



**UNITED
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INTOSAI

**THE ROLE OF SUPREME AUDIT INSTITUTIONS
IN AUDITING THE UTILIZATION OF FUNDS IN
THE FIELD OF EDUCATION**

**Report on the 16th UN/INTOSAI Seminar
on Government Auditing**

**Vienna
March 31 - April 4, 2003**

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Division of Public Economics and Public Administration,
Department of Economic and Social Affairs (DESA)

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I. INTRODUCTION

The interregional seminar on the “Role of Supreme Audit Institutions (SAIs) in Auditing the Utilization of Funds in the Field of Education” which was jointly organised by the United Nations (UN) and the International Organization of Supreme Audit Institutions (INTOSAI) was held from 31 March to 4 April 2003 in Vienna, Austria. This event was the 16th interregional seminar organised by the UN Division for Public Administration and Development Management, Department of Economic and Social Affairs (DESA) in conjunction with INTOSAI (16th UN/INTOSAI Seminar).

In the past, DESA had initiated several training programmes, designed to support developing countries in strengthening their government audit systems. As part of these training activities, the United Nations, together with INTOSAI, organised international training programmes on government audit at biannual intervals. In the past 32 years, fifteen such events took place, which dealt with the following topics:

1. General principles, methods and goals of government audit and related institutional problems (1971)
2. Techniques and methods used by Supreme Audit Institutions with a view to improving financial and performance auditing (1973)
3. Public budgeting and accounting, the position of Supreme Audit Institutions in the modern state, audit of public enterprises (1976)
4. Principles of audit, organisation audit, performance audit and state audit of public enterprises (1979)
5. Concepts of audit, audit of tax receipts, audit of government financial institutions for development and audit of performance in public enterprises (1981)
6. Nature and scope of internal management control systems; Role of internal audit in internal management control systems, Internal management control systems in developing countries (1984)
7. The audit of major development projects (1986)

8. Application of audit standards in the public sector (1988)
9. Accounting and auditing of foreign aid programmes and EDP audit (1990)
10. EDP Auditing - Sharing experiences, opportunities and challenges (1992)
11. The role of SAIs in the restructuring of the public sector (1994)
12. The role of Supreme Audit Institutions in fighting corruption and mismanagement (1996)
13. The role of Supreme Audit Institutions in auditing public works (1998)
14. The audit of public-health care systems by SAIs (2000)
15. The role of SAIs in agricultural auditing (2002)

This seminar was dedicated to the role of Supreme Audit Institutions in auditing the utilization of funds in the field of education.

The event was attended by a total of 50 delegates, among them members of Supreme Audit Institutions from developing countries as well as transition countries in central and eastern Europe. Speakers came from the United Nations, the World Bank and the Supreme Audit Institutions of France, India, Spain, and Austria. A representative of the Supreme Audit Institution of the United Kingdom acted as technical chair (for a list of participants please refer to the Annex).

The seminar was inaugurated on 31 March 2003 in a plenary and ended on 4 April 2003 after a total of nine plenaries and three working group meetings.

During the 16th UN/INTOSAI seminar, the following topics were the subject of lively and in-depth discussions:

1. Scope and methods of auditing expenditure in the field of education;
2. Audit of expenditure in compulsory education;
3. Audits in the field of vocational training;
4. Audit of grants and subsidies in higher education;
5. Evaluation of education programmes.

In addition, the Supreme Audit Institutions of Eritrea, the Former Yugoslav Republic of Macedonia, Mexico, Sri Lanka, Senegal, and St. Kitts and Nevis reported on the auditing activities in the field of education in their respective countries. In their reports, the seminar participants provided valuable insights into the tasks and possibilities of Supreme Audit Institutions in performing audits in the field of education and exchanged information about successes and difficulties encountered in such audits.

The discussions following the main presentations provided the participants with an opportunity for a lively exchange of ideas and an identification of key aspects

regarding audit contents and methods in the field of education. Several working groups then offered the participants a setting for exchanging their experiences in a smaller forum, addressing the issues which had been brought to their attention during the discussions at greater detail, and arriving at conclusions and recommendations.

The seminar participants considered the following issues as particularly relevant:

- the importance of universal literacy as the basis for all further education and self-development;
- the creation of a legal and administrative framework that is designed to prevent mismanagement in the funding and implementation of government education programmes;
- the training and further education of auditors with the aim of improving the expertise and skills needed to detect weaknesses in the implementation of government education programmes;
- the availability of reliable data as a basis for audits and evaluations;
- performance audits in the field of education taking into account financial, economic and social aspects;
- the expertise and skills auditors need to perform performance audits, and
- the involvement of Supreme Audit Institutions in the negotiations between donor organisations and recipients of funds earmarked for the education sector.

Special attention was drawn to the fact that auditors need both audit-related methodological skills and expertise regarding the area to be audited to be able to effectively audit the effectiveness and efficiency of public funding in the area of education.

II. INTRODUCTORY PRESENTATIONS - SUMMARY

II.1 Secretary General of INTOSAI

Dr. Franz Fiedler, the Secretary General of INTOSAI and president of the Austrian Court of Audit, welcomed the participants, underlining the importance of co-operation between the United Nations and INTOSAI as manifested by interregional seminars and expert meetings on government audit which have been held for several years.

Education is a fundamental concern of man as a human being that is endowed with reason, and the driving force in human development. Education is the transmission, acquisition and expansion of knowledge, as well as personality development, self-fulfilment and self-formation. The higher the level of education, the greater the likelihood of liberation from external dependencies.

It was not by chance, therefore, that the French Revolution of 1789, which aimed at liberating the bourgeois classes from their political dependence on the king, the nobility and the clergy, was preceded by the age of enlightenment, which made the conveyance of knowledge accessible to all those interested and created a strong momentum for education. Education could then be acquired and designed by each and every individual according to whatever sources were accessible to them.

Instruction is a superior form of knowledge, i.e. the organised transmission of skills, know-how and abilities in a non-restricted environment. School, however, embodies institutionalised instruction for the purpose of knowledge transmission, and at the same time serves to prepare pupils, mostly children and adolescents, for participation in society and working life.

School education was largely set up by the state, but also by the churches (notably in Europe) or by private bodies (notably in Anglo-Saxon countries).

The oldest documented schools go back to the third millennium BC and to Mesopotamia. The school system saw a heyday in ancient Egypt, Greece and Rome, with school education not being accessible to all social strata.

The Middle Ages saw a decline of school education in Europe. Monastic schools, which focussed on the transfer rather than the expansion of knowledge, were preserved.

In Europe, education saw its heyday in the 18th century, when schooling was made compulsory, and democratisation progressed throughout the 19th and 20th centuries.

At the beginning of the 21st century, we see a gap dividing the educational systems of developed and developing countries (with significant variations), which is reflected in public expenditure for education (as percentages of GDP). In Europe, public expenditure for education ranges between 6.8% of GDP (Norway) and 4.7% (United Kingdom), 4.8 % in the USA, 3.5 % in India and 1.4 % in Indonesia. The highest rate was recorded for Zimbabwe (11.6%).

It is a special concern of the international community of nations (UN, UNESCO) to grant aids to educational systems in developing countries.

Therefore, the audit of education was selected as a theme for the 16th UN/INTOSAI seminar, as this issue is important for several countries in which governments often spend vast amounts of public funds on promoting educational projects without ensuring appropriate control over the funds spent. Audits of such aid-funded projects moreover have been able to identify a misuse of public funds as well as the non-achievement of the intended social policy effects.

In order to strengthen the position of SAIs in recipient countries, donor countries or organisations (such as the World Bank) should insist on the involvement of the SAIs concerned in the aid negotiations with the recipient countries and should be granted sufficient powers to audit the use of aid funds (this would also strengthen the position of the SAI at the national level).

SAIs have an important role to play in auditing the economic, efficient and effective use of government funds as earmarked and the financial (and possibly in-kind) resources granted to schools.

Besides, it would be desirable to evaluate the performance of schools, which is a more demanding task for SAIs. The following criteria could be used as parameters for evaluation: the reduction of the illiteracy rate in the total population, the increase of the share of university graduates etc. An adequate audit mandate as laid down in the Lima Declaration is an indispensable prerequisite for SAIs to carry out well-targeted audits.

In conclusion, Dr. Fiedler thanked the United Nations for the excellent co-operation in respect of the seminar and those SAIs which had delegated speakers to the seminar. He called on all seminar participants to contribute their technical know-how and experience to the success of the event and therefore to the improvement of government financial management in their countries.

II.2 United Nations

On behalf of the United Nations, Larry Willmore, the representative of the Division for Public Administration and Development Management, Department of Economic and Social Affairs (DESA), welcomed the participants, emphasising the significance the United Nations were attaching to seminars and events of this kind and the important role which these programmes played in particular in developing countries in improving the overall financial management.

The topic selected for the 16th UN/INTOSAI seminar is of general interest because education plays a key role in all countries and requires high public spending. Strengthening audits of public funds in education is in line with the Millennium Declaration, which aims at sustainable development and the focused fight against poverty through education and training. Regardless of their gender, all children are to have access to elementary school education by the year 2015. For the time being, this goal is far from being reached. Although the Millennium Declaration is silent on the quality of education, education should strive to convey to young people those skills which empower them to become valuable members of their societies.

Although a number of countries spend a respectable share of GDP on education, the largest amounts in developing countries do not go into primary, but into secondary education.

Even though SAIs do not influence policy decisions on the allocation of public funds, they can ensure through their work that funds for education are spent economically, efficiently and effectively.

Government administrations need appropriate control institutions which assess and evaluate the results of government action. This is essential for sustainable economic and for strengthening democracy. SAIs and their work contribute largely to improving government action, and to strengthening accountability and transparency of government action.

Carrying out such audits is an enormous challenge. A mutual exchange of ideas and information facilitates this difficult task for SAIs and contributes to higher efficiency of the audit process.

The representative of the United Nations expressed his hope that the 16th UN/INTOSAI seminar would provide the SAIs with practical know-how required for carrying out audits and for drafting reports in the field of education and hence contribute to improved government financial management and transparency in the different countries.

II.3 World Bank

In his presentation, David Kanja, the representative of the World Bank, dealt with the potential role of SAIs in World Bank funded projects.

In the financial year 2002, the Work Bank had granted 1.1 billion USD to the education sector. At present 158 education projects are funded in 83 countries. The World Bank is the largest external funder of education worldwide.

These funds are normally handled via the education ministries or similar government departments which set up separate project implementation units.

The World Bank must ensure that its grants are used economically for specific projects as earmarked. These audits are either carried out by SAIs or by certified public accountants. The World Bank requires that annual financial statements of the implementing agencies are audited in accordance with standards acceptable to the bank such as IFAC and INTOSAI Auditing Standards. Moreover, additional audits may be provided for under the Terms of Reference, including a management letter. In addition to the World-Bank funds, all other project receipts and payments must be disclosed.

The auditors are selected according to criteria set up by the World Bank; audits are either carried out by an SAI or a private-sector auditor; auditors must have adequate professional qualifications and sufficient experience for this kind of audit and must be independent from the organisation being audited. Governments submit a proposal on the project auditor.

The audit opinion may be unqualified (without reservations), qualified (with reservations), adverse (difference of opinion between the auditor and the audited organisation with regard to the accounts), or a disclaimer (when the auditor is unable to give an opinion). Corrective measures are then agreed upon with the competent government department.

Whenever the SAI has a mandate to audit all revenues and expenditure of the state, the SAI conducts the audit itself or commissions a private-sector auditor.

At present, less than one half of all audits are carried out by SAIs. SAIs usually audit non-revenue-earning projects which are non-profit-oriented and are handled by government ministries. Audits cover both financial audits as well as effectiveness

audits. SAIs should include such audits in their audit programme and incorporate the findings in their audit reports.

II.4 Technical chair

In his introduction, Jeff Jones, the technical chair and representative of the United Kingdom, outlined the key issues of the seminar, underlining the importance of education for all countries. He suggested a number of topics to be addressed by the seminar participants.

He enumerated the different types of audit and inspection, from account certification to quality inspection of schools, and performance audit of the entire sector. In most countries, a host of different bodies were involved in these audits. SAIs should clearly focus their roles and, if possible, go beyond pure financial audits in their work.

He stated that the United Kingdom was a developed country but still encountered many problems developing countries were confronted with. This included high illiteracy rates among adults, varying participation in higher education depending on social class, and schools with shortcomings in terms of equipment, instruction and institutional performance. He described the work done by the SAI of the United Kingdom in these problem areas.

The technical chair suggested the following major conference themes:

- the role of SAIs,
- a focus of audit on key issues and
- the social dimension of educational issues.

One such key issue was the need for national governments to take account of the professional training requirements of their countries, as against the wish to provide universal education. SAIs should be made aware of this kind of social issues as well as of the scarcity of resources that prevails in many countries.

III. SUMMARY OF THE OUTCOME OF THE SEMINAR

III.1 Working results

General

(1) Education is one of the most important sectors in all countries, irrespective of the stage of economic development. It provides the basis for self-development and social cohesion. It also provides the skills necessary at all levels of the economy, and in higher education, the research skills necessary for competitiveness in the contemporary world economy.

(2) However, despite all countries aiming to provide equal educational opportunities for all, this is far from the case in many countries. Access to, and take up of, educational opportunities varies between different regions and social groups, both at the level of basic literacy right through to tertiary education. The SAIs recognised the needs to monitor the social dimension of educational programmes and projects, and to ensure they had the skills to do this effectively.

(3) The work of the seminar was initiated by four in-depth keynote presentations, given by India, Austria, Spain and France. These covered respectively:

- the audit of compulsory education, and its role in social development;
- the contribution of vocational training to the economy, and the importance of relevant and high quality teaching;
- the audit of universities in the context of academic independence and the international aspects of higher education; and
- the possibilities of an overall review of the whole education sector by an SAI.

(4) In addition, delegates were able to draw on a wealth of information from each country attending the seminar. Most countries offered written reports, and there was lively discussion throughout the week. In particular, important presentations were made by delegates from Eritrea, the Former Yugoslav Republic of Macedonia, Mexico, Sri Lanka, Senegal and St. Kitts and Nevis. Participants were also able to visit a higher secondary vocational college on the outskirts of Vienna.

(5) All delegates joined one of the four Working Groups, each chaired by one of the keynote speakers. The Groups held lengthy and lively discussions, and identified a number of themes important for the audit of education.

These themes were:

- the importance of universal literacy as the basis for all further education and self-development;
- the need for SAIs to extend beyond financial and regularity audit, to encompass the social dimensions of education, and the quality of educational provisions;
- the importance of comprehensive and reliable data, as a basis for evaluation and audit opinion; and
- the need for SAIs to have available the skills necessary to evaluate educational projects and programmes.

The importance of universal literacy

(6) The Working Groups considered that literacy is the basis for all further education and development. Without literacy, the individual can neither take advantage of other stages of education, nor develop for themselves skills outside of formal education. Yet in many countries illiteracy rates are far too high. In developing countries illiteracy can be as high as 40 % or worse, and even in developed countries there can be 20 % of the adult population who are functionally illiterate.

(7) Most national governments are committed to universal free basic education, which should eradicate this problem. Nevertheless, the problem remains because of varied access and take-up to basic education. Where SAIs review compulsory education, it is important that they review, not only the overall success of programmes, but the way in which different social groups have been affected. Following on from this, SAI auditors should be able to study how variable achievements at compulsory education levels affect progression to non-compulsory secondary and higher education.

Expanding the scope of audit of education

(8) SAIs, to implement fully the audit of education, need to extend their work beyond financial and regularity audit, to the study of value for money. Within this, studies will again need to move beyond reports on economy and efficiency, to the effectiveness of programmes in meeting their objectives. This requires an expansion of SAI activity into studies of quality of service and societal impact. Quality reviews in education can cover school/college premises and equipment. Assessment of teaching quality is much more difficult, and may require the employment of teaching specialists.

(9) Social impact studies would cover the assessment of educational achievement between regions, social classes, gender and other factors which may be important in the particular country (such as language, ethnicity or religion). This latter work would require the full development of social and performance indicators.

The need for good quality data for evaluation

(10) When SAIs review matters of high social or political importance, it is particularly important that their conclusions are soundly based, requiring full and accurate data. In all countries, the education sector is large, and normally it is not possible for SAIs to collect all the data they need to review the effectiveness of programmes. Where necessary, SAIs should encourage education ministries to define clear objectives and to collect performance information to monitor progress against these objectives. SAIs may take on the additional function of validating the accuracy and relevance of official performance information.

(11) In some cases the official data will not be adequate to monitor programmes and policies. The SAI will then conclude that the data is inadequate, and recommend the development of performance information by the ministry. In some cases the SAI may be resourced sufficiently to collect its own data. It will, obviously, need to balance carefully the cost of data collection against the coverage and accuracy of the data. However, in normal circumstances, it would not be the on-going function of SAIs to collect basic data for social monitoring.

The need for SAIs to extend their skills

(12) If SAIs are to extend their field of work beyond financial and regularity audit, they will need extra skills in addition to accounting and legal qualifications. New skills will include understanding evaluation and performance measurement methodologies, and statistical methods and data presentation techniques. In addition, SAIs will need specific experience and knowledge of the education sector.

(13) In view of this, SAIs may wish to review their recruitment and training policies. In addition, SAIs will find it useful to engage (on a short-term basis) external experts, who are highly qualified in the required areas. However, great care will need to be exercised in the selection and management of these experts, to ensure that conclusions drawn will continue to be seen to be independent and authoritative. In particular, conflicts of interest in the external experts must be avoided.

(14) International bodies could help in developing the skills of national SAIs. INTOSAI and IDI may wish to consider how the development of evaluation skills in

countries can be encouraged, also the UN, World Bank and other donors have an interest in developing SAI skills, if they wish to rely on them to evaluate externally funded projects.

