight precedes and accompanies the choice of audit tasks – from policy scans to the adoption of the annual work programme – and I have listed several examples where the ECA has taken up the challenge of being a catalyst for change. But foresight hardly stops there. Throughout the audit – and virtually in any audit task, even the more traditional ones – our auditors are required to be aware of ongoing developments in the policy area, and need to be bold and forward-looking if they are to make relevant recommendations for the future.
Meeting people in person remains important, despite the modern means of communication. This also applies to experts who are, or aim to be, at the forefront of foresight, identifying trends and potential scenarios for the future. Several of them, most employed governments or international organisations, came together at an annual meeting hosted by the Organisation for Economic Cooperation and Development (OECD) on 8-9 October 2018. Gaston Moonen attended this meeting to listen and learn. Below some impressions.

Stimulating set-up for discussing foresight issues

The public sector discovers foresight. This was literally visible during the 6th ‘Government Foresight Community’ (GFC) Annual Meeting, which took place on 8 and 9 October 2018, at the Organisation for Economic Cooperation and Development (OECD) in Paris. The participants’ list showed that this meeting really is bringing together a global community, with several participants from Asia, for instance, and the Americas. According to the OECD hosts, Duncan Cass-Beggs, Counsellor for Strategic Foresight in the OECD, and his colleagues Julia Staudt and Joshua Polchar, there was also a noticeable increase in interest. For me, being neither a foresight specialist nor a regular participant in these events, the eye-opener was how much professional thought goes into foresight and how governments and international organisations have set up foresight capacities to envision future scenarios and possible impacts. Another pleasant experience was the intercommunicative way the discussions were organised, starting with a lively approach to introducing oneself.

A key objective of the GFC Annual Meeting is to share new insights on foresight, meaning exchanges on what participants thought could become a signal for change or an emerging trend, and what the potential implications would be. Clearly an effort has been made to
be innovative about interaction here. With almost 60 participants this was organised in break-out groups of around eight persons, where people presented one or two topics which in their view could be on the cutting edge of thinking on 'futures.' This informal set-up not only stimulated discussions but was also useful for networking. Each break-out group selected one or two topics to be reported back to the plenary.

After that, the day was organised around 9 presentations with three presentations running simultaneously. Participants could pick three presentations to attend, rotating after 30 minutes from one to the next presentation. Each short presentation was followed by a discussion and participants had to note the most insightful ideas on cards to be shared on a blackboard later on. The last part of the day included a panel discussion featuring presentations from foresight members from Canada, Finland, the EU and Singapore, on their respective systems for embedding foresight in government policy making.

Main takeaways

Since I was only able to attend the first day of the GLC meeting I will limit myself to some personal impressions from the rich discussions that took place, focusing on topics that may be of particular interest for us, at the European Court of Auditors:

- the use of algorithms, often aggregated in the private sector, in criminal justice proceedings;
- a shift in pollution perception: people start to be more conscious of the possibly polluting effects of their daily life choices;
- increasing risks of conflict of interest in use of data by private operators - from the internet, aggregated from cameras, etc. in view of privacy rules, if such data is available at all;
- trend towards social disorientation because of access to information leading to anxiousness about changes and amount of choices.

Takeaways from the presentations of foresight studies and foresight capabilities are:

- embedding foresight in the very grain of parliamentary life and engaging with other layers of governance: a case study from Estonia showed the impetus for foresight studies can come from government but also from parliament, can be driven by budget constraints or concerns about remaining relevant and different visions of what kind of role government should have in society;
- foresight as an anticipatory policy tool and as element in the toolbox for better regulation;
- potential of audit as an incentive for government to include foresight in policy decision-making;
- the role an audit institution such as the U.S. Government Accountability Office takes in mapping trends and possible implications, for example for science and technology;
the future basis for taxes: how to ensure tax income for governments, also in view of corporations operating globally and taxation often happening on a national basis;

- the potential of foresight to depoliticise the policy process and the need for politicians to have foresight expertise ... and vice versa, since what is the use of foresight if it has no impact on policy decision-making.

Global trends, global solutions...

Overall, it was clear that foresight is being integrated in public sector organisations in many ways. And that foresight can go into different directions, from descriptive foresight – on what could be – to aspiration foresight – on what you would like it to be. The peer learning exercise also showed how global the trends and potential futures are. And that often scenarios to address these challenges need to be global too and foresight experts should aim to translate this into practical solutions for policy- and – decision makers. The foresight community that gathered at the OECD this month clearly shares a common interest and concern for the future and the ambition to make policy decisions more future proof.
Reaching out

2018 ECA Award for Research into Public Sector Auditing: a tribute to former ECA President Jan O. Karlsson

By Roberto Gabella Carena, Directorate of the Presidency, and Gilberto Moggia, information, Workplace and Innovation Directorate

Fifth edition of the ECA Award

Academic institutions and researchers are important partners for the ECA, both as a respected source of knowledge and expertise in the various audit domains, and as valuable contributors to the process of developing audit methodologies and approaches.

The ECA Award is one of the ECA initiatives tailored to academics scholars and researchers into public sector auditing. This year, the prize of € 5000 was awarded for the fifth time. The Award also gives the ECA the opportunity to pay tribute to a person who has contributed significantly to the reputation of our institution through his or her work and example. The 2018 ECA Award was named after Jan O. Karlsson, who served as the first Swedish Member of the ECA from 1 March 1995 to 31 December 2001, including a term as President from 1 January 1999 until he left the ECA in 2001.

Andreea Hancu Budui and Professor Mita Marra received the 2018 award on 18 September 2018 during a ceremony organised at the ECA in Luxembourg. This is the fifth ECA award for research into public sector auditing and this one is dedicated to Jan O. Karlsson, former ECA Member and President. This year’s prize was awarded for two different research projects, one related to auditing the European Development Fund, and one on making use of evaluations. Roberto Gabella Carena and Gilberto Moggia were very much involved in organising the 2018 ECA Award and provide further details below.

chronology of eca awards

2010
Jesús Lázaro Cuenca (1954-2009), former ECA director

2012
Juan Manuel Fabra Vallés (1950-2012), former ECA Member and President

2014
Massimo Vari (1937-2013), former ECA Member

2016
Henrik Otbo (1949-2015), former ECA Member

2018
Jan O. Karlsson (1939-2016), former ECA Member and President

Award ceremony at the ECA, Luxembourg, 18 September 2018

From left to right: Eduardo Ruiz García, ECA Secretary-General; Andreea Hancu Budui and Professor Mita Marra, 2018 ECA Award winners; Bettina Jakobsen, ECA Member and Chair of the selection panel; Klaus-Heiner Lehne, ECA President; Eva Lindström, ECA Member; Igors Ludboržs, former ECA Member; Robert Harmsen, Professor of Political Sciences, University of Luxembourg
The ECA traditionally seeks to reward outstanding academic research, which is relevant to public audit and its own work. Bettina Jakobsen explained that, for this fifth edition, the ECA decided to enlarge the scope of the Award and invite researchers to present not only masters’ or doctoral theses, but also peer-reviewed publications and books on the topic of public auditing. This proved to be a good decision, as the number of submissions more than doubled compared to previous years. The result of the deliberations of the selection panel reflected this year’s change in approach. The two winning works were a masters thesis on auditing the European Development Fund, written by Andreea Hancu-Budui at the University of Valencia (Spain) in 2018, and a book entitled ‘Evaluating evalulations,’ published by Mita Marra, Professor at the University of Salerno (Italy), in 2017.

The award ceremony was organised around three parts: paying tribute to Jan O. Karlsson, the presentation of the medals and certificates, and a keynote speech.

Paying tribute to Jan O. Karlsson

President Klaus-Heiner Lehne opened the ceremony in the presence of Jan O. Karlsson’s family. He pointed out that the ECA Award is an important way by which our institution demonstrates its commitment not only to being at the forefront of developments in our profession, but also turning itself into a knowledge-based organisation.

Then Eva Lindström, the ECA Member from Sweden, covered the various aspects of Jan O. Karlsson’s rich personality, recalling the main stages in his public life. She recalled how Jan O. Karlsson, being part of the inner circle around the former Swedish Prime Minister Olof Palme, played an important role in the modernisation of Swedish politics and society. Eva Lindström met Jan O. Karlsson on a number of occasions: ‘I remember a charming intellect, his ease, sometimes a perhaps unorthodox attitude but always great commitment. At the same time there was some element of the uncertain, he could say the unexpected and surprising. Jan was outspoken and direct. He called things by their name. This also contributed to making him one of the more colourful Swedish politicians.’ As Eva Lindström recalled, ‘Mr Karlsson had a brilliant ability to analyse and he could always pinpoint the essentials in very complex issues. He got right into discussions, contributing, exchanging views and pushing the debate. He was not afraid of being heard or giving his opinion. Jan O. Karlsson’s tenure was not always smooth being a bit noisy and sometimes too open and outspoken. The former Prime Minister Göran Persson referred to Mr. Karlsson as being very loyal and liked and also happy, intelligent and always ‘on the move’, having a challenging and stimulating intellect.’