III.2 Outlook

In the reports of Working Groups and in discussions several forward looking implications were identified for SAIs involved in education audits. They are summarised in the following:

Wider role of SAIs

(1) SAIs must continue to monitor financial and regularity aspects of programmes and projects, especially where there is no other independent audit. This is particularly the case where external donor agencies rely on SAIs to assure the proper delivery of their projects. But SAIs should also take the opportunity to extend their work beyond individual projects and sub programmes, to review the success of whole national educational programmes. Only in this way can it provide assurance that the whole programme is well balanced between sectors, and that different geographical areas and social groups are benefiting equally from public expenditure.

Extending the influence of SAIs

(2) As well as offering an opinion on the effectiveness of programmes SAI reports will normally make recommendations to ministries and donor bodies to improve control and value for money. It is important that any recommendations are practical, and well founded on incontrovertible data and analysis. The SAI's credibility would be at stake if recommendations, if implemented, were to reduce value for money.

Ensuring recommendations are implemented

(3) SAIs should keep in touch with educational developments to ensure their recommendations are taken up. In a few cases SAIs have direct powers to ensure compliance. More often, more persuasive methods are required. The SAI, for example, may revisit a study area, to issue a follow-up report, drawing attention to lack of implementation of earlier findings. SAIs will also want to establish close working relations with the ministries, giving advice on general principles of good policy management. However, SAIs must be careful to avoid close intervention in programme or project planning, as this would endanger their perceived independence from government.

III.3 Evaluation by participants

It was one of the fundamental aims of the seminar to convey to the participants in-depth know-how on the audit of educational expenditure by SAIs in developed and developing countries, as well as in audit environments that belong to different audit systems (court system and audit office system).

Another aim was to promote an exchange of ideas and networking among participants.

At the end of the seminar, the participants were asked to complete a questionnaire that was to provide information as to how far the above objectives had been met.

All participants completed and returned the questionnaire (response rate: 100 %); analysis of the responses yielded the following evaluation:

- (1) Overall, 94 % of all respondents stated that they were highly satisfied with the seminar, 6 % were less satisfied.
- (2) For 94 % of all respondents, the theme addressed was of major relevance of their SAI, 6 % stated that the theme was less relevant.
- (3) 74 % of the respondents stated that the know-how they acquired was highly useful for their work, 20 % said it was useful and 6 % rated the know-how acquired as less useful.
- (4) 77 % of the respondents stated that, on the technical level, they could derive a very high benefit from the seminar, 20 % said the benefit was high and 3 % stated that they derived little benefit from the subject matter.
- (5) 84% of the respondents stated that the structure of the seminar consisting of technical presentations, discussions, country reports by selected participants, group work and an excursion was excellent, against 16% which rated the structure as good.
- (6) 90% of the respondents rated the group work as highly useful, 10% said it was useful.
- (7) 90% of the respondents rated the practical organisation of the seminar as very good, 7% said it was good and 3% said it was poor.

The participants were also asked to make suggestions for future seminars. The following proposals were made:

- (1) continue to organise this type of training event;
- (2) allow more time for the presentation of country reports;
- (3) allow more time for debate after presentations.
- (4) The following topics were suggested for future seminars:
 - performance auditing
 - SAI independence
 - health-care audits.

The organisers of the seminar concluded that the objectives that had been set for the seminar had been met to a very high degree and that there was a high rate of acceptance among the seminar participants (94 %). The wish expressed by the participants to allow for more time for debate and an exchange of experience clearly reflects the high level of commitment on the part of the participants, their readiness to learn from one another and to build a network of mutual information sharing and support.

IV. MAIN PAPERS

1. United Nations School audits and parental choice

by Larry Willmore, Economic Affairs Officer, UN/DESA, DPADM.

The opinions and views expressed are those of the author
and not necessarily those of the United Nations.

Introduction

A Millennium Declaration Goal (MDG) of the United Nations is “to ensure that, by the year 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling and the girls and boys will have equal access to all levels of education.” The intent is to give concrete expression to the promise of the 1948 Universal Declaration of Human Rights (article 26i) of free and compulsory basic education. The task is difficult since, in developing countries today, one child in three does not complete five years of schooling, and quality of education remains low for many.

Supreme Audit Institutions have an important role to play in advancing this MDG; they can ensure that public funds designated for use in primary education are, in fact, so used. As the Lima Declaration emphasises, “Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management” Deviations from accepted standards can be surprisingly large. For example, a February 2002 study by R. Reinikka and J. Svensson for the World Bank reveals that public primary schools in Uganda during the period 1991-95 received only 13% of central government contributions to their non-wage expenditures; the other 87% was used for purposes other than primary education, or captured for private gain (stolen). School audits can expose this type of activity, permitting government to punish those responsible. Unfortunately, however, non-wage expenditure is a small proportion of total expenditure on education, typically 20% or less.

School audits can also determine whether the much larger expenditures on teachers’ salaries actually reach the teachers, and if they reach them on time. But only with great difficulty (perhaps by administering standardized tests to pupils) can they

determine whether teachers are earning their salaries. Ensuring only that teachers are paid, and paid well, does not necessarily translate into good performance. In India, the team that produced the *Public Report on Basic Education in India* (Oxford University Press, New Delhi, 1999) visited, unannounced, 195 government schools and 41 private schools in 188 villages of four, educationally backward states. They found no problems with payment of salaries, but they did find, in half of the government schools, no teaching activity at all at the time of the visit. Moreover, this pattern of idleness “is not confined to a minority of irresponsible teachers—it has become a way of life in the profession” and is characteristic even of government schools with good infrastructure, adequate books and a relatively low pupil/teacher ratio. In contrast, they found a “high level of teaching activity in private schools, even makeshift ones where the work environment is no better than in government schools.”

The Report stresses “the key role of *accountability* in the schooling system. In a private school, the teachers are accountable to the manager (who can fire them), and, through him or her, to the parents (who can withdraw their children). In a government school, the chain of accountability is much weaker, as teachers have a permanent job with salaries and promotions unrelated to performance. This contrast is perceived with crystal clarity by the vast majority of parents.” For this reason, parents in the above-mentioned 188 Indian villages enrol a large number of their children (18 per cent of all who attended school) in one of the 41 private schools, even though 26 are unrecognised by government, which means they cannot confer diplomas. Another 13 are recognized but receive no government aid, while only two receive any aid from government.

A direct way to introduce accountability in public schools is for government to stand prepared to pay the tuition fees of any student at a competing, private school up to the (typically much larger) amount it spends per student in an official school. The Universal Declaration of Human Rights (article 26iii) states “Parents have a prior right to choose the kind of education that shall be given to their children.” India, in common with other countries, violates this right by restricting parents’ choice for the most part to government schools, forcing those who are dissatisfied with the tax-financed service to pay tuition at private schools

The authors of the Report reject the option of paying private tuition with public money in India, arguing that other considerations, discussed below, more than offset the favourable impact this could have on the performance and cost of public schools. These arguments against school choice are not compelling, however, nor are they new.

Arguments against school choice

The team that produced the *Public Report on Basic Education in India* opposes public finance of private schools on grounds that private education has “serious limitations” compared to public education. The alleged limitations are:

1. Private teachers prepare students only to pass examinations, so they “have little reason to promote the personal development of the children ...or to impart a sense of values.” Values are not defined, but the authors of this report presumably have in mind common values of civil society, which are necessary if modern democracy is to function smoothly.
2. Since “private schools often take advantage of the vulnerability of parents,” government must protect children from poor choices that might otherwise be made by their parents.
3. “Private schooling remains out of reach of the vast majority of poor parents, who cannot afford the fees and other expenses.” As a result, “children enrolled in private schools come mainly from better-off families.” This, presumably, is objectionable only on egalitarian grounds. The team makes this argument explicit in what they list as a *fourth* danger of private education: it “may lead to a very divisive pattern of schooling opportunities, with better-off parents sending their children to private schools while poorer parents are left to cope with non-functional government schools.”

Each of these arguments has a long history, but it can be shown that they do not justify denying parents the rights promised them under Article 26(iii) of the Universal Declaration of Human Rights.

Impart civil values (civic education). The need to transmit common values to children is the oldest argument for state control of education. It is for this reason that Aristotle, like his teacher, Plato, disliked the schools of his day, which were private and independent of government. Everywhere today, state schools have come to dominate, and champions of these schools continue to invoke the ‘civic education’ argument in their defence.

There are three problems with this view. First, the ‘civic education’ argument should call not only for government schools, but also for compulsory attendance at those schools to ensure that all students are taught the same common values. In practice, attendance is rarely compulsory. Nearly all governments allow parents to pay private tuition at a school of their choice, and some allow home schooling as well. Second, it seems inconsistent with decentralized systems of education in nation-states such as

India, Canada and the United States of America. Third, and most important, it assumes that governments can control the curriculum only if they own the schools. Large bureaucracies have a life of their own; public school teachers, in particular, are prone to form powerful unions and are not easy to control. Paradoxically, it may be easier for government to control *private* schools, by threatening to revoke licenses if specified standards are not met. Indirect controls, through licensing and regulation of schools competing in the marketplace, can be more effective than government efforts to directly control hundreds of schools and thousands of teachers.

Apart from the question of whether ownership or regulation of schools is the best way to transmit uniform values to pupils, there remains the much broader issue of whether such a goal is desirable. Writers in the classical liberal tradition celebrate diversity, and argue that uniformity of thought, in religion, politics or any area of study, ought to be avoided at all costs. With this reasoning, 18th century writers such as J.S. Mill and Karl Marx took a strong stand against government monopoly of elementary schools.

Protect children. Another argument against school choice asserts that parents in general are not capable of choosing wisely the education that is best for their own children, so government ought to make this choice for them. This is different from the ‘civic education’ argument, for government intervenes in the interest of individuals, not in the interest of society as a whole. In effect, the state behaves as a loving parent to all children, so this can be described as a *paternalistic* argument for government schools.

The argument dates from the 16th century Protestant Reformation, which set as its goal universal, compulsory education for everyone, girls as well as boys. Protestants were concerned that the adult population of their day was overwhelmingly illiterate and, presumably, too ignorant to make correct choices for the Christian education of their children. Nearly five centuries later, precisely the same assertion of parental ignorance continues to be invoked to justify government control of schools, not only in India, but also in developed countries that have attained near universal adult literacy.

No doubt *some* parents are unable, or unwilling, to make an informed choice of school for their children. Does this justify taking away from *all* parents their right to school choice? In other aspects of child welfare, such as food, shelter and clothing, parents are given the benefit of the doubt; until proven otherwise, authorities presume that they are able to make intelligent decisions in the marketplace on behalf of their children. The state assumes custody only of those children whose parents are unable or unwilling to provide for them. The state does not take on the task of supplying food, shelter and clothing to *all* children. Why, then, should the state supply them with education, which is arguably less basic a need than food, shelter and clothing?

In any case, it is possible to address paternalistic concerns of society with measures that fall short of denying school choice to all parents. Government can insist on minimum standards before licensing a school, eliminating the possibility that a parent can make a truly bad selection. It can punish schools that mislead or misinform parents of prospective students, publicize the results for each school of standard examinations of its students, and prohibit spending of public money for purposes unrelated to education, such as holiday travel or cash kickbacks to parents. It can go even farther and specify a core curriculum for all schools. Regulation has its cost, however, which takes the form of restricted choice. The heavy hand of regulation can eliminate choice just as effectively as restricting finance to government schools does.

Promote equality. Unlike the other two arguments, that of promoting equality is of recent vintage. It forms part of the drive for equal opportunity that became popular in the twentieth century as a reaction to the Great Depression and, especially, the trauma of two World Wars. In brief, the argument is as follows. Markets are inevitably inequitable because they distribute goods and services in a very unequal fashion. To ensure equality of access to secondary and higher education, all children should receive the same primary education. This can be guaranteed only with government schools. If people are given the freedom to choose among competing schools, they will sort themselves by social class, ethnic group or level of ability, thereby harming those who end up in schools filled with students of low social origin and limited intellectual talent.

The ‘equality of opportunity’ argument is well intentioned but misguided, for it is based on a false premise. Government schools do *not* guarantee equality of opportunity for children, despite the best efforts of policy makers. Families sort themselves geographically by social class and by ethnic group when they choose their place of residence. Parents prefer to send children, especially young children, to a school near their place of residence, so some schools end up with disproportionate numbers of deprived children whereas others receive disproportionate numbers of privileged children.

Governments can reverse the effects of geographic sorting by transporting children to distant schools, thus obtaining, across schools, greater uniformity in the social class and ethnic origin of students. Local governments in the United States of America in this way have integrated some schools in racially segregated neighbourhoods. Nonetheless, it is difficult for government to take such remedial action, especially in the primary grades, for busing absorbs resources that could be used to improve classroom instruction, and is disliked by parents whose small children are forced to travel hours each day to and from school.

An alternative way to promote equality is to ensure that all schools, regardless of the ethnic or social composition of the student body, offer the same standard of education. This requires directing a larger share of resources to schools that enrol large numbers of deprived children. This is difficult in practice, for such egalitarian measures are resisted by teachers, and thwarted by actions of parents.

The possibility of contracting private, supplemental tutoring explains why it is so difficult to achieve equality in the public school system. Often, the educated and the wealthy keep their children in the public schools, but supplement those classes with private tuition. An alternative tactic used by the articulate and educated is to stay in the public system, but capture the schools for their own interests, which may conflict with interests of the poor and the ethnic minorities. One way this happens is with introduction of ‘streaming’, the separation of students by ability, which results in their separation by social strata as well. More resources can then be channelled to the ‘high performing’ stream of students, at the expense of other students in the school.

Government schools, for these reasons, fail to provide equality of opportunity to the children they serve. Markets, surprisingly, can help the poor because markets are inequitable only if there is an inequitable distribution of purchasing power among consumers. So long as there is government finance of education, the market for education can be made as equitable as one likes. One proposal is to issue each child in the nation a voucher of the same value, good for payment of tuition at any public or private school. Exceptions could be made for children with learning disabilities or special needs, who would be eligible for a larger voucher. To keep the system egalitarian, it is important to prevent schools from charging fees in addition to the voucher. Otherwise, political pressure might lead to a reduction in the size of the voucher, thus segregating the poor in substandard schools while the middle-class and wealthy add to their vouchers at better schools.

Voucher schemes are not inherently egalitarian; it all depends on their design. From an egalitarian perspective, the worst possible scheme is one that exempts government schools from the voucher system, and provides partial vouchers, insufficient to cover full tuition, to students who transfer to private schools. These vouchers are worthless unless parents supplement them with money of their own. The consequences of this scheme would be a flight of children of middle- and upper-class parents to private schools, leaving the poor behind, without any meaningful choice. Introduction of a market does lead to greater inequality in this instance, but only because the poor lack effective purchasing power.

Those who have the interests of the disadvantaged at heart should not oppose school choice. Rather, they should concern themselves with designing a system of government *finance* of education that favours the poor, the inarticulate and the

underprivileged, in contrast to the current system of government *provision* of education that favours the wealthy, the articulate and the privileged.

Conclusion

The Universal Declaration of Human Rights promises (1) compulsory, free education for all children at the elementary level, and (2) free choice for parents of the type of education given to their children. Failure to educate all children has received much attention, most recently in the Millennium Declaration of the General Assembly. Failure to allow freedom of choice, in contrast, has received little attention. This neglect is unfortunate, since school choice can help auditors by making schools accountable to parents and students. Auditors can assure us that public money has been spent as intended, on construction and repair of classrooms, purchase of textbooks, and payment of salaries; students and parents are the best judge of whether schools actually supply services that are valued.

Why, then, do governments everywhere restrict parents' choice of free education, often to schools owned and operated by the state? This violation of a basic human right is so widespread that many today do not question its wisdom or its morality. Intellectual arguments in support of suppression of school choice are three in number. First, it is said that society must transmit common values to all children, and only government schools are able to carry out this task. Second, the state must protect children from the ignorance of their parents, who might make poor choices. Third, government schools are necessary to promote equality of opportunity by providing each child with the same standard of primary education.

None of these arguments are persuasive. Increased choice improves the quality of schools, especially in the eyes of parents and students, while finance (vouchers) can be as egalitarian as desired, and licensing can be used to address collective concerns regarding civic values and minimum standards.

Over a quarter-century ago, economist Mark Blaug wrote “What needs to be explained about formal schooling is not so much why governments subsidize it as they do, but why they insist on owning so much of it in every country in the world.” We are still searching for a compelling explanation.

For details and references, see L. Willmore, “Education by the State”, DESA Discussion Paper No. 27 (November 2002, <http://www.un.org/esa/papers.htm>).

2. Austria

Auditing in the field of higher-level vocational training

Audit competence

Under the Austrian Constitution, the Austrian Court of Audit is called to audit the financial operations of the federal, province and local levels of government, the community associations and other legal entities designated by law.

The Court of Audit is directly subordinated to the National Council. When auditing the financial management of the central state (federation), it acts as an organ of the National Council (first chamber of parliament at central government level). When auditing the financial operations of the nine Austrian provinces (regional level of government), it acts as an organ of the corresponding province parliaments (diets). Moreover, the Court of Audit audits local communities and community associations at the local level of government.

Audit principles and criteria

Under the provisions of the Court-of-Audit Act, the Court of Audit must determine whether financial management is in compliance with existing laws and regulations and any other provisions. Moreover, it audits for economy, efficiency and effectiveness.

The Court of Audit is independent of the federal government and of the province governments. This independence is reflected in the fact that the Court determines its own audit programmes, sets its own priorities for individual audits and independently selects the audit methods it applies. Moreover, the Court performs its own ranking of the audit criteria within the statutory scope. Auditing for performance and effectiveness, as well as advisory work supersedes auditing for regularity and compliance.

In its audits, the Court focuses on whether the audited organisational unit or enterprise has achieved its objectives. The Court

- draws a comparison of purpose (plan) and the results achieved (actual),
- assesses the degree to which objectives have been achieved;
- reports on shortcomings in operations, if they affected the actual result; and
- evaluates the instruments and measures used to reach the objectives and, recommends alternatives, as appropriate.

In its audits, the Court of Audit ensures that there is a reasonable balance between its own expenditure and the volume of financial transactions of the auditee.