Jan Olov Karlsson (1 June 1939 – 19 September 2016) was an eminent Swedish politician.
He studied economics, political science and history at Stockholm University.
He served as a Member of the Court from 1 March 1995 to 31 December 2001, including a term as President from 19 January 1999 until he left the Court in 2001.
He was Minister for Development Cooperation, Migration and Asylum Policy (2002-2003) and acting Minister for Foreign Affairs (11 September-10 October 2003).

1 Also see the article In memory of Jan O. Karlsson, by Eduardo Ruiz García, published in the December 2016 issue of the ECA Journal.
ECA Secretary-General, Eduardo Ruiz García, then outlined Jan O. Karlsson’s extraordinary contribution to the ECA’s institutional identity. When Jan O. Karlsson joined the ECA in 1995 as the first Swedish Member, Eduardo Ruiz García was one of his closest collaborators. He remembers how his management style surprised all staff: ‘Jan was a pleasant surprise for all of us: informal and warm. He demonstrated that a good top manager is not a distant and grave person, but someone open to staff, with a kind word or a thoughtful question for everyone. Someone full of enthusiasm and supportive of the work of the people nearest to him.’ Jan O. Karlsson put forward several proposals for reforming the ECA. At that time some of them failed, as it was probably too early. Nevertheless, as Eduardo Ruiz García recalled, these attempts were valuable as they prepared the ground for making progress in the future. Today, the ECA is based upon a system of audit chambers, the pooling of auditors, a broad-ranging annual work programme, and a proactive communication policy: the foundations of these improvements were already laid in Jan O. Karlsson’s programme as ECA President. Or, as Eduardo Ruiz García put it: ‘Jan had this particular charisma. He made an extra-premium contribution shaping the European Court of Auditors, to forming our professional and personal characters. Mr Karlsson belonged to the few ‘individuals who are a kind of ‘premium-contributors.’ They have something else: a clear vision, inexhaustible positive energy, a skill to bring people together, a capacity to shape all around them.’”

Finally, Peder Karlsson, the eldest son of Jan O. Karlsson, offered personal insights on his father and family background. In his heartfelt, emotional speech, Peder Karlsson described his father’s origins and the family in which he grew up. ‘My grandparents were socialists. Socialism meant for my grandparents freedom: freedom from fascism, freedom from the Nazi horror, freedom from a world where we separate people according to high and low. It meant the right for your children to get an education no matter what your cultural and social background. Those were the values that my father grew up with.’

A strong passion for a united Europe was part of it: ‘My father grew up in a family that had a European perspective. He got the passion for a united Europe that came with his mother’s milk.’ Values such as equality, justice, freedom, and a united Europe were deeply rooted in Jan Karlsson’s life experience, ‘not just as a note in a political pamphlet.’

Jan O. Karlsson found bright examples of dedication and altruism in his very own family: ‘My father’s biggest hero was probably his uncle, Arne Karlsson, who worked for the organisation Rädda Barnen,’ the Save the Children international organisation in Austria after the Second World War. Arne Karlsson died on 11 June 1947 when, on the way to Berg (at the Austrian border with the current Slovak Republic), he mistakenly turned and drove into a Russian occupation base. The Russian soldier saw the car and thought that there was a spy in the car. He began to shoot and killed Karlsson. Jan Karlsson was eight years old when his uncle died. As Peder Karlsson put it, Arne’s example and tragic end ‘shaped the personality of my father, his passion for justice: why did this happen? Why do people come apart in conflicts? What can we do to bring people closer together? Somewhere deep inside him was the little eight-year-old boy who wished that his uncle would come back.’
The two ECA Award winners played the main role in the second part of the ceremony. Igors Ludboržs, ECA Member from 2004 to 2016 and member of the selection panel, explained on behalf of the selection panel the reasons for their choice.

Andreea Hancu-Budui has worked as Internal Auditor and Chief Financial Officer in Valencia, at the same time as pursuing her academic research. She has recently started work on a PhD in Public Finance and Audit of the Public Sector at the University of Valencia, after writing at the beginning of 2018 the masters thesis, *40 Years of auditing the European Development Fund (1977-2017) - the European Court of Auditors’ methods and results*, that led to her winning the ECA Award.

Her thesis provides a global view on the evaluation and auditing of one of the most representative financial instruments of the European Union. It elaborates on the shift from financial and compliance audit to performance audit, and analyses the impact of internationally accepted audit standards and practices and of enhanced methodologies on the effectiveness and consistency of reporting. The author puts forward both practical recommendations and methodologically interesting reflections on materiality, and presents a well-argued case for a continued shift towards performance audit. She also shows how the European Court of Auditors engages with other EU actors in the longer-term development of this policy area.

It is worth noting that Andreea Hancu-Budui had benefitted from the European Court of Auditors and European University Institute Postgraduate Research Grant on European Public Finances, which allowed her to carry out her research at both the Court’s headquarters and the EU Historical Archives in Florence.

Mita Marra is Professor of Public Policy and Public Administration at the University of Salerno in Italy, and Visiting Professor of Comparative Public Policy at The George Washington University. She is the author of the book *Evaluating evaluation*² for which she received the 2018 ECA Award.

---

The publication provides a comprehensive and innovative analysis of the experience of performance auditing and evaluation within Italy’s public sector over the past two decades. It empirically draws on the author’s first-hand experience to demonstrate the difficulties of reform in a national context and theoretically engages with broader relevant scholarly literatures to demonstrate that it is possible to draw wider lessons. The work critically engages with more general reform debates and supports forms of evaluation centred on dialogue, experimentation and learning, thus making the analysis relevant to a wider EU context.

Andreea Hancu-Budui and Professor Mita Marra received the medals and award certificates from President Lehne and the chair and members of the selection panel. Following the traditional photo session, the two winners had an opportunity to present the highlights of their research to the public.

**The keynote speech: Accountability, Embeddedness and the Crises of European Integration**

Robert Harmsen, Professor of Political science at the University of Luxembourg, captured the attention of the audience with a highly topical speech on the crisis that the European Union is facing now. Is this only one of the multiple crises in European integration, to be managed as the previous ones? Or are we confronted with an ‘existential’ crisis of the integration process itself, pointing to fundamental challenges for the European Union?

Professor Harmsen analysed the declining legitimacy of the existing model of EU integration. Is this just a question of enhancing accountability at the European level? Some reforms and improvements in the accountability mechanisms may help, but will not solve the problem of declining legitimacy. According to Robert Harmsen, the causes of the crisis are to be found at the systemic level.

In fact, there is a growing contradiction between democracy and governance. Typically, European integration is a system of governance, now endangered by the rise of various ‘populisms’ both across Europe and the wider world. ‘Populism has essentially become an illiberal democratic response to an undemocratic liberalism.’ although the formulation sounds incontestable, it contains a contradiction which has to be addressed. Jan Zielonka, another author quoted by Professor Harmsen during his speech, put the question in the following terms: ‘In the EU, technocrats dominate policy-making while populists dominate politics.’ In fact, at European level and elsewhere, the whole liberal order is now under attack. What could be possible solutions? With reference to the next EP elections, Professor Harmsen sees a risk of unhelpful or unhealthy polarisation between ‘liberals’ and ‘populists’, Which must be avoided. It is crucial that the pro-European narrative, which has been pretty much the same over decades, adapts to the country-specific context, in order to situate the national debates in a wider, European context. Finally and yet importantly, to address declining public trust in liberal regimes, a responsive accountability is needed, aiming at responding efficiently and effectively to people’s needs.

The ceremony ended with a short video, based on audio-visual records of the EU institutions, remembering important moments in Jan O. Karlsson’s life as a Member and President of our institution.
Reaching out

Drawing attention to the ECA’s ‘flagship’ product: the annual report

By Vincent Bourgeais, Directorate of the Presidency

On 4 October 2018 the ECA published its 2017 annual report on the EU budget. This report is seen by many as the ECA’s ‘flagship’ report, presenting the EU auditors independent assessment of the state of the EU’s financial management. The more reasons to disseminate the findings as widely as possible.