Audit organisation

The Court of Audit is made up of five divisions (A to E); each of which is subdivided into seven departments.

Each year, the audit departments submit draft audit plans which are authorised by the President of the Court. The audit plan spells out the organisational units to be audited or other audit objects, as well as the reasons to justify the audit.

As a matter of principle, the Court of Audit uses a project organisation for conducting its audits. Under the overall direction of the project principal (usually the director general heading the division), an audit manager is charged with planning and carrying out the audit and with drafting the report. The audit manager prepares an audit plan which covers the following main items:

- a description of the audit object,
- the objective of the audit,
- the resources to be allocated (audit team, duration of the audit, expected costs), and
- a time-table for the audit.

The project principal authorises the audit plan and commissions the audit. So-called “milestone briefings” are held during the audit to verify whether the actual audit is consistent with the plan or whether the plan needs to be adjusted.

The auditing standards of the European Court of Auditors are applied in the audit consistent with the organisational framework of the Court.

Audits in the field of education

The audit competence of the Austrian Court of Audit in the field of education depends on who establishes or closes and finances the on-going operation of a school (school provider). Public (=state-maintained) schools are provided by the central state (Federation), the provinces and the local communities.

In primary and secondary education¹ the following institutions are subject to audit by the Court:

- public schools maintained by the federal government, the provinces, community associations and in some cases also local communities,
- federal expenditure for these schools, in particular the remuneration of teachers, and
- the entire administration of teachers and schools at the level of the Federal Ministry for Education, Science and Culture (Ministry for Education for short), and in the different regions (province and district school boards).

Vocational training

Vocational training covers three major areas, each aspiring to different objectives:

- (Part-time) compulsory vocational schools: They are a part of the so-called dual system of training, consisting of on-the-job apprenticeship training and concomitant school attendance. Part-time compulsory vocational schooling is to promote and enhance company-based training and to deepen general education. Pupils generally enrol at the age of 15 after having completed nine years of compulsory schooling.
- Medium-level vocational schools (technical schools): Pupils generally start after year 8 of schooling. In addition to enhancing their general education, pupils learn a trade or receive technical vocational training. The training routes at medium-level vocational schools generally last two to four years, they do not lead to a matriculation examination (= entitlement to enrol in university studies).

¹ Primary education covers primary schools, secondary general schools and pre-vocational schools for years one to nine of schooling.

Secondary education includes medium and higher-level secondary academic and vocational schools, as well as (part-time) compulsory vocational schools.

- Higher-level vocational schools. Pupils generally start after year 8 of schooling. They acquire a higher-level general and vocational education and sit for the matriculation examination. Graduates are qualified to exercise a higher-level profession in the technical, commercial, home economics or any other field of business. At the same time, they are entitled to take up university studies.

Audit object

Secondary higher engineering colleges (“Höhere technische Lehranstalten”)

In the school year 2000/01 more than 200,000 pupils attended secondary higher academic or technical/vocational schools. Higher-level vocational schools accounted for more than 120.000 (60%). Pupils generally start at the age of 14 (after year 8).

These figures show that higher-level vocational schools are very popular in Austria. The main reasons are the combined acquisition of vocational education and an entitlement to take up university studies upon completion, as well as a focus on practical training.

Secondary higher engineering colleges are schools which focus on technical training. At present, some 48,000 pupils attend this type of school. This means that almost 25% of all pupils in secondary higher education attend a secondary higher engineering college, which is therefore the most popular type of secondary higher technical/vocational school. The Ministry of Education spends some € 400 million annually on these schools, 90% on teachers' salaries.

It is the aim of secondary higher engineering colleges to convey theoretical and practical engineering training for higher-level professions in industry, business or the public sector. The training route lasts five years and ends with the matriculation examination, most often in combination with a project assignment. There is a special form of secondary higher engineering college for graduates of secondary higher academic schools. This special form takes two years and ends with a diploma examination.¹

¹ A secondary higher engineering college (HTL Mödling near Vienna) will be visited during the seminar. With 3,200 pupils, some 400 teachers, 11 departments and 142 classes, and a small R&D department it is the largest school of this type in Austria and.

R&D departments

Special R&D departments have been set up at several secondary higher engineering colleges. In those departments, teachers of the college perform testing and monitoring activities for remuneration and carry out development projects that are commissioned by business companies.

All R&D departments together generate sales amounting to € 4.5 million annually. The largest such department, the Vienna-based *Technologisches Gewerbemuseum* (TGM), is the second largest secondary higher engineering college in Austria. It accounted for some € 2.5 million. This R&D department has nine different units.

It is the aim of the Ministry of Education to make the technical know-how of engineering colleges available to prospective business and private customers more than in the past. Schools were given a possibility to set up so-called Technical Centres in which the teachers act as experts and advisors or as seminar lecturers.

Audit team

The audit team consisted of two persons, an audit manager and an auditor.

Audit objectives

The audit objectives and the audit scope were determined by the audit team during the preparation phase. Interviews were held:

- with the director general for vocational education and the department heads having subject-matter and financial competence at the Ministry of Education, as well as with the officers in charge for secondary higher engineering colleges;
- with the school head of the TGM and the heads of the R&D departments, and with the technical department heads.

The following issues emerged in the audit preparation phase:

- resources used for the R&D department (expenditure for staff, rooms made available (surface area), technical equipment of the workshops and laboratories);
- use of revenues generated by the R&D department;

- lacking co-operation between the different units of the R&D department in respect of marketing, utilisation of equipment and settlement of accounts;
- integration of the R&D department in classroom teaching;
- training of pupils in the workshops and laboratories is not consistent with their future professional profiles;
- lacking information on the future career of graduates (e.g. type of work, number of graduates transferring to university or Fachhochschulen (post-secondary vocational college) and on the specialisations);
- problems with in-house technical facilities at the TGM (energy, maintenance).

In consideration of these issues the following audit objectives were determined:

- study of the practical relevance of training at secondary higher engineering colleges;
- preparation of a commercial profit and loss statement for the R&D department, and
- investigation of the technical facility problems of the school building.

Specifically, the audit should furnish answers to the following questions:

- Is the training provided sufficiently practice-oriented?
- Do the teachers of the technical subjects have sufficient theoretical and practical experience and on-going exposure to practice?
- Are there effective and economical alternatives to conventional, labour-cost intensive workshop instruction?
- How does the work of teachers in the R&D departments affect practice orientation?
- What is the benefit of the R&D departments for the Austrian economy in quantitative terms?
- How can the shortage of teachers having practical experience or on-going exposure to practice be overcome?

How the audit was conducted

Audit methods

Extensive information had to be collected to achieve the audit objectives and to find solutions for the questions raised.

Some questions, in particular those relating to the R&D departments, were examined on site at the school.

The following audit methods were used:

- Interviews with school staff (school head and teachers);
- Interviews with government officials and study of files at the Ministry of Education and the province school boards.
- Analysis of statistical data, in particular the school statistics which are published by the Ministry of Education.
- Gathering of additional data at the schools by means of a questionnaire-based survey sent to all public secondary higher engineering colleges and by interviews.

Questionnaire

Questionnaires are a useful audit tool to collect data, if - owing to the large number of auditee organisations - the auditors are unable to conduct their investigations personally on site.

The compilation of questionnaires required utmost attention. The following issues needed to be considered:

- Which audit objectives are to be examined with the help of the questionnaire? Is the questionnaire an appropriate tool or should personal interviews be conducted?

- What are the issues to be studied in detail? It is recommended to formulate assumptions (hypotheses) which are later confirmed or refuted by the questionnaire.
- Are the questions worded unambiguously? Are the framework conditions equal for all institutions, so that the replies are comparable?
- The number of questions should be as limited as possible. Hypotheses should not be formulated in retrospect because, most likely, not all the required data were surveyed exhaustively.

Moreover, the auditors should avoid placing excessive workload on the auditees for providing the relevant answers.

The questionnaire that was mailed out to the secondary higher engineering colleges surveyed the following data:

1. *General information about*

- Focus of training (specialisations)
- Number of students (secondary higher engineering colleges, vocational schools, post-secondary college, evening school for working adults and foremen's schools)
- Origin of students (metropolitan or rural areas)

2. *Staff*

- Teachers:
total number of teachers, teachers of general/academic subjects, teachers for technical and commercial subjects, teachers with a part-time teaching load
- Sideline activities of teachers for technical and commercial subjects, and
- Further education of teachers
- Other staff.

3. *Training and teaching contents*

- Allocation of resources (staff) for general, theoretical and practical technical subjects,
- Project work and cooperation partners in projects
- Measures to enhance the practical relevance of training.

4. *R&D department and Technical Centre*

- Scope of activities (annual turnover)
- Input of resources (staff, surface areas and technical equipment)
- Commercial profit and loss statement.

5. *Success of training*

- Further careers of graduates (tertiary training at universities or Fachhochschulen, professional work)
- Number of students failing to attain the educational goals (drop outs)

6. *Contacts between the school and industry*

- How are these contacts organised? (informal, working group, association, board)
- Contributions made by industry to the school (financial donations, provision of equipment or installations)

On-site investigations

The audit team started its on-site investigations at the Ministry of Education. It was the aim to discuss current problems from the perspective of the supreme administrative authority and to select those colleges which were to be visited by the auditors in addition to the TGM. Two opposing views were identified on the question as to how work in R&D departments affected the teachers and the practical relevance of teaching.

– Representatives of colleges which ran a R&D department pointed out that the work of the teachers in the R&D departments and the related contacts with business enterprises constituted some form of on-going further education and training.

– Representatives of schools which did not run R&D departments in turn listed a number of examples showing how teachers were in contact with industry in other ways and such ensured the practice relevance of training.

Two main aspects emerged from an analysis of student numbers in the different years:

1. From year 1 to year 5, the number of students dropped by approx. 45%. This means that almost one half of the students failed to attain the educational objective and left the school prematurely.
2. Only 40% of the students starting year 1 passed the matriculation examination within the prescribed period of five years.

Milestone briefings

According to the operational structure of the Court, milestone briefings are held at regular intervals between the auditors and the project principal. The first milestone briefing addressed the high drop-out rates. The problem had been recognised as such during the audit preparation, but had not been rated as critical.

Since the share of graduates among the total of students is essential not only for assessing the degree to which schools attain their objectives, but also for determining whether funds were used effectively, the focus of the audit was re-defined. Instead of looking into the problems with the school's technical facilities as originally planned, the auditors concentrated on examining the reasons for the high drop-out rates and their financial implications.

Findings

After completing the on-site investigations, the auditors analysed the data and facts they had compiled and elaborated a draft report. This draft report was first submitted to the project principal and then to the President of the Court of Audit for approval.

The report addressed all the audit objectives and provided solutions for the major issues at stake. In the following, I will briefly describe the findings for some of the issues set out in the audit plan by way of example.

R&D departments

- How does the work of teachers for R&D departments affect the practical relevance of classroom teaching?

The assumption that teachers were more practice oriented than other colleagues on account of their work in the R&D departments was neither confirmed nor refuted. Whether or not the know-how and skills of a teacher were to the state of the art depended to an overwhelming degree on their initiative to engage in cooperation with business companies and their readiness to undergo in-service education and training on an on-going basis, rather than on their formal involvement in a R&D department, which is often limited to routine tests.

- What is the benefit of R&D departments for the Austrian economy in quantitative terms?

To solve this question, the auditors analysed the market and the number of companies which carried out similar activities as the R&D departments. Given the large number of competing businesses, the R&D departments were insignificant.

Practical relevance of training

- Does the training have sufficient practical relevance?

To a large extent, the students received practical training in workshops and laboratories. In this respect, the assumption that training was practically relevant was confirmed. An analysis of the professional careers of graduates however showed that only very few of the practical skills acquired were actually used, because the majority of graduates worked in higher-level management positions.

The auditors identified a number of areas for improvement. They referred in particular to the need to equip workshops and laboratories to the state of the art to be able to provide practically relevant training.

- Are there effective and low-cost alternatives to traditional, labour-cost intensive workshop training?

From an analysis of workshop training, small-group instruction emerged as the major cost factor. The auditors recommended alternative organisational arrangements for the conveyance of theoretical teaching contents and for teaching senior students which

already had acquired practical experience, as well as the use of computer-based simulations.

Experience and practical exposure of teachers

- Do the teachers of the technical subjects have sufficient theoretical and practical experience and on-going practical exposure?

On average, 50% of all teachers undergo formal in-service education and training by attending corporate events, seminars or by working for companies in addition to their teaching workload. It was not possible to survey the scope of informal further education and training of teachers (study of technical literature, independent work).

- How can the shortage of teachers with practical experience and on-going practical exposure can be overcome?

The auditors recommended to recruit staff from business companies as course lecturers.

Drop-out rates

The auditors looked into the reasons why students dropped out from school. It was found that 24, 17, 13, 9 and 6% respectively of all students from year one to year five dropped out annually on average. The auditors calculated that the drop-out students accounted for some 20% of all funds spent on secondary higher engineering colleges.

School administrators and college members provided two explanations for these drop-out rates.

- Schooling in Austria is compulsory until the age of 15. This leads parents to opt for the best possible training for their children in year nine of compulsory schooling.
- Many pupils apparently seem to be overtaxed.

The auditors recommended to review the admission requirements and to use available resources for well-targeted measures, such as special remedial classes, to step up the graduation rates.

3. India

Audit of projects in compulsory education

The Context

Before I proceed to deal with the specifics of audit of schemes and programmes in the sphere of compulsory education (which, I believe, are more appropriate expressions than "projects"), it may be necessary to place the issues involved in perspective and provide a brief insight into the magnitude of the task that confronts Indian Auditors engaged in the audit of this important sector.

The Indian education system is among the largest in the world and is perhaps the most complex in terms of its spatial outreach. It also caters to the most diversified groups of students in terms of their linguistic, social, economic and cultural backgrounds. There are nearly 650,000 primary schools and 200,000 upper primary schools, in addition to a quarter million non-formal education centres, dispersed throughout the length and breadth of this vast country. More than a 100 million students study in the recognized primary schools alone served by roughly 2 million teachers. Enrolment in the secondary and senior secondary schools is nearly 30 million students. In fact, the number of students studying at the primary stage in the country could be said to be approximately equal to twice the population of France!!

These constraints notwithstanding, the government is committed to the objective of Universal Elementary Education and actively pursues a policy framework for implementing its constitutional mandate and obligations.

Constitutional Mandate and Policy Initiatives

The Constitution of India makes the provision of free and compulsory education of children up to 14 years of age one of the Directive Principles of State Policy. Until the year 1976, the Constitution vested the responsibility for education in the State (provincial) Governments. Since then, education has been placed on the concurrent list in terms of which both the State and the Central (federal) Governments can legislate on issues related to the development of education in the country. Over the years, the States have continued to shoulder the major responsibility of planning and management of school education. Besides policy formulation and review and ensuring

appropriate standards, the Central Government provides financial assistance for specified priority schemes and programmes.

A National Policy on Education was adopted by the Indian Parliament in 1986. This policy, supplemented by the Programme of Action formulated in 1992, provided the necessary directions for achieving Universalisation of Elementary Education (UEE) by ensuring universal access to educational facilities to children up to the age of 14 years and their enrolment and retention. The objective was to bring about substantial improvements in the quality of education to enable all children to achieve essential levels of learning. The Policy further delineated strategies for the educationally disadvantaged children and those with special needs and stressed the need for a concerted effort to expand and improve basic education—both formal and alternate schooling. This called for an integrated and decentralized approach to the development of primary education with focus on capacity-building particularly at the district and sub-district levels for planning and management. Special emphasis was also placed on education for empowerment of women and for the underprivileged sections of society.

More recently, as a national mandate, the Indian Supreme Court declared education as a Fundamental Right, resulting in the Constitution being amended to incorporate education as a Fundamental Right of all children up to the age of 14 years. This will ensure that provision of facilities for elementary education legally binding on the State.

Schemes and Programmes

Ever since the country attained independence in 1947, India has strived to achieve the goal of UEE in conformity with the Constitutional commitment. Primary education has been one of the thrust areas in successive Five Year Plans. Despite many achievements, a large number of children continued to remain out of schools and the goal of UEE continued to be elusive.

High drop-out rates ranging up to 60 *per cent*, the large number of children remaining out of schools, lack of access to schools, and high wastage were some areas of concern. There were also problems relating to low levels of learning achievement and inadequate participation of girls and other disadvantaged groups. Coupled with these were various systemic issues relating to the efficiency and effectiveness of primary education such as poorly functioning schools, inadequate infrastructure and facilities, large scale absenteeism by teachers, vacancies in teaching positions, poor quality of education and insufficiency of funds.

Pursuant to the National Policy on Education, Government had taken several initiatives to tackle these problems. As an outcome, various schemes and programmes were launched. Notable among them were:

- “Operation Blackboard” (1986) with focus on the provision of additional class rooms and teachers, and a package of teaching materials and aids.
- “District Institutes of Education and Training” (1988) for bringing about the desired improvements in the training of teachers.
- “Total Literacy Campaign” (1988) to eradicate illiteracy.
- “Non-Formal Education Programme” (revised in 1993) for meeting the educational needs of out-of-school children based on a partnership between the Government and voluntary agencies, public trusts, non-profit organisations, social activist groups, etc.
- "District Primary Education Programme" (1994) aimed at achieving UEE.

While these are programmes sponsored by the Central Government, various States have also initiated basic education projects based on the objectives and strategies of the National Education Policy.

SAI, India, has reviewed and evaluated many of these programmes from time to time. Given the constraints of time, it will obviously not be possible to deal individually with each of these programmes. I shall therefore confine myself to a discussion of the audit review of the "District Primary Education Programme".

District Primary Education Programme

Objectives

The District Primary Education Programme (DPEP) emerged in the year 1994 as a response to various challenges faced by the primary education sector. Its aim is to develop and implement a sustainable and cost effective programme at the district level to:

- provide all children with access to primary education (classes I to V);
- reduce primary dropout rates for all students to less than 10 *per cent*;

- reduce differences in enrolment, dropouts rates and learning achievement among gender and social groups to less than *5 per cent*;
- raise the average achievement levels of students by at least *25 per cent* over measured baseline levels in language and mathematics and by at least 40 per cent in other subjects; and
- strengthen the capacity of national, state and district institutions and organisations for planning, management and evaluation of primary education.