Vincent Bourgeais is communications officer at the ECA. In his contribution, he gives some insights into the multiple activities undertaken this year to reach out to press and media.

ECA President Klaus-Heiner Lehne presenting the annual report to journalists in Brussels on 3 October 2018

Going beyond publication

The annual report provides our independent assessment of the state of the EU’s financial management. Every year, we check the EU accounts and provide an audit opinion on two questions: whether the accounts are accurate and reliable, and whether the EU budget was spent according to the rules. Our findings are presented in our annual report and form the basis for our statement of assurance, which we provide to the European Parliament and the EU Council. Moreover, the annual report contains information on performance, value for money and results achieved by EU’s policies and programmes.

Box 1: Annual Report 2017 – Key findings
2017 EU accounts present ‘true and fair view’ (clean opinion).
Qualified opinion on regularity of payments:
- a significant part of the expenditure was not affected by a material level of error (set at 2%),
- the level of error in payments from the EU budget continues to decrease, estimated at 2.4% for 2017.
The EU budget continues to face significant pressure:
- outstanding budgetary commitments increase to a new high of €267 billion, due to a combination of high commitments and low payments.
The annual report is seen by many as one of our ‘flagship’ products and, beyond any doubt, its production is one of the key activities of the ECA during the year. But it is not enough to just produce and publish. Once compiled, our annual report must be brought to the attention of the other EU institutions, governments in Member States and regional authorities. But also EU citizens have the right to know how their money is being spent and what it achieves. That is where the ECA communications team comes into play.

**Getting journalists interested**

Media and press are indispensable partners to publicise our work as widely as possible. They link us to the general public, but also to more targeted groups. That is, if we are able to provide them a compelling and exclusive story. Dispatching a press release is clearly not sufficient in this regard. They need to hear the information from us directly and they want to get live answers to their questions on the key issues analysed in our reports.

This year we therefore piloted a new approach to our presentation to the press corps in Brussels. In particular, we held several dedicated press briefings in Brussels on 3 October, about half a day before publication. In addition to a general press briefing by ECA President Klaus-Heiner Lehne for journalists interested in financial affairs, we set up a number of ‘country-specific’ briefings with a number of ECA Members speaking to Brussels-based journalists from their countries. We also organised technical sector briefings with ECA directors being available, geared for those that wanted to go deeper in a particular area or topic.

**Change in publication approach**

All these briefings were under embargo until the annual report was published on our website. This year, and for the first time, we also decided to publish at 00.01 hour of 4 October (i.e. very early on the day of presenting the annual report to the EP), rather than 09.00 hour of that day (as in previous years). With this change in approach we wanted to ensure our presence in the morning news at the very day of the first presentation of the annual report to the European Parliament’s Budgetary Control Committee.
Early markings of success

This new approach has early markings of success. Despite competing events on the ‘Brussels news’ agenda, a record number of close to 50 journalists attended our different briefings. This in turn generated substantial media coverage, right from the early morning hours on 4 October. Both in terms of number of articles and geographical spread across Member States, our media coverage improved significantly this year. In the first ten days following publication, around 250 articles (+43% compared with 2016) and 350 social media posts (four times more than previous year) were generated. And this is not over. Members of the Court are presenting the annual report also in the days, weeks and months following its publication in their respective countries, to national or regional parliaments, governments and other stakeholders, including the national press. This should also contribute to bring our messages literally at the doorsteps of some half a billion EU citizens.

Forward looking message

For many journalists, our annual report is all about level of error and ‘money wasted,’ perhaps understandably. This triggers catchy titles and sensational, easy-to-sell headlines. But this year, we noted that the message is slowly shifting. Almost all headlines in the main media outlets moved away from referring to the error rate, and also do not use the word ‘waste.’ Why?

First, it may be that our communication efforts over the past few years to explain that errors are not necessarily waste have paid off. EU funds may still have had some positive impact and provided some benefit, even though they were not spent in a fully regular way.

Secondly, for the second year in a row, there was no ‘bad news.’ The error rate was below the materiality threshold for about half of EU spending and continued to fall in almost all policy areas, the reason why we gave a qualified opinion on payments (rather than a negative) for the second year in a row.

Finally, in the 2017 annual report, we not only looked back at the spending of the past, but also looked forward to the spending in the future. This forward looking element was emphasised in the President’s foreword to the 2017 annual report, and also taken up in his presentation to the European Parliament on the morning of the 4 October 2018. He warned that ‘EU should not make promises if it cannot deliver.’ President Lehne highlighted the fact that the EU has to be realistic about what it can do with the money entrusted to it, all the more so as the EU elections and next seven-year budget cycle are practically just around the corner. This was also the main message in our press release. The media echo showed that it helped to convey the idea that our audit findings also have implications for the future.

Much to build upon to make next year’s media strategy an even bigger success. We will work on it.
ECA congratulates Kosovo’s National Audit Office on its 15th anniversary

By Mindaugas Pakštys, Private Office of Rimantas Šadžius, ECA Member

On 4 October 2018, Rimantas Šadžius, ECA Member for Institutional Relations, attended, on behalf of the ECA, the 15th anniversary of the Kosovo National Audit Office (KNAO). For the occasion, the KNAO had organised a conference on ‘The role and impact of the Supreme Audit Institutions in restoring public trust in the public sector.’ Mindaugas Pakštys, Head of the Private Office of Rimantas Šadžius, gives a brief overview.

High attendance at the 15th anniversary celebration

For its 15th anniversary celebration, the Kosovo National Audit Office (KNAO) organised a conference on ‘The role and impact of the Supreme Audit Institutions in restoring public trust in the public sector’ on 4 October 2018. Besides the ECA, a large number of senior representatives of supreme audit institutions from the EU and beyond participated in this conference: Bulgaria, Croatia, the Czech Republic, Finland, Sweden, Poland, but also Albania, Montenegro, and the former Yugoslav Republic of Macedonia, Turkey, Saudi Arabia, as well as the Welsh audit office. Also, representatives of international organisations operating in Kosovo (World Bank, International Monetary Fund, Organisation for Security and Cooperation in Europe Mission in Kosovo and others) attended the conference. This unique blend of institutions and professions guaranteed a fruitful and productive discussion on the main topic of the conference.

The conference started with opening remarks by Besnik Osmani, Auditor General of Kosovo, Seyit Ahmet Baş, President of the Turkish Court of Accounts and Chair of the EUROSAI Governing Board, and Driton Selmanaj, Chair of the Parliamentary Committee for the Oversight of Public Finances in Kosovo.

---

1 This designation is without prejudice on status and is in line with UNSCR 1244 and the International Court of Justice opinion on the Kosovo declaration of independence.
Keynote speech by Rimantas Šadžius focussing on fostering trust through independent audit

Rimantas Šadžius, ECA Member for Institutional Relations, launched the first part of the conference with a keynote speech on fostering trust through independent audit. He referred to the ECA 2018-2020 Strategy in which the ECA highlights its role in providing insight into what works and what does not work in EU spending and other action. He remarked that by helping to improve the way the EU functions and is understood, the ECA contributes to fostering trust in the EU. One of the key challenges for the ECA, as for any audit institution, is to select the most relevant audit topics. He considered this to be vital to ensure that the ECA’s strategic objectives were achieved.

Rimantas Šadžius also pointed to a number of special reports the ECA published in the last few years in relation to EU spending in the Western Balkans. He particularly highlighted the good cooperation that was achieved in the parallel performance audit on Public Procurement in the Western Balkans, which was facilitated by the Swedish National Audit Office together with the ECA. This audit led to the publication of a synthesis report, presenting key findings as well as the main conclusions of the national audit reports from the six participating supreme audit institutions in the Western Balkans.

Panel discussions

The second part of the conference was organised around two panel discussions. The first discussion concentrated on ‘The impact of Performance Auditing on better government’ and the second one focussed on ‘SAI’s demonstrating ongoing relevance to society, by conducting risk-based audits.’
Regular exchange of views on matters of common interest between the ECA and the EPRS take place since a couple of years. This year, the EPRS delegation led by its Director-General Anthony Teasdale was welcomed by the ECA President Klaus-Heiner Lehne. Martin Weber, Gerhard Ross and Philippe Froidure, ECA Directors, and representatives of Audit Chambers informed the EPRS of the latest developments related to the ECA strategy 2018-20, the main messages from the recently published 2017 Annual Report (including the pilot towards attestation engagement in Cohesion) and the planning of forthcoming ECA reports and opinions for the next Multiannual Financial Framework in particular.