Programme Strategies

The key programme strategies to achieve these objectives are:

- Decentralisation and participatory planning, which emphasizes evolution of structures from the village level upwards to secure the participation of the local community.
- Provisioning of physical infrastructure, which facilitates access and retention and creates the sense of community ownership.
- Enhancing school effectiveness by positioning teachers after training them and building their capacity and by developing appropriate curriculum.
- Providing equity focus through convergence with non-formal structures and removal of gender and community barriers.

Selection Criteria

The DPEP was to be implemented in the educationally backward districts with female literacy below the national average (roughly *39 per cent*); and in districts in which the "Total Literacy Campaign" had been successful, generating demand for elementary education.

Coverage

The Programme, launched during 1994-95, was to be implemented in three phases, 48 districts in seven States being covered in phase I, the remaining districts of these States and those in eight other States being covered in phases II and III. As of March 2000, 214 districts in all had been covered.

Funding arrangements

The Programme is centrally sponsored with 85 *per cent* of the project cost being contributed by the Central Government and the remaining 15 *per cent* by the State Government concerned. The Central Government's share is resourced by external funding. Several bilateral and multilateral funding agencies, such as the World Bank, European Community, DFID, UNICEF, IDA and the Netherlands Government, have extended assistance in the form of soft loans and grants to fund this massive programme.

Audit Review

Objectives

Implementation of the Programme was reviewed and evaluated by the SAI with the objectives of:

- examining if the policy framework and the strategic parameters had been productively and imaginatively employed;
- evaluating, based on the key indicators, the spread, reach and durable impact of the Programme;
- correlating the processes by which Programme resources were deployed according to the needs, priorities and stages of delivery;
- assessing the efficacy of the capacity building and participative measures in the context of the goal of universalisation.

Scope and Coverage

Up to the year 1997-98, phases I and II of the Programme had been implemented in 149 districts in 14 States. Of these, 70 districts were selected as a representative sample and programme documents maintained in the State and District Project Offices and in the Department of Education in the Central Ministry of Human Resource Development were scrutinized to assess the extent to which the programme objectives were realized.

Audit Methodology

Various stages/steps involved in the review were as follows:

Preliminary study of Plan and Budget documents, Performance Budget of the Department, programme proposals, progress reports, periodical appraisals undertaken by the Department itself as well as external agencies, reports of departmental officers, evaluation studies by external agencies, etc. in order to obtain comprehensive insights about the Programme to facilitate identification of aspects that would require detailed examination.

- Pilot study of implementation of the Programme in one or two selected States with the objective of crystallizing areas of audit inquiry and formulation of Audit Plan.
- Finalization of Audit Plan containing details of sample, guidelines for investigation, overall strategy for collection and analysis of data, formats for data collection, etc.
- Scrutiny, by individual Audit Offices, of the records maintained by the State Governments and the administrative and heads of departments involved in programme implementation.
- Field visits to selected districts and offices of implementing agencies.
- Mid-term review of progress of investigations in workshops organized for the purpose to facilitate exchange of information between different field units with the objective of ensuring uniformity of approach and providing the necessary mid-course corrections.

- Scrutiny and collation of preliminary Draft Reviews received from field units and collection of additional data when considered necessary.
- Finalization of Review Report.

In addition, in this particular case, the services of an external agency involved in social sciences research were also engaged with the primary objective of assessing the impact of the Programme on the intended beneficiaries, the coverage of the targeted population and status of assets created.

Main Audit Findings

- Access to primary schools was adversely affected in the absence of basic infrastructure facilities.
- The Pupil-Teacher Ratio (PTR) was as high as 72:1 and 96:1 in some States. The average student-classroom ratio was also more than the normative levels in seven of the States and was as high as 84:1 in one of the States.
- There was little evidence of the impact of the Programme in terms of enhancing the enrolment of children. Though a comparatively higher growth was witnessed during the initial period of programme implementation, this could not be sustained in the subsequent years across all the States. In fact, in 23 districts of 8 States, the enrolment actually declined. A significant trend was the enhanced enrolment of children in private schools.
- Enrolment of girls also declined as they moved up from one class to another. The inequities in enrolment levels between boys and girls and between the underprivileged sections of society and others continued to persist despite the interventions provided by the Programme.
- The Programme aimed at convergence of primary education through Early Childhood Care and Education Centres (ECCE Centres) and non-formal education centres (alternative schools). While no targets were prescribed for opening ECCE Centres, those in respect of alternative schools were not achieved. Only 9 *per cent* of the households were even aware of the availability of these schools. Consequently, enrolment in the alternative schools was as low as 0.6 *per cent*.
- With the exception of a single State, the Dropout rate continued to be well over 10 *per cent* in all other DPEP States. In the particularly less developed States, this was as high as 38 to 39 *per cent*. In 6 States, the dropout rate of

underprivileged children had either increased or remained stagnant. The difference in the dropout rates among the gender and socially disadvantaged groups also remained more than *5 per cent*.

- The objective of raising the competence attainment levels was not realized in the majority of districts. Differences in competence attainment levels between boys and girls and between the socially disadvantaged and others could not also be narrowed to the desired level of *5 per cent*.
- Substantial shortfalls in appointment of programme functionaries and particularly of teachers and instructors were observed. Despite the emphasis on appointment of a higher proportion of women teachers, *34 per cent* of the schools did not have even a single woman teacher.
- Training schedules were not adhered to and a large number of teachers and other programme functionaries were not trained.
- Though the Programme laid stress on decentralisation and participatory planning, involving the local community with the help of community-based structures (Village Education Committees, Village Construction Committees, Parent-Teacher Associations, Mother-Teacher Associations, etc. there were significant gaps in the existence and functional status of these structures.
- The Block Resource Centres and Cluster Resource Centres, responsible for providing on-site academic support and training to teachers, could do so to only *58 per cent* of the teachers.
- Targets prescribed for provision of infrastructure were not achievement and involvement of the community in construction activities was only marginal.
- Deficiencies were also observed in distribution of free text books and supplementary materials to the target groups.
- During the five-year period covered by the review (1994-2000), as against the approved budget provisions aggregating to Rs 3951 crore (US \$ 968 million approximately), funds aggregating to Rs 2272 crore (US \$ 568 million approximately) only were released for the Programme. Even these were not fully utilized by the States. Consequently, assistance pledged by various international funding agencies as soft loans and grants could not be availed of as scheduled.

It will, therefore, be evident that, while the objectives of the Programme were laudable and it contained all the requisite elements to spearhead social change, the interventions provided by it did not, however, have the desired impact.

4. Spain

Audit of financial aid in university education

I. Introduction - General features of education in Spain

The Spanish education sector essentially comprises the following general levels: nursery (up to 6 years), primary (from 6 to 12 years), lower secondary (from 12 to 16 years), upper secondary (from 16 to 18 years) and university education. Admission to vocational training courses is from the age of 16 years.

The initial phase in the educational process consists of nursery education, which continues up to the age of 6 years and is organized in two stages, the first up to the age of 3 years and the second up to completion of this initial phase. The first stage of pre-school education is voluntary and is aimed at providing early childhood instruction and nursery care. The second stage of nursery education is both voluntary and free of charge, and sufficient places are guaranteed by the various public authorities to fully meet potential demand.

Primary education, which is a compulsory and free-of-charge stage, covers six academic years from age 6 to age 12. Its aim is to foster children's involvement in the world of learning and culture by encouraging their socialization. Its evaluation is ongoing and comprehensive, and the objectives laid down have to be successfully met in order that pupils may be admitted to the following stage.

The lower-secondary education stage, which covers four years, is commenced after successful completion of the previous stage, continuing the period of compulsory education, its aim being to impart a curriculum-based education to pupils in the areas of science, technology and the humanities. It is followed by the upper-secondary or *bachillerato* stage, which comprises two academic years of specialized preparation for tertiary-level university studies, admission to this stage being granted to pupils who have successfully completed the previous phase.

A further field of educational activity that is of great importance is vocational training, which covers all forms of tuition to provide qualifications in the various occupations and is intended for students deciding not to complete their education by pursuing university studies. Vocational training, which is undertaken in different phases and at different levels, encompasses some 150 areas of specialized study, on completion of which the corresponding official certificate is issued.

In addition to this general education system, mention should also be made of specific areas of education, which relate to instruction in the arts, languages and sports.

The need to address particular situations calls for the structuring of special education with specific care facilities for persons with disabilities.

As regards organization, it should be pointed out that the authorities undertake to meet all educational needs in the various phases and forms of teaching. However, in addition to the instruction offered by the educational establishments and actual teaching staff, provision is also made for the involvement of private organizations, subject to their meeting the conditions laid down for imparting the relevant tuition. In the case of certain phases, private enterprise partners conclude agreements with the authorities under which certain requirements have to be satisfied for them to be eligible to receive public funding.

Also, the authorities facilitate general access to education through the provision of assistance and grants on the basis of financial need and families' ability to meet the costs involved.

To give an approximate idea of the extent of the above-mentioned phases, the number of pupils within the non-university general education system can be put at seven million and the number of teachers at close on 600,000.

The public authorities' spending on these teaching activities is in the region of 19,200 million euros (over 3 billion pesetas).

Following the Government's proposal, Parliament recently adopted a new law, the Quality in Education Act, which, in recognizing the importance of education and the new challenges stemming from the development of Spanish society and its integration into the international community, promotes the new standards to be met by educational institutions by making a variety of courses of study available to pupils in line with their aptitudes.

Finally, the public universities are addressing two major challenges within the Spanish education system. The first is to respond to the huge teaching, research and socio-cultural demands made on a high-intake institution in whose progress society has placed great trust. Secondly, the universities have to provide those services in the most economical and efficient manner possible in a climate of constant financial restrictions. One cannot but be surprised to find that, beyond the major legal and economic differences, the problems of university management should be virtually the same across the world. This may have something to do with the fact that the

university is one of the ten institutions that are still in operation from the time of the Middle Ages. Hence the problems and complaints voiced by lecturers and researchers across the Atlantic are also the same as those that can be heard in Salamanca or Bologna.

My paper, which focuses on the university sector, will be divided into five sections:

- (1) An analysis of the current situation in Spain's universities from the legal and institutional perspectives;
- (2) The sources of Spanish university funding and the economic, financial and accounting systems to which it is subject;
- (3) An overview of the external auditing system in Spain's public sector, its legal framework, specific institutions, auditing procedures and areas and types of audit;
- (4) The particular features of external auditing of universities and, more specifically, of the public sector universities;
- (5) The aims of the auditing programme currently under examination by Spain's Court of Audit in coordination with the regional external audit bodies.

II. Current situation in Spanish universities

The Spanish Constitution of 1978 recognized the universities' independence, thereby guaranteeing freedom of appointment, study and research as well as **independence in the management and administration of their own resources**. Also, the process of university decentralization was completed a few years ago, in line with the provisions set out in the Constitution and in the respective statutes of autonomy, with the transfer of responsibilities in the area of higher education to the regional education authorities. In addition to this process of decentralization, university institutions have been set up in practically all centres of population with more than fifty thousand inhabitants, these being a feature of the developments that have shaped the present-day university map.

The University Organization Act (Law No. 6/2001) stipulates that the public service of higher education is the responsibility of the universities, which are to perform that service through teaching, study and research.

Allocation of educational responsibilities

The State is responsible for establishing the institutions' basic aspects:

- Fundamental conditions relating to the universities' legal system, regular staff and administrative procedures, including the minimum uniform organizational structure and the basic teaching system;
- General programming of tuition and regulation of the requirements for receiving, issuing and approving academic and professional qualifications.

In the area of higher education, the autonomous regional authorities (CCAAs) have a broad range of responsibilities, including, in particular, establishing public universities and recognizing private universities, approving university statutes, fixing university fees and determining the annual university budget allocation.

The main responsibilities assigned to the universities entail drafting statutes and other rules of internal operation, electing, appointing and dismissing the governing and administrative bodies, approving their budget management and property administration, drawing up and amending their staffing tables, preparing and approving curricula and research programmes, admissions, permanent staff appointments, assessing students' knowledge, issuing diplomas and degrees and establishing links with other academic, cultural or scientific institutions, both at home and abroad.

Financial independence of universities

The question of sources of university funding (public or private) should not be confused with the method (public or private) of administering the system. The private financing of a public service (fees covering the actual cost of public universities) and the public financing of a private service (grants and assistance in connection with the payment of fees at private universities) are both possible.

In most OECD countries, the universities are public, are largely financed from public resources and enjoy considerable financial independence. In some cases they are autonomous enterprises, as in the United States, Australia or the United Kingdom. Their resources are employed with considerable freedom by boards of administration, for the most part composed of eminent persons, not necessarily academics.

In other countries, such as France, Greece and, to a lesser extent, Finland, financial decision-making is in the hands of the senior governmental authorities. Norway, the

Netherlands and Spain are representative of the more widespread model of university financial independence.

Higher enrolment: university demand

The Spanish university system has expanded at a fast pace, rising from a student body numbering 330,000 in 1970 to almost 1.6 million at the turn of the century. Within just three decades, an elitist system of higher education has been transformed into a mass education system. The speed of the change has prompted debate concerning the over-education to which the allegedly excessive rate of higher-education enrolment might be leading in Spain. However, comparing the case of Spain with the situation in other developed countries may be useful in putting the university expansion of the late-twentieth century into perspective.

Until recently, international comparisons of higher-education enrolment were based on gross rates. For example, UNESCO regularly publishes the ratio which the total number of students at this level bears to the 20- to 24-year-old population group. Spain showed an indicator equal to 22% in 1980 and 46% in 1995. The European Union average at the latter date was 45%, with tertiary-level students accounting for 45% of the European population between 20 and 24 years of age. Spain's position has moved from being slightly below the European average (24%) in 1980 to equalling it in 1995.

International studies conducted in recent years traditionally place Spain above the international average for higher-education enrolment among young persons. A different situation can be seen in the case of older age groups, since the educational participation of those groups in other countries has increased in recent years. For example, in 1996 Spain had an enrolment ratio of 6.2% in the 26- to 29-year-old population group, as against a European Union average of 7.3%, with the Nordic countries and Germany, in addition to the United States, exceeding a 10% enrolment ratio for that age group (OECD, 1997).

The opening up of university to lifelong education can be seen to be clearly linked to the admission of “non-traditional” students, in particular adults who lack the usual academic skills but possess experience and the capacity to learn. In the Spanish university system, that process cannot be regarded as fully resolved. Between 1992 and 1999, the number of persons over 25 years of age who enrolled for the entrance examinations fell by one half (from 55,000 to 28,700 approximately). It could be thought that demand for university admission by this means is declining, although it is also possible that the difficulty of the examinations is discouraging potential applicants.

Size of the university system

Spain's university map currently stands at 68 universities, of which 49 are public, one of them being a distance-learning university, *Universidad Nacional de Educación a Distancia* (UNED). Of the 19 private universities, 4 are Catholic establishments.

In the 2000-2001 academic year for all public universities combined (excluding UNED), there were 245,416 **new-intake** students, representing 18.6% of all **enrolled** students (1,316,587). Of those students, 91.9% enrolled at official centres and the remainder at allocated centres.

There are 136,311 **students enrolled on postgraduate courses**, of whom 60,877 (44.66%) are studying for doctorates and the remainder (75,434) are following other postgraduate courses.

The number of **graduate students** in the 2000-2001 academic year is 147,595 (11.21% of enrolled students), of whom 57.7% are following long-term courses and the remainder short-term courses.

As regards courses on offer, the public universities offered a total of 2,377 **diploma and degree courses** and 5,663 **postgraduate programmes**.

The **university teaching body** in the 2000-2001 academic year numbered 80,433, of whom 56.46% are regular staff members and the remainder hired staff. This represents an overall average of 16-17 students per lecturer.

With regard to administration, the administrative and service personnel at the existing public universities totalled 39,456, which indicates that one person performing administrative and service duties is required for every two lecturers. The percentage of regular and hired personnel is approximately the same as for the teaching staff.

The total income of Spain's public universities in the fiscal year 2000 was € 5,501.87 million, compared with € 5,311.35 million in 1998, representing an increase of 3.58%. These sums constituted 0.96% of the gross domestic product (GDP) in 1998 and 0.84% in 2000. The main sources of revenue were current and capital transfers, essentially from the autonomous regional authorities themselves but also from the central government authorities and the European Union. These transfers represent on average 63% and 70% of the total income in 1998 and 2000 respectively, as against 19% from fees and public charges. As to the origin of this funding, public sources accounted for 74% of the total in 1998 and 75% in 2000.

Total expenditure was € 5,241.90 million in 2000, as against € 4,535.57 in 1998, which represents an increase of 15.57%. The largest spending was on personnel, which absorbed 58% of the total in both fiscal years for all public universities combined.

III. University funding

With regard to tertiary-level education spending (public and private), it can be seen that Spain utilizes the equivalent of 1.11% of GDP, compared with an average of 1.33% in the OECD countries. As to spending per student, the Spanish shortfall is more marked, since Spain's \$ 5,038 represent only 55% of the OECD average expenditure (\$ 9.063).

However, a key element of financing models is student assistance, which in Spain constitutes 0.10% of GDP compared with the OECD average of 0.27% of GDP, these percentages representing expenditure of \$ 454 and \$ 1,840 per student respectively.

Fixing of targets in terms of spending per student would appear to be important today if the funding and quality levels of Spain's higher education are to match those of her neighbours. It should not be forgotten that graduates of Spanish university institutions are increasingly in competition in the labour market with graduates of other countries within the European Union.

Also, university researchers compete over projects, funds and results with European Union researchers. Spain's universities need to have the resources enabling them to compete in producing professionals, doctors and basic and applied research of high quality.

Fixing the optimum level of total funding has to take account of the per-student spending indicator, although it is usually also subject to an ultimate restriction on the volume of total spending in relation to GDP.