Anthony Teasdale underlined the strong interest of EPRS in intensifying the cooperation with ECA, through the periodic exchanges such as this meeting, but also at the level of specific subjects where teams on both sides could benefit from an exchange of information. He noted that the work of the ECA is increasingly noted in the European Parliament and that there is a pronounced awareness of the ECA reports published. He also welcomed the choice of more topical audit subjects and better communication around the audit reports published. The EPRS updates regularly its rolling checklist on the ECA’s special reports, cross-linking them on relevant work at the European Parliament, as the ECA performance audit findings and recommendations are of specific interest to the Parliament. These and other ECA products provide the EPRS useful material for briefing the MEPs on specific issues related to EU spending or implementation of EU policies in the EU or outside. Publication of an ECA report also regularly triggers questions related to the audit by MEPs at the Parliament during the question time at the plenary.

The European Parliamentary Research Service (EPRS) provides Members of the European Parliament, and where appropriate parliamentary committees, with analysis of, and research on, policy issues relating to the European Union’s activities, in order to assist them in their work. Their expertise is also increasingly used by other interested audiences working on EU matters. On 9 October 2018, the Director-General of the EPRS, Anthony Teasdale, and his management team visited the ECA. Helena Piron, who deals with institutional relations at the ECA, summarises the main points discussed.

Reinforcing cooperation in the common interest: the European Parliamentary Research Service visits the ECA

By Helena Piron Mäki-Korvela, Directorate of the Presidency

Reaching out
EPRS colleagues also note with interest that the ECA is nowadays auditing a wide variety of topics of public debate, such as the ECA special report 6/2017 on migration hotspots or special report 17/2017 on the Commission’s handling of the Financial crisis in Greece, in addition to more traditional financial or compliance audits.

Anthony Teasdale and his team informed the ECA management also of its preparatory work related to the approaching elections and the arrangements undertaken in view of briefing the next European Parliament, also in close cooperation with the ECA. Finally, the meeting provided for an opportunity to discuss the EU’s approach to ‘Better Regulation,’ using the recent special report 16/2018 on ex-post review of EU legislation, and the landscape review on putting EU law into practice as examples.

This year’s meeting showed again the mutual interest of the EPRS and the ECA in further intensifying cooperation on matters of common interest.
On Wednesday 10 October 2018, Austrian Federal Minister for Constitutional Affairs, Reforms, Deregulation and Justice, Dr Josef Moser, visited the ECA in Luxembourg, also in the framework of Austria holding the Presidency of the Council of the European Union during the second half of 2018. He was welcomed by Lazaros Lazarou, ECA Member for the Annual Report, and Rimantas Šadžius, ECA Member for Institutional Relations.

Josef Moser is no stranger to the audit profession and to the ECA as the EU's external auditor. In fact, in his previous function he was the President of the Austrian Supreme Audit Institution. In this position, he also acted as Secretary-General of the International Organisation of Supreme Audit Institutions (INTOSAI).

This professional background also became evident during the exchange of views with ECA Members and Directors. The meeting dealt with a broad variety of subjects relating to the ongoing Austrian Presidency, but also to the role of Supreme Audit Institutions in general and the ECA in particular. Josef Moser notably underlined the role the ECA plays in ensuring that the EU's financial resources are used to the best effect.
Opinion No 3/2018 concerning the proposal for a Council Regulation on the financial regulation applicable to the 11th European Development Fund

The objective of this proposal is to align the financial rules of the EDF with those applicable to the Union budget. The current Council Regulation on the financial regulation applicable to the 11th European Development fund is structured as a set of references to the Financial Regulation applicable to the general budget of the Union (general financial regulation, GFR) excluding or supplementing provisions to cater for EDF specificities.

Published on 1 October 2018

EU should not make promises if it cannot deliver

The EU should not generate expectations which cannot be achieved, the European Court of Auditors (ECA) has warned in its annual report on the EU budget, published today. In the Foreword to the report, the President of the ECA, Klaus-Heiner Lehne, points out that the total EU budget is no more than about 1% of the gross national income of the entire EU. For this reason, the EU has to be realistic about what it can do with the money entrusted to it, particularly as the Union approaches its next seven-year Budget cycle. “The conclusion is straightforward,” says Mr Lehne, “the EU should not make promises if it cannot deliver”.