For all OECD countries, approximately 17% of public expenditure on higher education is allocated to student financing. In the case of Spain, this share amounts to 11% only. However, over 40% of public assistance in Spain is allocated for the financing of charges (fees) while, in the OECD average, charge offsetting does not amount to 25% of public expenditure allocated to student assistance. It may be concluded that Spain's effort in relation to student assistance is very limited and is centred more than in other countries on the financing of charges.

IV. External auditing systems in Spain's public sector

In Europe, there are several models for the audit of public accounts. Centralized models, which are specific to unitary States (France, United Kingdom, Ireland) exist alongside decentralized models (Germany, Spain), albeit with a general tendency towards decentralization. Also, audits may be conducted by private professionals (collegiate auditors) or by public officials (audit offices), with a clear trend towards increased involvement by professional auditors. Combinations of both produce the different European models, the Audit Commission for England and Wales being an example of the mixed model. Spain has opted for a decentralized, public-official model for reviewing the financial regularity and legality of the public authorities. However, auditing emphasis throughout Europe is moving towards aspects concerned with operational and management audits as the new public sector administration philosophy and techniques have developed.

External auditing of the public sector in Spain is established partially as a decentralized model, in line with the actual establishment of the State, with sole and shared responsibilities of the central government authorities and the autonomous regional authorities, on the basis of the different areas of public administration.

External auditing is partly shared between a supreme body, the Court of Audit, and various external audit bodies within the autonomous regions.

In article 136 of the Constitution, the Court of Audit is established as the “supreme institution responsible for auditing the accounts and financial administration of the State and the public sector”.

As the autonomous regional authorities were provided with their own institutions to discharge their growing responsibilities, specific external audit bodies were subsequently set up to audit the public sector. Since 1984, when the first autonomous bodies were established, nine external audit bodies (OCEX) have to date been established and are fully operational, with a further four in the process of establishment.

The public sector auditing function is shared by the Court of Audit and the OCEX within the autonomous regions. The former, without prejudice to its status as the supreme audit institution, focuses its activities on central government and on those regional authorities which do not have their own OCEX. The OCEX focus their auditing activities on the public sector within their respective regions.

The Court of Audit and the OCEX coordinate their operations with a view to achieving greater efficiency and economy of resources and to avoiding duplication. They also

have various agreed standard-setting instruments which foster cooperation and collaboration.

The Court of Audit Organization Act stipulates that anyone who “by act or omission contrary to the law causes harm to public resources or assets shall be liable to effect compensation for the loss or damage arising”. One of the unique features of Spain’s supreme audit institution is that it possesses the jurisdictional power to exact accounting liability resulting from such conduct.

In article 4.1 of the above law, the following are listed as constituting the public sector: the central government authorities, the autonomous regional authorities, the local authorities, the social security administrative bodies, the independent institutions and the state corporations and other public enterprises.

Although the universities are not specifically mentioned, there is no doubt that those which are expressly classified as “public” by reason of their origin and dependence come under the public sector and therefore fall within the scope of the auditing operations of the external audit bodies referred to.

The aforementioned law stipulates that, in addition to the entities and institutions listed above, subsidies, credits, guarantees or other public sector aid received by natural or legal persons also have to be audited. The auditing function means imposing the principles of legality, efficiency and economy on the economic and financial activities of the public sector.

V. External auditing of public universities

The public universities are an integral part of the public sector and accordingly are required to render accounts and are subject to external control by the relevant audit body.

In 1996, the transfer of responsibilities for the universities from central to regional administration was finalized, with the result that all the autonomous regional authorities are now fully responsible for such matters, without prejudice to general standard-setting functions, which rest with the central government authorities. Most of the public resources of the universities, which come from current and capital subsidies and transfers, are channelled through the corresponding autonomous regional administrations and parliaments.

On the basis of this allocation of responsibilities, external auditing of economic and financial activities rests with the Court of Audit or the relevant OCEX. At the present

time, the Court of Audit conducts the audit of the distance-learning university (UNED), which is under central government responsibility, and of the twelve universities situated within autonomous regions that do not have their own external audit body. The remaining thirty-six public universities, which are situated in autonomous regions which do have OCEX, are audited by those OCEX.

Each OCEX sets its own university audit objectives, content, methods and frequency. In fact, not all the OCEX audit their universities' accounts annually. Also, the types of audit carried out are not uniform.

With regard to the Court of Audit, an annual audit has in recent years been conducted on the general account rendered by the universities. Specific audits have been carried out on an ad hoc basis only with regard to individual aspects at a particular university.

The audit is aimed at verifying timely and formal compliance with the obligation to render accounts, through an examination of the budgetary, economic and financial information and documents constituting the general account.

The audited general account model comprises the following statements covering the universities' economic and financial activities: the balance sheet, the economic and financial results account, the budget outturn statement and the annual report.

A report is issued for each university on the basis of the audit findings and, after being transmitted to the auditee so that allegations may be submitted, is incorporated in the corresponding public sector report of the central or regional administration.

By means of this process, the establishment of accounting systems and auditing methods specific to the public sector has been strengthened without impairing the universities' independence as established in the Constitution.

Owing to the type and method of audit used, the main outcomes obtained are indirect, with emphasis on integrity in the preparation and rendering of accounts and widespread adoption of public accounting principles and systems among the universities.

Through the auditing operations carried out, certain deficiencies have been revealed in investment planning and execution, procurement, budget implementation, etc.

From the audits conducted it is possible to appreciate the financial and economic pressure that exists in the university sector, with its fees system traditionally

inadequate to meet university operating costs, which are characterized by a certain rigidity and in which personnel expenditure makes up a substantial proportion.

The level of competition between universities has increased in recent years as a result of the decline in the population, a fact which contrasts with the emergence and development of new public and private university institutions and diploma and degree courses.

Also, in addition to standard audit areas (liquidity position, personnel, inventories, purchases, etc.), further areas have been included in connection with, for example, information technology, internal audit units, analysis of academic aspects, strategic plans, administration of research and the monitoring of certain current expenditure items (telephone, travel, entertainment expenses, non-regular courses, sports activities, etc.).

Internal controls

Given the general importance of internal controls, a short commentary on their role in university management is called for. The entire economic administration of the public authorities in Spain undergoes an expenditure audit, which is generally a pre-audit integrated within the budgetary process. In 1983, the University Reform Act (LRU) stipulated that “the auditing body shall discharge its tasks by means of accounting techniques”. It is thus apparent that such a body is necessary but with the incorporation of considerable latitude in the regulation of the content of that audit function by allowing it to use accounting techniques as an alternative to pre-audits.

Universities and private audits

Leaving aside the debate between the use of public or private accounting and auditing standards, it is a fact that the vast majority of Spanish universities conduct periodic private audits. Some will be voluntary and others imposed by statute. The proliferation of contracts for the conduct of external audits (at all the public authorities) by independent professionals is an indication of the social acceptance of the concept of the auditor as a trustee or guarantor of the information quality of annual accounts. In this connection, that process was initiated more than ten years ago under the former statutes of the University of Barcelona (1985), which guaranteed an annual private audit.

Current audit plans

At the request of the Spanish Parliament, the Court of Audit has included within its current programme of operations “an audit of the organization, the economic and financial activities and the administration of all public universities in line with current standards and the principles of efficiency and economy in the performance of the public service of higher education entrusted to them”.

Acquiring an overall and at the same time individualized view of each of the public universities and of the entire sector is being sought through the use of a common methodology. The attainment of that goal will require a major effort of coordination and cooperation on the part of the Court of Audit and the various OCEX within the autonomous regions.

The aim is to undertake a comprehensive audit in which the specific approaches of compliance, systems and procedures, financial and operational audits can be incorporated.

Included among the most important areas of work are those concerning organization (governance and representation, university campus), functional and organizational structure, inter-university liaison and coordination bodies, internal controls, etc.), economic and financial activities (preparation and implementation of the budget, rendering of accounts, administration of assets, personnel expenditure, sources of revenue, subsidies and transfers, etc.) and management (staffing policies, university services, monitoring of academic results, research activities, adapting supply in the educational sector to demand and to demographic trends, etc.).

5. France

Management of the French system of education

In 1999 the French Cour des comptes (Court of Audit) launched an audit of the French educational system. This work lasted four years and recently ended with the publication of a public report entitled: "The Management of the Educational System".

Such an enterprise is rather new, as it is the first time that the Cour des comptes undertook to examine, in a comprehensive way, such a wide system. The French educational system provides 15 million pupils and students with schooling and education. It runs 58 300 elementary and primary schools, 11 400 high schools ("collèges") and colleges ("lycées") and 570 establishments of higher education. It manages 1.3 million staff, out of which one million teachers. These statistical data illustrate the scope of the work that needed to be carried out to give an account of the organisation, the functioning and the cost of such a public service.

This presentation covers three aspects, first how to justify such an ambitious initiative, second to define its methodological framework, and third to present the major conclusions that can be drawn.

1. Reasons for the audit by the Cour des comptes

To understand the reasons why the Court decided to launch a comprehensive audit of the educational system in 1999 and not before, it is useful to present the transformations French schools underwent in the last decades. In the 19th and 20th centuries, the educational system aimed at progressively offering the same educational opportunities to all young people everywhere in the country. This led to, at least, two consequences: on the one hand, ensuring a territorial network of schools which would offer "community schooling", on the other hand providing pupils with identical programmes so as to offer equal learning opportunities.

This approach which we may call "egalitarian" proved efficient. It allowed to cope with a sharp increase in pupil numbers without major crisis, and it also led to a democratisation of access to higher levels of education, at high schools or universities.

These measures which required the educational system to cope with a mass influx of pupils ran well until the 1980s, when the general framework of school education compelled it to redefine its objectives and its modes of action. Several factors explain

this necessity: the end of demographic expansion, stagnation of scholastic performances and persistent school failure, but also “consumerist” expectations of families vis-à-vis school as an institution, as well as the inequalities as regards professional integration brought to light by the economic context.

To meet these challenges, it was necessary to revise the way in which school worked. While it had been means-oriented (provide all the pupils with schooling), it had to be results-oriented (contribute to the success of pupils). This shift of targets was reflected in the Orientation Law on Education of July 10, 1989 which marks a turning point in French educational policy.

School was then asserted as the first national priority and was allocated the highest budget of the nation. It had to guarantee equal training opportunities to all children and teenagers it catered to, which required, on the one hand, stepping up educational provision for those most in need, and on the other hand, diversifying the ways pupils are taken care of in line with their needs. A quantitative and uniform management of schools was then to be replaced by a qualitative and diversified management of training options. This ambition was clearly laid down in the definition of objectives: eliminate the number of school leavers without qualifications, enable four youngsters out of five of the same cohort to access the final year of secondary higher school in order to prepare for the school leaving certificate (“*baccalauréat*”).

The new conception of the school system derived from the Orientation Law of 1989 led to important changes in the management methods. While schools could be managed in a centralised way in the past, only a reorganisation offering more scope of initiative to the local players could enable a diversification of the system of schooling consistent with pupils’ needs. Educational establishments then developed their own projects. The regional services of the National Education Ministry but also the local authorities are increasingly vested with more responsibilities, particularly that of structuring the training offer according to regional needs. The central administration of the ministry now turns towards monitoring functions: definition of national policies, allocation of means, evaluation of results.

All these drastic changes required substantial budgetary funding. The multiplication of pedagogical policies designed to help pupils with learning difficulties and the diversification of training paths at primary, secondary and higher education level raised, *a posteriori*, the question as to the sound financial management of the educational system since the Orientation Law of 1989.

To implement its new scope for intervention, the educational system was slow to transform and it took more than twenty years for some developments to show. The turn of the century thus appeared to the Cour des comptes as the most appropriate

time to assess the functioning of the educational system and to appreciate to what extent the innovation brought about by the Law of 1989 contributed or did not contribute to higher efficiency and effectiveness of the education system.

2. Framework of the report

Given the dimension of the educational system, the first question was that of the scope of the audit. The French system of schooling, indeed, is not monolithic: it is a complex system with a multiplicity of players and levels of responsibility.

The Ministry of Education is the cornerstone of the system of training as it holds the monopoly of determining the content of programmes and the conferment of diplomas. However, there are also other stakeholders: for example, agricultural training depends on the Ministry of Agriculture, vocational training is, for a part, under the responsibility of the apprentice-training centres managed at the regional level, university level health-care training is not managed by the Ministry of Education, but by the Ministry of Social Affairs.

Another element adding to the complexity of the French system of education is the coexistence of public education for which the state is responsible, and of private education, which is either totally independent from the state, or linked by contracts, which involve a financial contribution by the state.

All these characteristics have an impact on audit as they raise the question as to the scope of competence within the Cour des comptes, but also as regards the Regional Chambers of Audit which are responsible for auditing public funds at the territorial level.

The Cour des comptes is made up of seven chambers organised by sectors of government activity. The third chamber is vested with general competence over national education, but the seventh chamber for example, controls agricultural teaching. Likewise, the Cour des comptes audits universities and higher education establishments beyond a certain financial threshold, whereas other training establishments fall under the responsibility of the regional chambers of audit: other universities, but also primary and secondary schools. Lastly, privately-run schools are not audited by the Court or by the regional chambers of audit. In this patchwork of responsibilities, we had to work in collaboration with the various audit bodies, and, in retrospect, we can only be glad about the quality of this joint endeavour.

Another choice to make was linked to the limited resources, even though the Court and the regional chambers made an important effort. Between 1999 and 2002,

67 magistrates and auditors (“rapporteurs”) of the Court and 48 magistrates of the regional chambers of audit audited 109 higher education institutions, 356 high schools and colleges, 22 regional and general councils, 21 education authorities (“rectorats”), not to mention the central administration services of the Ministry of Education and other ministries (agriculture and industry, largely).

In spite of this large investment of human resources, it was not possible to conduct a full-cover audit. Further education of adults was excluded, as well as the apprenticeship sector and the qualification measures for young school-leavers. No audit was performed in the overseas departments and territories. We also rejected certain aspects linked to activities that had progressed insufficiently at the time the report was drafted: priority education which is only sketched in the report, management of administrative and technical staff in education authorities and schools, the involvement of local communities in the management of primary schools, scientific research at universities, management of libraries, etc..

Lastly, the Cour des comptes had to remain within its scope of competence. As an SAI of the court system, it has to verify the proper use of public funds, which entitles it to access the administration of schools, but not the field of pedagogy, whereas the latter generates the value-added for pupils and students. Finally, the Cour des comptes had to avoid the temptation of expressing an opinion on the merits of the policies implemented in the educational system. Based on its competences, the Court is entitled to assess the regularity of the use of public funds, but not to give an opinion on the soundness of political decisions by government, other than highlight the risks of budgetary deviations or unsound management.

3. The raw data of the report

Of course, the Cour des comptes did not wait for the start of its comprehensive survey of the educational system to address education issues and initial training, all the more since this is a major area from the point of view of public management. In France, the Ministry of Education disposes of more than one fourth of state funds and employs nearly half (51%) of the civil servants. As far as school teaching is concerned, work most recently carried out dealt with the main aspects of personnel management, mostly salaries, training and recruitment. As for higher education, it must be noted that universities in France are public establishments and are therefore, subject to regular audits either by the Court (major universities) or by the Regional Chambers of Audit. These audits which, on average, are carried out periodically at 5-year intervals concern the accounts of universities, but also all the aspects of their management, i.e. staff, real estate issues, relations with the Ministry or research activities.

Therefore, at the beginning of this survey, the Court had a fairly good knowledge of the field of education. During the past ten years, the Court had published a part of the audits which had been carried out either in the framework of its Annual Public Report or of specific public reports. These audits dealt with the following topics:

- management of teacher-researchers (2001)
- management of teaching staff of secondary level (2001)
- number of staff and recruitment policy of teachers of secondary level (1999)
- budgetary, financial and accounting management in universities (1999)
- development of research in universities (1997)
- irregular transfer of state funds to secondary schools (1997)
- decentralisation of second degree education (1995)
- technology university institutes (1994)
- organisation of the baccalaureat (1994)
- recruitment and training of secondary education teachers (1990)
- lack of university premises (1990)
- management of teachers of primary schools (1988)

The knowledge accumulated by the Court, though indispensable, was nevertheless insufficient to carry out a comprehensive assessment of the management and functioning of the French system of education. It was therefore necessary already in 1999, i.e. three years before the publication of our report, to plan and programme the work of the court for the years 2000, 2001, and 2002.

The audit was preceded by a statement: in France, public financing (state and local authorities) represents about 90 billion euros, of which nearly 60 billion are payable by the Ministry of National Education alone. Between 1985 and 2000, the amount of public financing kept rising from 56 to 88 bn euros in inflation-adjusted euros (i.e. an increase of 52%), and this in spite of a decrease in the number of staff for several years (since the end of the 1970s in the primary sector, since 1993 in secondary and since 1996 in higher education). This finding raises a question: Why does public spending keep on growing as the number of pupils and students does not increase, has even been decreasing for several years? Even if the answer can be partly found in the political choices adopted and in the importance given to education, described in the Orientation Law of 1989 as a first national priority, there are, nevertheless, other elements of explanation which are intrinsic to the education system and linked to its management, its rules of functioning, as well as the sharing of competences and responsibilities between the different education stakeholders. The Court, thus, used the analysis of the organisation, of the procedures and means of the educational system as a vital yardstick for its audits, seeking to determine whether they are adjusted to the aims pursued and enable a careful and rigorous management of public resources.

These criteria led it to organise audits around four main issues, with one single audit being able to address one or several questions simultaneously:

- Who decides what? In other words, the organisation and modes of functioning of the educational system;
- What are the human and financial means of the educational system?
- How are these different means managed? Do the rules and tools of management enable a good management of resources? Are the methods of resource allocation adapted to the aims and in conformity with the policies implemented?
- Finally, are the costs and results of the educational system known and used?

The first question led us to identify the main players of the educational system and to analyse their organisation, their competences and their relationships. Given the respective scopes of competence of the Cour des comptes and the Regional Chambers of Audit, the former is responsible for auditing central administration at the Ministry of National Education as well as the regional education authorities (“*académies*”), which ensure the territorial administration of this ministry in every region. The latter looked at the role of local authorities and their different interventions in the field of education, as well as at the management and functioning of secondary and primary schools, which as local public establishments come under their scope of competence.

The description of the different means used was largely based on previous audits conducted by the Court. With 1.3 million salaried persons, personnel costs represent the highest budget item in the educational system; salary payments account for more than 90% of the Ministry of National Education’s budget. In recent years, numerous surveys by the Court have documented the use of these funds, in particular for the recruitment, the management and the remuneration of teaching staff who, alone, represent nearly 75% of the ministry staff. This knowledge having been acquired, the envisaged audit work consisted in updating data on teaching staff on the one hand, and in analysing the management of other categories of personnel on the other: inspectorate staff, managerial staff (i.e. school heads) and administrative staff. As for the budgetary and financial means, one has to know that each year the Court gives an account to Parliament on the execution of the Finance Act on National Education. As such, it has a fairly complete and precise view of the different ways of funding of the educational system and of the main resources that are made use of.

In order to grasp the management and the use of these different means, as well as the various methods of resource allocation and sharing, the Court extensively relied on its audits of the central administration of the ministry on the one hand, and of the services of regional education authorities on the other. Moreover, it was found necessary to examine the implementation of some major educational policies in order to verify the relation between the funds used, the procedures applied and the goals to

be reached. In the field of school education four issues were considered: development of educational programmes, introduction of new technologies in education, career counselling of pupils and vocational training. At the level of higher education, the Court focused on university real estate, on student allowances, and on the way students are catered to in the first year of university.

The last topic dealt with (costs and results of the educational system) gave rise to a specific audit of the tools and evaluation methods implemented at the Ministry of National Education. Specifically, it focused on the choice of indicators, the cost of the different types of training, the evaluation of results, as well as on the use of these different data in the implementation of educational policies. This audit was completed by a specific survey of higher education aimed at assessing the efficiency and effectiveness of university establishments, particularly as regards student access to labour market.

4. Summary report

a Practical organisation of the summary

After three years, the investigations carried out by some sixty magistrates and auditors from the Court ended in the summer 2002. A limited team of three people, under the supervision of a senior experienced magistrate took over for the drafting of the summary. The drafting took about five months from June to November 2002. In order to facilitate the work of the three drafters and to avoid reading several thousands pages of reports, each investigation was summarised in the form a presentation of the main issues, the key data, as well as essential findings. Besides, it was decided to choose the drafters from among the auditors who had been the most present and active in the preliminary stage of the investigation, so that the team had a near-complete knowledge of the different subjects.

Two main difficulties emerged at this ultimate stage. The first related to the outline of the final report, which was subjected to numerous, successive revisions and was definitely finalised only once the drafting was over. A second difficulty resulted from some uncompleted items in the original plan, which led the summary auditors to re-investigate a certain number of themes which had not been dealt with, but needed to be addressed.

Once the draft was completed, it was submitted to deliberation by the third chamber in accordance with the internal procedures of the Court, at two sessions, one devoted to school education, the other devoted to higher education. The deliberation, which is

part of the judicial practices of the French Court of Audit, permitted to gather numerous pieces of criticism and observations, which led the auditors to rewrite several parts that had been considered as overly complex or insufficiently explicit. Moreover, the auditors benefited from a careful re-reading by some specialists on the education system, currently assigned to the Court (two former directors at the Education Ministry and a former adviser to the Prime Minister on education issues). The report hence corrected was finally submitted to the approval of the committee for public reports and programmes, a collegiate body composed of 7 chamber presidents and the general prosecutor of the Court.

b. Framework for analysis for school education

When looking at school education, the Court intended to carry out an evaluation-type procedure, examining the objectives, policies, means and results of the school system. The aim was, first, to assess how precise the objectives of the school system were in terms of schooling and academic success, to take stock of the resulting policies and to see whether the means expended under the heading of these policies were properly managed in accordance with the objectives. The analysis showed that, because of their lack of clarity and insufficient prioritisation, school objectives resulted in very varied but weakly structured policies. Increasing budgetary means had been invested in schools, more often than not without any concerns about their optimisation or allocation in accordance with clearly defined priorities.

Secondly, the Court examined the results of the policies implemented in the school system. Within a span of twenty years, school results had improved but did not reach the standards set by the 1989 Orientation Law on Education. Evaluation was designed as a means to attain progress, it is not systematically applied and insufficiently taken into account when monitoring and managing the school system. The lack of reliable estimates on the cost of educational reforms and the abandonment of systematic pupil assessments between the beginning and the end of academic cycles do not allow valid conclusions on the efficiency and effectiveness of policies implemented in the school system.

As it was unable to pass such judgement, the Court therefore focused, in its second step of analysis, on the functioning and the organisation of the school system, the objective being to demonstrate that, here as well, there was considerable room for improvement. Administrative procedures which govern the operation of schools and therefore contribute to their efficiency, are impeded by rigidities and constraints when it comes to the elaboration of training programmes, the management of teaching staff, or the preparation of the start of the new school year. Another obstacle results from the complexity and uncertainties governing the allocation of competences and

responsibilities between the four major players in the school system: the Education Ministry, regional education authorities, local authorities and schools.

– **The objectives of school education.**

One of the first issues the report examined related to the objectives of school education. The 1989 Orientation Law on Education lays down a two-fold priority for schools which must guide the actions of all players involved: accommodate all children having reached the age of schooling, regardless of their geographical origin or educational background; enable all pupils to succeed, whilst offering each of them an opportunity to acquire a general education and to obtain the highest qualification level possible.

Three objectives correspond to these three priorities. The first consists in providing all pupils with school education, all pupils must be accommodated by a school and follow instruction that is suited for their level of education. Every year at the start of a new school year, the realisation of this objective, which is being globally met today, is measured. It results in a mass management that structures the organisation of the ministry and the allocation of teachers.

The second objective, more subjective and therefore more difficult to measure, is to offer each pupil a training path that corresponds to his/her aspirations and skills, hence contributing to the equality of opportunities. This objective corresponds to several preoccupations which are difficult to reconcile, even more since they have not been prioritised: the acquisition of a general education and preparation for vocational specialisation, and at the same time the mission to impart instruction and education. This is reflected in the diversity of – and sometimes competition between - different training programmes.

The third mission of the system of education is to help pupils to build school and vocational career plan. Given the lack of clearly defined priorities, however, pupils' career choices seem less focused on their own interests but are conditioned by available training programmes, and first and foremost by a willingness to make better use of the existing structures in vocational and technical training.

– **Diversified policies serving pupils**

In order to reach its set objectives, the school system has seen a multiplication of educational policies and diversified its approaches of catering to pupils. In vocational and technical training, courses and specialisations have been set up and extended to the completion of the secondary-higher cycle (“baccalauréat”). Measures designed to

help pupils were implemented, either within the framework of national policies, or as measures tailored to specific problem areas or groups.

To start with, the school system offers numerous training options. Besides choosing between public and private education, pupils may, at the end of secondary school, choose between general and technical education, and vocational training. In both primary and secondary education, courses are diversified in the form of optional subjects, multidisciplinary projects or familiarisation courses. Vocational training is particularly diversified. Apart from the various specialisations, there are three types of schools which coexist: secondary schools for vocational training, secondary schools for agriculture and apprentice training centres.

The number of pupils in the vocational training did not develop uniformly. In the apprentice sector it grew by 60% within twenty years. In secondary schools for agriculture, it increased by one third in fifteen years. The number of pupils in public and private vocational secondary schools coming under the authority of the Education Ministry more than doubled between 1960 and 1985, and then decreased irregularly until 2001. Today it only represents 31% of pupils in secondary schools against 40% in 1985. This loss of interest is problematic since vocational training benefited, within the Education Ministry, from significant promotion measures: the extension of study courses until the baccalaureat, the creation and enhancement of a recognised staff of teachers, the reform of diplomas. The wish to maintain a highly diversified training supply accounts for the very high teacher-pupil ratio, which is largely due to the maintenance of numerous structures which cater to only a few pupils and are therefore more expensive. However, vocational training was not a real remedy against the number of pupils leaving school with no qualification: today some 160,000 pupils leave school with a *brevet de collèges* (compulsory school leaving certificate) at best. It is possible that vocational training suffers from a combination of handicaps related to the negative image of this training option, an imbalance between the training supply and labour force requirements and the many different stakeholders involved (regional and local authorities, firms, families and teachers) and therefore to the slow adaptation of the training supply.

As for local measures, the continued existence of rural schools is both an educational as well as a country planning concern. In primary education, additional costs resulting from country schools have been relatively well managed and real efforts were made to respond to the decrease in pupil's numbers. Within the last ten years, numerous single-class schools were closed, One out of two schools is currently faced with restructuring measures. As for secondary schools, both the number of pupils and the number of schools remained rather stable. Rural secondary schools are generally small, structures are lighter and capacity utilisation is lower, the additional cost caused by these factors was estimated at about 1,000 teacher jobs in secondary education.

However, smaller secondary schools mean that the training supply is less diversified and the rate of secondary-school leavers transferring to secondary higher education, which is usually a criterion used to assess the educational efficiency of secondary schools, is lower than in non-rural zones.

As for priority education, the system of affirmative action mainly consisted in reinforcing the means to assist underprivileged pupils. In this area, teacher fluctuation rates are higher than elsewhere. In addition, the increase in the number of teachers per pupils, on average 10% in schools and 9% in secondary schools, is not uniform on the entire French territory, with each regional education authority retaining control over the allocation of funds. Hence, some factors such as rural location or the size of the school, may have a stronger impact on the teacher-pupil ratio than the fact of being a priority education area.

The provision of schooling to children as of the age of two years was laid down as a further objective aimed at improving school results. However, the highest level was not attained in the most difficult areas, but in Brittany, a regional education authority where competition with private education resulted in a special effort in favour of early schooling. While today the effectiveness of the measure is seen from a more relative perspective, this result shows the limits of efforts to reallocate funds for education on the national territory.

– **Means**

On account of a variety of different educational policies that were often implemented in parallel and of conflicting objectives it became necessary to spend increasing financial and human resources. While the number of pupils seriously decreased in the past ten years, with 550, 000 pupils less between 1990 and 2000, the budget for school education increased by about 40% in the same period (in constant euros), that is 2.5 times faster than the global national budget. This development of budget expenditure can be explained by the fact that the overwhelming portion of allocations from the Ministry of Education – 95%- of all funds are spent on teacher salaries. The natural tendency for staff expenditure to increase and the effect of the different compensatory measures, notably in favour of teachers, contributed to the regular increase of funds allocated to school education.

Meanwhile, the number of staff paid by the Ministry of Education has continued to grow. The increase in the number of teachers, together with the decrease in the number of pupils, hence permitted to better take care of pupils with learning difficulties, to improve teaching conditions in the most sensitive areas, and to offer more diversified training routes in secondary education. However, the increase in human resources mainly permitted to provide better educational coverage to pupils at

all levels of education and to significantly reduce the number of pupils per classroom. Within the last thirty years, the average number of pupils per classroom decreased by 4 to 5 pupils in primary education and by slightly more than two pupils in secondary education. Looking specifically at the last decade, one notes that almost 16,000 established posts should have been cut down in primary education if the teacher-pupil ratio had been kept at the level of 1990. In secondary education, structures were streamlined markedly in the “second cycle” (the three years spent at the “lycée”) with on the one hand a decrease in the number of pupils per classroom (on average three pupils less within ten years), and on the other hand an increase of optional courses offered to small groups of pupils. Analysis of the financial indicators, particularly the increase in the ratio of “school periods per pupil”, reveals that this organisation form is increasingly expensive. In the lower cycle, (from 6^e to 3^e, the teacher-pupil ratio has not improved, whereas efforts should probably have focused on this level, considering the difficulties many pupils face integrating themselves in a conventional educational set-up.

Generally speaking, the continuous improvement of teacher-pupil ratios in French schools has become an obvious trend in our educational system for several years. This development requires increased financial means and does not show any sign of reversing or levelling. Given these conditions, it is extremely difficult, on the budgetary level, to benefit from declining pupil rates. As parents and teachers demand a decrease in the number of pupils per classroom, they are particularly opposed to structural adjustment when for instance classes are closed or teaching posts are cut down. However, there is no indication whatsoever today that this improves the effectiveness of education and the success of pupils. On the contrary, all the research studies available on this issue arrive at the conclusion that the effects of a policy aimed at reducing the number of pupils per classroom cannot be measured, except for pupils with severe learning difficulties or for classes with significantly less than 20 pupils. Considering the high cost of such a policy, the lack of proven results raises the question as to its efficiency compared to other educational measures which are more urgent priorities.

– **Evaluation**

Within the last two decades, the school system has been able to cater to more heterogeneous pupils, for an extended period of schooling and with a view to a higher level of training, although the objectives determined by the 1989 Orientation Law on Education have not been reached: attainment of baccalaureat level has been stagnating below 80% of an age group and pupils still leave school without qualifications. Certainly, school education has been able to narrow the gap between the highest and lowest-performing pupils, whose attainments today are twice as high compared to the lowest achievers, while they were seven times higher 70 years ago.

However, major inequalities persist between pupils as regards two main factors which have an increasing impact in the course of schooling: age and social background. Besides, territorial inequalities persist and reflect the difficulties schools face in giving pupils the same opportunities to succeed. Finally, international comparisons have shown that the French educational system has seen developments which are similar to those of all comparable countries, without however being always ranked among the most effective ones.

Considering the mixed results, evaluation should have permitted to strengthen the efficiency and effectiveness of the educational system. It is true that in comparison with other ministries, the Ministry for Education has implemented structures and assessment tools at a very early moment, but this step has not yet become a tool that can significantly contribute to improving education. The Education Ministry notably faces serious difficulties in identifying the ratio of the results achieved and the funds spent on the education system, because of the difficulties involved in establishing such a relation and because there is no cost accounting system in place that would permit to assess the real cost of an educational reform or of educational measures.

Although evaluation tools are mushrooming, they present conspicuous weaknesses. The evaluation of teachers' instruction methodologies is still insufficient. Evaluations, which should assess the impact of educational reforms on pupils' results, remain scarce. Evaluations which draw a comparison between reforms and funds spent are even scarcer. As these evaluation tools are not used concomitantly, the Education Ministry is in not position to assess the value-added generated for pupils in the course of their educational careers.

– **Procedures and players**

After having attempted to analyse the relation between the policies implemented, the financing involved and the results achieved within the school system, the Court subsequently aimed at identifying the main obstacles that impede its functioning and can account for the ever growing use of human and budgetary resources.

Procedures

To this end, the Court first examined the main administrative procedures that govern the management of the school system, as well as the inherent constraints which hamper necessary developments and limit the impact of educational policies.

The first procedure concerns the management of educational provision which results from established educational structures (schools and classes) as well as the schooling delivered there. Educational provision has to reconcile diverging, even conflicting

needs, since it must simultaneously meet the expectations of pupils and their families, regulate the flow of pupils between the different stages of education, be consistent with the needs of the economy, and finally take into account regional planning needs, particularly in rural areas where schools often remain the last public local community-based services. In primary education, educational provision primarily responds to demographic needs, the task being to accommodate all eligible children in primary and nursery education. It therefore essentially consists of opening and closing classes and prompts the local players (parents and local representatives) into action, particularly when the closing down of a school is being envisaged. The need to respond to the increase in the number of pupils in areas of demographic growth, together with a concern to limit the closing down of classes as much as possible in areas where the number of pupils decreases, inevitably leads to an increase in the number of teaching posts required. In secondary education, the constraints are even more pressing due to the diversity of training options and routes. It is extremely difficult to rationalise the educational offer, because of the effects of competition and rivalries between schools, the aspiration to grant pupils equal opportunities to the highest possible degree all over France (offering the same range of training opportunities to all), and the need to take the staff resources actually available into account. At all levels of education, the situation is characterised by diverging and even contrasting developments, decreasing pupil numbers in the face of increasing number of educational establishments. This rigidity is a key factor in growing expenditure for the school system. The Court hence highlighted the case of a regional education authority where, within four years, six new classes were opened at *lycée* (secondary higher) level, while during the same period the number of pupils had decreased by nearly 2,000. This misalignment is particularly marked in vocational education, with more than 20% vacant places in some industrial training programmes today.

The second procedure examined relates to the management of teachers. Its objective is to ensure that teachers are available on the entire national territory, for every class and, in secondary education, for each subject. This objective must be reached whilst complying with the budgetary funds, the provisions of the service code applying to teachers and the interest of pupils. Here, the main constraint lies in the vast number of statutory provisions governing the different staff categories. The service rules are increasingly complex, they weigh heavy on management and raise the cost of education. Moreover, they do not permit to take into account any local specificity, neither to adapt profiles and skills to the needs of pupils and schools. The rules governing staff transfers are also excessively rigid and create geographical and subject-linked imbalances, so that some teachers cannot be employed for some subjects, while there is a shortage in other subjects.

The third procedure examined by the Court relates to the preparation of the start of the new school year, which in France is managed in a largely centralised way. Generally speaking, this procedure consists in planning the number of pupils to be catered to, allocating budgetary funds accordingly, establishing teaching posts at school level, filling these posts by appointing staff and finally streamlining recruitments accordingly. However, this process takes place within a very short period of time and is therefore subject to numerous uncertainties. All these unknown factors imply the existence of adjustment margins that weigh heavy on the budget. These result in either the recruitment of supply teachers in the course of the academic year or, on the contrary, an excessive number of tenured teachers in several subjects. According to the French budgetary process established posts are transformed into actual teaching positions which often gives rise to an imbalance between actually vacant positions, resources in teaching staff and the school-based educational structures.