Published on 4 October 2018

2017 EU audit in brief

The ‘2017 EU audit in brief’ provides an overview of our 2017 annual reports, in which we present our statement of assurance as to the reliability of the accounts and the legality and regularity of the transactions underlying them. It also outlines our key findings regarding revenue and the main areas of spending under the EU budget and the European Development Fund, as well as findings relating to budgetary and financial management, the use of performance information and follow-up of our previous recommendations.

Published on 4 October 2018
The audit and accountability considerations concerning the proposal of 6 December 2017 for the establishment of a European Monetary Fund within the Union legal framework

The ESM was established in 2012. Its mission is to provide financial assistance to euro-area countries experiencing or threatened by severe financing problems. This assistance is granted only if it is proven necessary to safeguard the financial stability of the euro area as a whole and of ESM Members. The ESM was set up as an intergovernmental organisation by means of a treaty between euro-area Member States.

Audit of EU agencies in brief: Introducing the European Court of Auditors’ 2017 annual report on EU agencies

This document summarises our audit results for the financial year 2017 for the 41 EU agencies and other Union bodies (agencies) under our mandate. A comprehensive overview on the agencies set up by the European Union and the detailed results of our annual agency audits can be found in our new Annual Report on the EU agencies for the 2017 financial year.

A series of delays in Customs IT systems: what went wrong?

In this audit we looked at whether the Customs 2020 programme, together with the related customs legislation, are likely to deliver the IT systems necessary for improving customs operations in the EU. We found that the implementation of these systems suffered a series of delays so that some of them will not be available at the 2020 deadline set in the Union Customs Code. The delays were due to several factors, in particular: changing project scope, insufficient resources allocated by the EU and Member States, and a lengthy decision-making process due to the multi-layered governance structure.
The Commission´s proposal on the new system of Own Resources of the European Union

A proposed reform of the way money is raised to fund the EU remains complex, according to an Opinion published today by the European Court of Auditors. The auditors identify a number of issues with the proposed reform and call for changes to improve how it would operate.

Published on 11 October 2018

Click here for our report

The proposal for a Directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law

A proposed system to protect persons reporting breaches of EU law – known as whistleblowers – could increase their legal rights in all Member States and give citizens a central role in ensuring EU rules are applied in the context of their work, according to a new Opinion from the European Court of Auditors. The auditors give the proposal a warm welcome, although they note that in some cases it may be too complex to be fully effective.

Published on 15 October 2018

Click here for our report

2019 Work Programme

Our 2019 Work Programme covers a broad range of issues that reflect the challenges the EU currently faces. It addresses the key concerns of sustainable use of natural resources, growth and inclusion, migration, security and global development, the single market, and an accountable and efficient EU. We will continue to examine all these areas to establish whether the EU is delivering what it has promised.

Published on 16 October 2018

Click here for our report

Demonstrating carbon capture and storage and innovative renewables at commercial scale in the EU: intended progress not achieved in the past decade

EU action to support carbon capture and storage and innovative renewables has not succeeded, according to a new report from the European Court of Auditors. Between 2008 and 2017, ambitious targets were set, but EU support for demonstration projects achieved little in terms of projects delivered and results achieved, say the auditors. The EU needs to adapt its new Innovation Fund to reach its objectives, they add.

Published on 23 October 2018

Click here for our report
For the next edition, the ECA Journal is going global!

Pack your suitcase and dive into the world of international cooperation between public audit bodies, both at the European and the international level. This international expedition will explore the variety of audit species present in Europe and beyond and uncover their natural habitats through contributions on how they reach out to cooperate.

Gain insight in the numerous projects and platforms that bring together auditors from all corners of the globe and find out how Supreme Audit Institutions (SAIs) look beyond their borders to promote accountability and good governance.
EDITION HIGHLIGHTS

08  Strategic foresight: inspiring our thinking about the (un)known (un)knowns

22  Engaging in foresight: a must for the ECA to be a global leader in public auditing

42  The future of Europe: a collection of opportunities

62  Strategic Foresight at the U.S. Government Accountability Office

69  The ECA's future institutional positioning: conditions and options

COVER:
Is this Rodin’s new thinker?

Source: Copyright: Sarah Holmlund ©123RF.com