Stakeholders

A second source of rigidity lies in the sharing of responsibilities between the four main stakeholders of the school system: the National Ministry for Education, the regional school boards, local authorities and schools themselves. The variety of different stakeholders and the often unclear distribution of competences add to the complexity of the school system and sometimes have a harmful effect on the effectiveness of these policies:

- The ministerial level remains burdened with numerous management tasks; its relations with local entities are instruction-driven and hierarchical. Given this mode of functioning, the ministry is unable to monitor and guide the entire school system which would be one of its inherent tasks. At educational policy level, the measures implemented remain largely normative, the question of their funding and the necessary educational means is often of secondary importance, with the ministry rarely trying to measure the impact of these measures on pupils' performance.
- The intention to refocus school around the pupil has nonetheless permitted to reinforce the role and the place of regional educational authorities in monitoring the school system. Regional educational authorities are from now on in charge of adapting school to its social and local environment. However, they are slow in adopting these new tasks although they are already largely involved in the management of educational means and the preparation of the start of the new school year. They find it very difficult to set priorities and explicitly translate national objectives to the local context. Indeed, they do not have at their disposal efficient tools to measure the cost of academic policy measures or their

impact on the results and the integration of pupils. Finally, regional educational authorities have little room for manoeuvre because of the weight of compulsory expenditure and budgetary restrictions, as well as the practise of central services which try to determine in advance how allocated funds are to be spent.

- The local authorities in turn have become involved in varying ways in the scope of intervention they were accorded in the decentralisation acts. They rarely launched a reflection process on educational policy to be implemented at local level and hardly intervened in the planning and definition of training programmes related to the needs of the local economy and possibilities of integration in the world of work;
- The schools, finally, which remain the key players of the school system, are characterised by a lack of autonomy and a shortage of funds. Their administrative and financial management is particularly cumbersome and complex, given their tight budgets. In the educational field, they have far-reaching competences, at least in theory. As a matter of fact, it is the officials from regional educational authorities who decide on educational structures and means. The school heads perform largely managing functions and have little influence on the teaching staff, who are very reluctant to any form interference in the pedagogical field.

c. Analysis grid for higher education

– **Main principle**

Following a massive increase of pupils having access to higher education (the number of students multiplied by seven between 1960 and today), which required large transformations, the French system of higher education is now confronted with new challenges such as a diversification of training routes or the implementation of a European system of universities, which will bring French universities into competition with their foreign counterparts. After having examined the main challenges of the next few years, the Court tried to assess the extent to which the French system of higher education was able to fulfil demands for greater effectiveness, in a context of mounting competition on an international scale. It emerged that such effectiveness first depended on the material conditions that govern the organisation and running of universities, and, on the other hand, on their ability to assess their results, to know their expenditure and understand their potential failures.

– **Challenges**

In the outgoing 20th century, the French system of higher education system was confronted with an unprecedented demographic pressure. This period of strong growth ended in 1993, followed by a stabilisation and, from the school year in 1996 onwards, a drop of student numbers. The different branches in higher education were not all affected in the same way by this decline. Universities were particularly hit, with student numbers dropping by about ten per cent between 1995 and 2000.

The period of demographic growth required much greater effort on the part of the state as a main source of funding in higher education. During the 1990-2000 decade, the budget allocated by the Education Ministry to higher education alone grew by 65%. This growth went hand in hand with a massive expansion of educational programmes, with more than 570 different sites outside the Paris region. The scattered location of higher education institutions across the national territory has not always followed a rational process and results more from a series of decisions than from a controlled development of training. As for universities, the dispersal is characterised by the two following features: the existence of several institutions on one and the same place which were set up according to technical and political criteria that resulted in concurrent training routes; the existence of university sites called “relocated antennas”, located in medium-sized towns. As these field centres do not reach a critical size, they are considered today as vulnerable and extremely costly.

As population growth has come to a halt today, higher education must face three new challenges. First, within a context of stabilisation in the number of students, heightened interest or loss of interest among students are more clearly visible. This results in highly contrasting developments in their distribution on the territory and also between the different courses available. These erratic developments call for a vast capacity for adjustment in managing the training supply, which still needs to be developed. Besides, the number of teacher-researchers is bound to be affected by massive retirements in the short term. Some subjects, particularly the science disciplines, may even face difficulties. Finally, the implementation of a European system of higher education that is differently organised than the French one calls for a thorough revision of degree courses offered and hence for a re-organisation of the universities themselves. Higher education managers have not taken the impact of this transformation into account seriously enough yet.

– **Organisation and monitoring of higher education**

Due to its organisation and history, the French system of education is characterised by a great variety of structures and training options. In this context, the ministerial level

finds it difficult to impose common rules and to monitor a complex and incoherent whole.

First of all, France has two parallel major categories of institutions which recruit, organise themselves and function in very different ways. These are (higher education) schools and universities. This traditional division emerged at the time of the French revolution. A distinction is made between schools as selective and professional training routes on the one hand, which have been responsible since the end of the 18th century for training government and business executives, and universities on the other hand, which are open to all pupils with a secondary higher school leaving certificate (*baccalauréat*) without selection. Today this distinction is fading and boundaries between the two are blurring. This complexity is even enhanced by the growing diversity of university training options, in combination with the development of professional training routes and the growing number of fields of study.

A factor which adds to this complexity is the statutory autonomy which schools enjoy and the near-total independence of teachers in educational matters. As a result, the monitoring of the university system by the Ministry of Education is weak, in terms of coherence of the different forms of training provided, ensuing diplomas, personnel management or even control of real-estate transactions.

At the same time, universities which were amalgamated from schools and faculties of different status, find it hard to assert their identity and develop coherent, uniform educational or financial policies. Moreover, they are not equally involved in the improvement and modernisation of their management systems, with poor, even antiquated administration. The accounting and financial management of universities shows several deficiencies and irregularities: Accounting and financial principles are not always complied with, real-estate management is often poor, computerisation of the administration is difficult, there is no precise assessment of costs, cost accounting and controlling efforts are rare. Moreover, regulations such as statutory rules or provisions governing staff or student management are regularly violated.

The same shortcomings occur in the field of teaching. The way in which training is managed is left to the initiative of a few teachers, and rarely controlled, which leads to an excessive scattering of financial means. The contents and the number of hours devoted to one and the same course of study may vary substantively from one university to another. These differences demonstrate that not only are universities relatively indifferent as to the cost of teaching, but also that students do not enjoy equality in the preparation of diplomas and the learning process. As there is no effective control over teaching hours, teachers do not always comply with their statutory obligations. In particular, frequent substitution and reduced teaching assignments for often ill-defined tasks lead to a serious loss in the teaching potential.

– **Effectiveness**

Within the last twenty years, higher education has improved its performance as evidenced by the increase in the number of students, the rise in the number of diplomas conferred and the results of integration into the world of work. However, numerous students still fail, especially in the first years at university, which results in a huge loss in human and financial means.

The Ministry for Education has repeatedly dealt with the issue of failure in the first and second year at university. On the one hand, through a pedagogic reform, the modes for taking on students in the first years at university have been progressively revised: better guidance during studies, multidisciplinary nature of training, reinforcement of pedagogical supervision by setting up tutorials, less stringent methods of student assessment and preparation for integration into the world of work. All these measures have been recommended or made compulsory for more than ten years, but are nonetheless applied inconsistently by schools and teachers.

On the other hand, the ministry has been focussing recently on career counselling procedures towards higher education in order to counteract student failure. The objective is to predict the difficulties which students may encounter at the beginning of the higher education as early as possible, within the framework of so-called “post-secondary counselling plans”. However, these plans cannot directly influence the influx of students, since they enjoy, by law, the freedom to register at the university of their choice.

– **Evaluation**

The development of evaluation in higher education corresponds to two requirements: It is a consequence of the autonomy schools enjoy under the law; it becomes a necessity given the implementation of a European higher education zone, which requires that comparisons between countries can be drawn on a uniform and reliable basis. Despite these necessities, a culture of evaluation has gained little ground in the French system of higher education.

Obviously, decisions related to training cannot only depend on the resulting costs. However, a clear assessment of costs is nevertheless essential for any decision. This concern has not been properly dealt with since there is no system of reference for higher education training costs and the research institute originally in charge of establishing it has been closed down.

The creation of a national committee to assess higher education institutions permitted to introduce evaluation at universities and other public higher education establishments. However, the procedure implemented cannot alone meet the requirements of the assessment of schools and their teaching activities. Within universities, it is very rare to find a specific permanent authority that is independent of the pedagogical or administrative management bodies, in charge of evaluation. In some European countries (Finland, Germany, Italy), the State, and sometimes even the law, recommend setting up such authorities.

Business and engineering schools are becoming increasingly involved in evaluation procedures, as the integration in the world of work of their graduates is direct evidence of their efficiency. However, they do not have any structured evaluation systems. As in universities, there is no overall view that would take financial parameters into account.

Other forms of evaluation hardly exist in higher education apart from scientific research. Whereas the evaluation of teaching has been made compulsory by law, this requirement is not met always, notably due to a strong reluctance on the part of university circles.

Consistent with a regulation specific to France, teacher-researchers engage in research in addition to their teaching function, and take part in the activities of their school. Nevertheless research remained the exclusive criterion for recruitment and promotion at universities. Consequently, those teacher-researchers wishing to dedicate themselves strongly to teaching are likely to sacrifice their career prospects. Finally, while evaluation is common practice at most schools, notably in the most prestigious business schools, it does not exist at university level.

V. REPORTS OF THE WORKING GROUPS

1. Report of Working Group 1 (Report of the English Working Group)

Introduction

The Working Group comprised delegates from Croatia, Egypt, Eritrea, India, Indonesia, Kenya, the Former Yugoslav Republic of Macedonia, Saint Kitts and Nevis, Slovenia, Sri Lanka, Thailand, Uganda, Vietnam and Zimbabwe.

The SAIs of these countries had audited the Education Sector in some form or the other, be it the pure financial or transaction audit or the more comprehensive performance audit. There was, however, unanimity of view that given the large investments made by national governments in the sector, the socio-economic objectives of the projects and programmes and the importance of the concept of universal education, greater emphasis must be laid on performance or “Value for Money” Audit. The Working Group also recognised that the audit of projects in the field of education was a complex exercise giving rise to various problems. Many of the problems or difficulties highlighted were common across the broad spectrum of countries represented in the Working Group.

Areas of concern

The Working Group identified the following problems in undertaking a meaningful audit evaluation of projects and programmes in the field of education:

- Absence of complete and reliable programme-related data and information to facilitate objective and balanced evaluation and conclusions.
- While financial audit was comparatively easier, performance or VFM Audit was more complex and difficult. This could be attributed to:
 - Absence of appropriate norms or performance parameters/indicators against which results or outcomes could be measured and evaluated.

- Non-availability of project documentation containing details of aims and objectives, scope, funding, etc. that could form the basis of audit evaluation.
- Absence of personnel possessing the requisite professional qualifications because of restrictions imposed by the SAIs themselves or by the related laws confining recruitment only to certain specified disciplines.
- Lack of necessary expertise and skills in the SAIs to enable impact assessment in qualitative terms as opposed to a purely quantitative measurement.

The Working Group also expressed serious concern over the inadequate response of the Executive wing to the audit findings and the failure to initiate adequate follow-up action or corrective measures. As a result, the objectives of the audit exercise themselves were frustrated.

Conclusions and recommendations

- The scope and reach of audit should extend beyond mere financial, regularity, compliance or transaction audits, greater emphasis being laid on performance or effectiveness audits.
- Given, however, the fact that reliable and risk-free internal control mechanisms are either deficient or even non-existent in many departments and organisations, SAIs should not give up the financial, regularity, or compliance audits and a proper balance may have to be maintained based on the situation prevailing in different countries.
- SAIs should impress upon national and sub-national governments to ensure availability of and easy accessibility to complete, relevant and reliable programme-related data to facilitate focused audit.
- SAIs themselves should endeavour to create and update periodically data bases of relevance to their audit activities, which will be of utility in formulating Audit Plans and identifying areas for audit investigations.
- In cases where adequate project documentation is not available, national governments/organisations concerned could be impressed upon to ensure availability of all necessary documentation indicating clearly the performance parameters.

- SAIs by themselves, or with the assistance of appropriate external agencies, evolve suitable performance indicators based on the scope and content of the projects and programmes proposed to be evaluated.
- External agencies possessing the necessary expertise and credibility could be engaged by SAIs to assist them in assessing the impact or outcomes of projects and programmes, particularly in qualitative terms. Care should, however, be taken in their selection and to validate their findings and to independently interpret them so as to arrive at valid, sustainable, unbiased and balanced audit conclusions and recommendations.
- SAIs should not shy away from making suitable and practical recommendations aimed at affirmative corrective measures based on adequate audit evidence.
- Suitable initiatives and interventions will be necessary for enhancing the skills and capacities of SAI personnel in the sphere of Performance Audit. The more developed SAIs and international agencies such as the IDI, World Bank, United Nations, etc. have a crucial role to play in achieving this objective.
- It may be desirable for SAIs to review qualification and recruitment requirements for their personnel with a view to introducing the necessary changes, including legislative ones, to ensure availability and retention of professionally qualified and competent personnel of varied disciplines to enable them to fulfil their mandate more effectively and in conformity with the well-recognised and accepted INTOSAI standards.
- Innovative approaches and initiatives may have to be considered by the SAIs to ensure better Executive, and even Legislative, response and more expeditious corrective action, and to secure greater accountability.

2. Report of Working Group 2

(Report of the French Working Group)

The French Working Group consisted of the delegates of Côte d’Ivoire, Djibouti, France, Madagascar, Romania, and Senegal. The aim was to discuss the conditions that are required and the obstacles SAI face in the evaluation of education policies.

First, it was noted that SAIs commonly conduct:

- financial and compliance audits within the framework of their statutory mandate,
- performance audits of the bodies or programmes they audit, thereby basing themselves on well-established financial analysis techniques.

However, they feel considerably less equipped to address the area of evaluation, i.e. the assessment of efficiency and effectiveness.

1. Uncertainties in the general framework of evaluation

A. The concept of evaluation

This term is not clear. It carries different meanings depending on the individual SAIs and their cultural environments. The Anglo-Saxon understanding of evaluation seems to differ from that prevailing in other countries.

As a first recommendation it would be useful to define the notion of evaluation.

B. Evaluation methods

Evaluation seems to vary greatly depending on the approach used for an audited body, institution or educational policy.

There is a lack of methodological tools. Those which exist are bit known and not shared by all SAIs. It would be an important role for INTOSAI to facilitate the exchange of methodological tools.

C. The legitimisation and competence of SAIs to carry out evaluations

As public entities, SAIs are associated with the general interest and inseparably linked to the notion of government.

Evaluation, however, often appears to be based more on the notions of competitiveness or economic competition which are rather associated with the private sphere and the world of business. As evidence, some countries do not resort to their SAIs, but to external public-sector organisations to conduct evaluations. The working group therefore emphasises the problem of integrating the traditional tasks of SAIs and their evaluation work.

2. Conditions required for the evaluation of educational policies

Assuming that evaluation is an approach which aims at comparing objectives, means and results so as to measure the efficiency and effectiveness of a measure or policy, a number of conditions and requirements must be met by SAIs as well by the entities they evaluate.

A. The objectives

As far as SAIs are concerned, the objectives of the evaluations they conduct must be precise and laid down in their sphere of competence, failing which they would be led to making a judgement of merits. Sometimes, however, they must overstep their purview, especially if they want to examine whether the promoters of an educational measure or programme duly ensured that they were responding to a clearly defined and quantified need. As far as the entities being evaluated are concerned, evaluation depends on how clearly the objectives they pursue are set out, specified in detail, quantified and ranked. In this respect, SAIs should adopt a highly critical attitude when examining the objectives, specifically of educational policies, which are often imprecise, global, and tend to affirm values rather than define clearly identifiable targets.

B. Means

On the part of SAIs, every evaluation requires:

- human resources in terms of staff and training,
- procedural means in terms of manuals and methodological tools,
- material and financial means for the required duration of any evaluation.

On the part of the entities being evaluated, evaluation presupposes that the means are known completely and accurately, that the uncertainties governing their mobilisation are taken into consideration and that, in general terms, historical data that go back long enough are made available to the SAIs so as to be able to assess changes.

C. Results

In order to interpret the results, SAIs need to have specific skills, above all to elaborate pertinent indicators which can be contrasted with those put forward by the evaluated entity.

At the level of the evaluated entities, the results-linked data must be valid, even certified, and presented as appropriate indicators relating to the objectives pursued.

Above all, it is crucial for an SAI to see how the results are understood by the evaluated entity and whether they are taken into consideration to improve or modify policies already adopted.

3. Analysis of results in terms of efficiency and effectiveness

A. Effectiveness

There are a number of effectiveness indicators in the educational sector in terms of stakeholder and user satisfaction and in terms of access to training (schooling rates, rates of transfer between training routes, success rates for examinations ...).

These quantitative indicators allow a global view of whether the objectives were attained or not.

However, their interpretation is a particularly delicate endeavour. As a matter of fact, the stakeholders of the educational system as such can take action on the basis of the results, either in terms of access to training routes or in terms of the acquisition of diplomas. Hence, it is difficult to pinpoint the responsibilities for the results of the educational system.

Lastly, the effectiveness of educational policies should be assessed for the short term as well as for the long term, given the slow pace at which educational systems change.

B. Efficiency

The efficiency of educational policies is not comparable with the notion of profitability. School is a social investment for the future. It is a factor in the fight against poverty, particularly in developing countries. Hence, its efficiency cannot be measured merely as a function of expenditure and staff allocated to the educational sector.

Efficiency is difficult to assess without taking account of the allocation of means which must be in line with the objectives pursued, and of the structural and procedural rigidities which may be one reason for the gap between the means employed and the results achieved.

SAIs must at any rate demand from evaluated entities to clearly know their costs.

By way of conclusion, evaluation is an exercise of interpretation which requires references to allow a comparison between institutions, measures and countries. It could be a task for INTOSAI to facilitate the elaboration and dissemination of these standards.

Finally, the working group wishes to stress that every evaluation needs to be governed by clear-cut professional and ethical standards to avoid "league-table" effects which often have a disastrous effect instead of contributing to better educational policies.

3. Report of Working Group 3 (Report of the German Working Group)

Introduction

The representatives of the German working group dealt with and analysed the following main issues:

1 Ensuring quality

It is an undisputed fact that the educational system of a country plays a crucial role for its national economy. Often, much attention is devoted to input in order to ensure the quality of the system of education. Input in this context means first and foremost the use of (public) funds.

The working group believes that e.g.

- teacher training,
- investments in the equipment of schools (e.g. premises and teaching aids), and
- an adequate remuneration of teachers

are prerequisites to ensure the quality of schooling. On the other hand, a number of other factors contribute to the success of the educational system. These are, inter alia:

- teacher and pupil motivation, and
- the overall social and cultural environment (“learning and educational culture“).

The role of the SAI in ensuring the quality of schools could be to

- review educational projects as to their effectiveness;
- suggest appropriate measures at their own initiative; and
- monitor their implementation to as a follow-up on audit recommendations.

The German working group believes that international benchmarkings of pupil performance are highly important for evaluating school quality. In addition, SAIs could develop appropriate ratios such as education and quality indicators for pupil performance (know-how and skills) either for their own countries or in joint endeavours at the international level. Based on these ratios, the SAIs could report

regularly in their annual reports on the current level of education and recommend educational policy measures to redress shortcomings as appropriate.

2. Ensuring key skills

The German working group primarily dealt with the ability of pupils to study contents independently. The working group considers the “ability to read“ as an essential precondition for achieving this end, since being able to read means being able to learn.

The working group believes that reading is a fundamental of education. Therefore, it is one of the most crucial tasks of primary education to ensure that pupils acquire reading comprehension.

When fighting this form of illiteracy, the German working group believes that SAIs should

- audit the financial management of the school administration for measures adopted in this field;
- define operational and verifiable objectives,
- verify the success of these measures.

One verifiable objective could be to reduce the number of pupils with reading difficulties by one half over a period of five years.

3. Audit of grants/aids

Public aids in primary and secondary education are insignificant in the German speaking area, in particular in Austria, given the fact that the system of schooling is overwhelmingly state-maintained and that pupils do not pay tuition. Public aids are generally audited by SAIs when looking into the financial management of the school administration.

Grants for educational measures are more significant at the national and international levels. Grants are awarded e.g. to the following projects:

- projects by individual teachers at schools (individual grants),
- projects by groups of teachers at one or several schools,
- projects by individual schools or in a cooperation of several schools.

Schools may cooperate at the national or international level. In this field, SAIs will audit:

- how and in what way projects were managed (compliance with the application documents),
- whether accounts were settled correctly (voucher audits), and
- whether the projects achieved the objectives.

When auditing World Bank grants, it would be called for to involve the SAIs in the negotiations between the donor organisations and the recipient countries of funds for education.

4. Report of Working Group 4 (Report of the Spanish Working Group)

1 Introduction

The extension and universal coverage of educational services must be one of the prime concerns of all public authorities so as to respect the fundamental right of every individual to have access to adequate education ensuring personal development and social integration.

By transmitting knowledge and fostering responsible social conduct and shared ethical values, education is an indispensable prerequisite for more freedom, equality and justice in a society; hence it must be recognized and safeguarded as an overriding value on the national as well as the international level.

The fundamental purposes served by education and the quantitative significance of the economic resources devoted by governments to the field of education as well as the resources received by developing countries from other nations and international organizations in the form of loans or grants have qualitative and quantitative implications which further highlight the need for auditing by the SAIs.

2 Auditing competences of the SAIs

The SAIs consider it necessary that public and social authorities make the greatest possible economic effort at the national and the international level so as to turn the goal of universal basic education into reality as soon as possible.

The SAIs feel committed to the international agreement to eradicate illiteracy and stress the need to make the necessary efforts to eliminate the economic and social obstacles which limit the access of many social groups to basic education and learning for personal development and social integration.

In order to facilitate the adequate utilization of financial resources for education it is considered necessary that the SAIs have recognized auditing competences which allow them not only to examine whether such funds have been used in compliance with legal provisions and have been truthfully accounted for in the required financial statements, but also to assess effectiveness, efficiency and economy.

In order to provide SAIs with maximum assurance in carrying out their audit mandate it is regarded as essential to grant them the degree of independence required for their work.

3 Scope of audit by the SAIs

Auditing in the field of education has to be considered within the political, economic and social environment in which such educational activity is set, notwithstanding the benefit of knowing about the procedures and objectives which may have been adopted in other environments in the international sphere. In this respect, it is considered useful to strengthen the international exchange of methodologies applied in the audit of educational activities.

Auditing must pay particular attention to primary education, given its unique situation in certain countries, given its role in fulfilling the most elementary needs of personal development and social integration, and given the fact that it absorbs the greatest part of the financial resources devoted to education on the national level and in international aid.

4 Recommendations

The SAIs recognize the importance of financial audits to examine the adequacy of the accounting records for the funds received and the expenditures for which they have been used. For this purpose, the public authorities concerned are called upon to adopt the appropriate administrative and accounting procedures as well as other measures of internal control which will permit their subsequent analysis and evaluation.

The SAIs consider it necessary that the respective parliaments enact appropriate legislation to establish basic guidelines for the utilization of public funds in education and to facilitate their subsequent analysis in the process of auditing for compliance as well as exacting accountability in the case of any violations.

The SAIs acknowledge the importance of the universities in leading the development of human resources and driving cultural, political, economic and social development, and, thus, the need for their activities to be guided by the principles of effectiveness, efficiency and economy, both in their scientific and technical programs and in promoting the ethical values which will need to inform the professional activity of university graduates.

The SAIs consider it necessary that educational activity be subject to appropriate evaluation from the perspective of effectiveness, efficiency and economy. Such

auditing of teaching activities by the SAIs will be facilitated if the respective academic authorities have clearly established the objectives to be met, together with appropriate indicators, and the procedures required to achieve them.

Such audits will examine the realization of the objectives established, the assessment procedures used, and the presence of various forms of internal control, determining the degree of their implementation and their effects.

The SAIs are mindful of the positive effects which may result from the decentralization of expenditures and functions in the field of education, but point out that the desired positive effects can only be achieved if this decentralization is accompanied by an appropriate allocation of responsibilities and a suitable procedure for its implementation and control.

The SAIs consider it necessary that all international aid programs for the field of education be subject to appropriate auditing of the financial statements drawn up and of the utilization of funds from the perspective of effectiveness, efficiency and economy. In order to facilitate this assessment, international donor institutions should conclude their financing agreements with the involvement of the SAIs, which, in their independent capacity, can guarantee the appropriate use of the funds received.

The SAIs consider it useful to carry out not only specific audits of a given public activity or institution but also audits of a horizontal nature which comprise a large number of identical or similar public institutions so as to support the parliament or the corresponding authorities in taking corrective measures for any deficits or shortcomings observed.

ATTACHMENTS

I. INTOSAI Development Initiative (IDI) **Evaluation as a tool for assessing the outputs and outcomes of training – the IDI approach**

Abstract

The INTOSAI Development Initiative (IDI) has been involved in regional training programmes since 1986. It is currently active in all seven INTOSAI regions, working at the regional level to deliver programmes that are relevant to the regions. The IDI receives funding from international and national funding and development agencies, and as a recipient of such funding is subject to the evaluation requirements of its donors. The IDI is currently in the process of defining an evaluation framework that will be designed both to meet the IDI's own needs and to be modified for regional use.

List of acronyms

IDI	=	INTOSAI Development Initiative
INTOSAI	=	International Organization of Supreme Audit Institutions
LTRTP	=	Long Term Regional Training Programme
OLACEFS	=	Organisation of Latin American and Caribbean Supreme Audit Institutions
ROI	=	Return on Investment
SAI	=	Supreme Audit Institution

Introduction

The INTOSAI Development Initiative (IDI) is known as the “training arm” of INTOSAI. It has existed since 1986 and has a defined mission to help developing nations to improve their audit capacity and effectively address emerging audit issues through training, information sharing and the provision of technical assistance. Funding for all IDI programme activities comes either from international funding organisations such as the World Bank or from national development agencies in countries such as Canada, Denmark, Norway and Sweden. Because of this wide network of funding sources, IDI faces a number of challenges in developing an effective methodology for evaluation, one that meets the requirements of the IDI, its donors and other stakeholders.

Background to the IDI

The IDI was established by resolution of the INTOSAI Congress in 1986, and the Canadian Supreme Audit Institution (SAI) offered to host its Secretariat. Until 1995, the work of the IDI typically revolved around single courses in auditing subjects for auditors and managers from INTOSAI’s regions. Then, following an extensive evaluation of activities in the first five years, a decision was taken to guide efforts in a different direction. Through a special regional training programme for the 1996-2000 period – the Long Term Regional Training Programme (LTRTP) – the aim was to enable INTOSAI’s regions, and national SAIs, to assume responsibility for their own training.

In 2001 the IDI Secretariat moved to Norway. In preparation for this move a questionnaire was sent to the SAIs of developing countries asking them to prioritise training development options; the result was the IDI Strategic Plan for the years 2001-2006. What came from this survey was that, although capacity-building training interventions were still seen as critically important, the IDI should no longer be seen solely as the facilitator of the LTRTP.

In summary, the IDI is now working towards the following five Strategic Plan goals:

1. To secure and strengthen the training capacity in INTOSAI regions
2. To establish and/or strengthen the network of Training Specialists
3. To co-operate with INTOSAI Standing Committees and Working Groups
4. To expand the IDI’s information programme
5. To explore the potential of distance learning programmes

Why evaluate?

The rationale for evaluation is a compelling one. At the simplest level the IDI has to evaluate its programmes to ensure that donors see the return on investment evident from past or ongoing activities, which may in turn facilitate the continuation of funding for future programmes. Each donor has its own set of evaluation requirements based on criteria set by their stakeholders; the common characteristic is that evaluation of one sort or another must take place. In a long funding cycle such as the IDI's six-year strategic plan, post-programme evaluation might commonly be required, as might a mid-term assessment. This is the first and strongest motivation for evaluating programme activities.

A second reason for the IDI to evaluate is to help re-design programme activities that will be repeated in the future. Although some IDI outputs are one-off, there are examples of activities such as the LTRTP that one can expect to repeat, albeit in different regions, in the future. Indeed, as the IDI's work extends to collaboration with INTOSAI's Standing Committees and Working Groups in the design and delivery of training events on new and internationally demanded subjects such as public debt and environmental auditing, so evaluation becomes an important tool in assessing the effectiveness of pilot events.

National and regional stakeholders are a critical motivation for carrying out evaluation work. In the IDI context, with its focus on regional capacity-building, stakeholders can be seen as Regional Training Committees, Regional Governing Boards and the management of SAIs. It is through, and for, INTOSAI's regional structure that the IDI builds its programme activities, focusing on regional priorities, and it is these stakeholders, therefore, that will be both the subject of, and audience for, evaluations.

Evaluation can also have two effects that might be seen as complementary; they are no less relevant for being so. Firstly, an effective evaluation strategy focuses the attention of senior management on the programme being implemented. In a long-term evaluation strategy the organisations that will be the recipients of programme activities might be assessed on a variety of criteria that programme managers would expect to be affected by the activities. These criteria would be tested again at a future date, whether mid-programme or post-programme, to give the feedback typically found in an evaluation. A benefit of this, alongside the evaluative results themselves, is that the attention of senior managers will remain focussed on the new approaches that the evaluated activities bring to organisations, improving the likelihood that those new approaches will inform institutional change. Secondly, in the training environment in which the IDI works, this type of planned evaluation also plays a role in emphasising the importance of training as a driver of progressive change.

Evaluation of training – the basics

Modern training evaluation strategies are built on the four-stage Kirkpatrick model. The IDI's graduate training specialists are taught this methodology during the LTRTP and the IDI itself intends to use the model in developing its own evaluation strategy. The four stages espoused by Kirkpatrick are:

1. Reaction (did recipients like it?)
2. Learning (did recipients learn it?)
3. Transfer (did recipients use it?)
4. Impact (did it produce return on investment?)

These levels describe a hierarchical chain of evaluation methods, from level 1, which is the simplest form of evaluation and can (and should) be applied universally to measure basic responses to training, to level 4, which looks at the far more complex issue of institutional impact. Moving up the evaluation chain is also a cumulative process, with each additional level of evaluation being appended to those already being utilised.

Looking at each of Kirkpatrick's stages in more detail, level 1 asks simple questions about the quality of the training in the opinion of trainees. It is a necessary tool that typically uses standard forms to assess the likes and dislikes of participants and is useful in fine-tuning an individual course or a programme of courses attended by common participants.

Evaluations at levels 2-4 require a progressively more detailed degree of forward planning and commitment from SAIs and INTOSAI regions. Level 2 evaluations are intended to prove that participants can demonstrate increased competence in the subject in which they are being trained. This implies some testing of knowledge or competence on a subject before training takes place, followed by similar testing post-training; clearly this process must be built into the design of training programmes.

Level 3 evaluations require planning at both the organisational and individual level to set programme objectives and expectations. Effective transfer evaluations must also use a combination of needs analyses and pre- and post-training surveys. The transfer of knowledge from individuals to the organisation is a key measure of the success of training. Rather than setting vague objectives such as "to strengthen the capacity of the institution", the programme should seek to answer questions like "What actions and changes in performance would you expect from those individuals and organisations that take part in the programme?" This has to be done with the full support of stakeholders, because the recipient organisation has to dedicate staff

resources to the measurement of transfer, for both the objective-setting and pre-course expectations as well as the post-course evaluation exercises.

The final level of evaluation in the Kirkpatrick model is impact evaluation. At least one major international funding agency expects independent impact evaluations on programmes that it funds, and it is recognised as a “best case” scenario to carry out impact evaluations where possible. The reality, however, is that impact evaluations are still rare in the training environment. There are several key reasons for this:

- Firstly, organisations find it difficult to justify the costs of this detailed type of evaluation when compared to the benefits. This is an important consideration. If an external impact evaluation costs 10-15% of the donated funds and must be budgeted for, does this lessen the impact of the programme as a whole?
- Impact evaluations are seen as a significant imposition on managers, and this can be a barrier to their adoption.
- A third reason why evaluations of training impact are rarely undertaken is that the drivers of impact evaluation require a sound knowledge of an organisation’s management structures, business objectives and aspirations. For example, organisations that do not, in advance of a training programme, directly link training objectives to business results, make the measurement of impact harder to achieve.

The IDI’s draft evaluation framework

The IDI’s draft evaluation strategy will be a flexible framework that outlines the basic principles under which the IDI evaluates its programme activities; it will address the issues already discussed in this paper and will be designed to be used by the regions for their own evaluation work.

One of the guiding principles of the framework will be that, whereas impact evaluation is seen as the bright light at the end of the evaluation tunnel, the reality of the donor/stakeholder relationship is that impact evaluations are hardly an achievable target for SAIs, the INTOSAI regions or the IDI, all things being equal.

Of the four levels of the Kirkpatrick model, the third, the transfer of learning (and, by implication, levels 1 and 2 as well), will be the focus of IDI evaluation activity. It is the most important for the IDI, as it focuses on the IDI’s organisational mission, “to help developing nations to improve their audit capacity and effectively address emerging audit issues through training”. It is also, in the IDI’s view, consistently

achievable and relevant for all programme activities, both regional and global. Furthermore, an established aim of the IDI evaluation strategy is to enable the INTOSAI regions to use it as a platform to develop their own evaluation processes; a strategy that champions expensive and complex impact evaluations would not be conducive to achieving this objective.

To give some relevant examples, the framework will encourage the adoption of two types of objective:

- Firstly, output objectives for individuals attending training programmes. These might be knowledge-based (for example the objective that a specified number of participants have achieved a level of proficiency to enable them to carry out specific tasks) or skills-based.
- Secondly, outcome objectives that affect the organisation. These might include the introduction of new audit guidance in specific subjects, an increase in the number of auditors who can carry out specialised audit activities, an organisational competence to begin auditing in a field not covered before or changes in systems, policies and processes.

Overall, the framework will focus on three main areas:

- Firstly, it will make recommendations on planning for evaluations. Planning is one of the keys to successful transfer evaluations. The IDI will recommend a pattern of planning activities that will prepare the evaluating organisation for the creation of level 3 evaluations after the programme activity has been completed. This will include a recommendation to involve the recipient organisations at every stage of the planning process, reaching consensus on what successful performance will look like, developing SMART (Specific, Measurable, Attainable, Results-focused, Timely) objectives and carrying out a needs analysis.
- Secondly, the framework will recommend key data that should be collected before, during and after training interventions take place.
- Finally, the IDI evaluation framework will provide a recommended structure for evaluation reports.

Concluding remarks

This paper has been a rather rapid progression through what is a complex subject. The IDI's framework will, naturally, be a far more comprehensive guide to the evaluation issues governing the donor/stakeholder relationship. The framework will also be educated by the views of SAIs in discussion sessions at the 16th UN/INTOSAI Seminar and the IDI looks forward to hearing those views.

II. List of papers

1. Country papers by Supreme Audit Institutions

Côte d'Ivoire	Former Yugoslav Republic of Macedonia	Sri Lanka
Croatia	Mexico	St. Kitts and Nevis
Egypt	Mozambique	Thailand
El Salvador	Panama	Uganda
Eritrea	Romania	Viet Nam
Hungary	Senegal	Zimbabwe
Indonesia	Slovenia	

2. Presentations by Supreme Audit Institutions

Author	Country	Title
Dr. Franz Kassel	Austria	Auditing in the field of higher-level vocational training
Mr. Xavier Lefort Mr. Joel Montarnal	France	Management of the French system of education
Mr. N. Sunder Rajan	India	Audit of projects in compulsory education
Mr. D. Manuel Nunez Perez (presented by Mr. Gregorio Cuñaado Ausin)	Spain	Audit of financial aid in university education

3. Papers by other organizations

Author	Country	Title
Mr. Magnus Borge	INTOSAI Development Initiative (IDI)	Evaluation as a tool for assessing the outputs and outcomes of training – the IDI approach
Mr. Larry Willmore	United Nations	School audits and parental choice

III. List of participants

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