

Presentation by Auditor General of Estonia Janar Holm at the conference “EU Audit innovation and increasing the advisory role of SAIs, in the benefit of society”, dedicated to the Romanian Presidency of the European Union, in Bucharest on 7 May 2019

The changing role of SAIs – possibilities provided by digital solutions

A little more than a year ago, I took up the post of auditor general. My experience and observations of the functioning of the executive powers clearly indicated that political as well as purely administrative decision-making processes have become faster over a short period of time. This was made possible by the accessibility of data and the acceleration of information exchange as a result of digitalization, improvement of awareness of stakeholders and much more. Speed also means more mistakes for ministries but at the same time the capability and need to more quickly correct mistakes, or to make new mistakes. So many things are changing at the same time.

When I became the auditor general and joined the NAOE, I saw many good and competent employees as well as impressive expertise in issues concerning the functioning of the state. Just as good as the ministries. Even somewhat better than them. The audits are good, the recommendations are taken on board, many audits cause a visible resonance in society, etc. I saw an independent centre of excellence with strong analytical capacity that balances out the information monopoly of the executive power. However, I also realized over this short period of time that even though the activity of the NAOE has a clear impact, it does not fully correspond to its potential. Why? Let me explain.

The mission and goal of the SAI is not to conduct audits. An audit is a tool. It's certainly the most important tool in the execution of the NAOE's mission, but it's not the mission itself. The mission of the National Audit Office is to guarantee that Estonia is the best possible place to live for its people. That Estonia is well governed – an honest and efficient state where every euro from taxpayers is used in the best possible manner. We do this by helping the public sector act smartly and make important decisions in the interests of the general public and weighing all kinds of information as thoroughly as possible before decisions are made.

The execution of such a mission and the solution of problems related to government cannot be approached with a limited toolbox. If the decision-making processes in ministries and public authorities have changed, the NAOE must also take these changes into account and adjust its tools accordingly. In order to do this, we need new tools/products – quick audits, quick analyses, short reports, justified opinions and so on, and we must use them in accordance with the mandate of the National Audit Office at the right time and where necessary for the execution of the mission and function of the National Audit Office.

Information is most useful when it's accessible at the right time and in the right format. Traditional retroactive auditing, where the general public is given reassurance about the effectiveness of policies, lawful and correct use of resources and such, is and will be the core function of the NAOE. But the rearview mirror cannot be bigger than the windshield. In the case of the NAOE, I see that active monitoring of policy-making processes and the provision of information to the general public and advice to the government during the policy-making process is an increasingly important role. Due to this role, the NAOE cannot become a participant in the policy-making process, i.e. take responsibility for the decisions of policy-making – but it must intervene with its expertise when it notices, during its monitoring activities or analysis of the knowledge gained from earlier audits, that there are objective

problems in our arguments about policy choices – for example, analyses are inaccurate, errors occur in the calculation of costs, or important aspects or information have not been taken into account.

Does giving advice and information during the policy-making process constitute intervention in politics? Yes, if such activity results in SAI making policy recommendations in favour of one or another specific solution. This is a landscape in which the SAI cannot and must not intervene due to the nature of its role and functions. But giving advice and providing information during the policy-making process in the interests of better-quality decision-making does not constitute intervention in politics if the focus of the NAOE is on the argumentation of policy choices that can be objectively assessed. This “border” which marks the start of policy-making values and convictions is also the border of the advisory function of the SAI. Recognizing this border is one of the most important tasks of a contemporary auditor as well as the head of an audit organization.

I find that it would be irresponsible for the NAOE to look on as decisions are made and implemented by the government on the basis of faulty analyses or faulty measurable arguments, and to highlight the problems that can be seen during the decision-making process only after a long audit conducted years later. It would certainly be more convenient and risk free, but it would not be in line with the organization’s mission, at least not my organization’s. We have experience – we’ve already intervened in the decision-making process in some cases. Let me give you an example. The Estonian government has decided to build a border facility with modern surveillance equipment on the border between Estonia and Russia, between the EU and Russia. This is a significant investment in the context of Estonia as well as a politically sensitive issue. But last summer, the NAOE intervened in the decision-making process after seeing that various border solutions were not being considered when making decisions about investments. There was no reassurance that the most cost-effective solution had been found. It would have been of no use if we’d highlighted the same problem after the decision had been made about the border facility and its construction completed. This would have been a completely ineffective approach.

The NAOE must respond at least as dynamically as the ministries and be able to notice problems as soon as possible. Quick processes require quick attention – I see that the NAOE must be able to do this, and indeed it does. We may choose the correct topic and use the tools at our disposal skilfully, but results that arrive too late are useless and even ridiculous in the worst case. If we don’t do anything, then sooner or later we’ll find ourselves in a situation where the impact of the messages and activities of the NAOE will decrease.

The capacity to move at the same speed as the executive power is the precondition that helps the NAOE to perform its advisory role better and increase it. I feel that the audit institution needs to be more than a rearview mirror. We must participate in the present processes in accordance with the audit institution’s role, in other words, to display the threats that are invisible to the eye or lurking behind the corner on the windscreens of the decision-makers.

In the context of Estonia, the free and operative accessibility of information concerning the public sector and public services makes it possible to offer advice quickly and give feedback during the process of policy-making. The digitalization of information exchange in the public sector, interconnected information systems and digitalized e-services have created an environment that allows us to get information about almost all policy areas in real time. About the use of money in different sectors, service users, costs of services or process inputs and

outputs, or to analyse data across various areas and in different views, connecting different kinds of data. But also, to view effective contracts, invoices, the implementation of the budgets of all state authorities without leaving the building of the NAOE.

The law has given auditors easy access to a lot of information. The National Audit Office does not have to download data on its server or create parallel information systems. We have access in real time. This gives us the opportunity to be as informed as the ministries and other authorities.

Estonia was lucky that about 25 years ago, the development of e-governance was established as the goal of the Estonian public sector and that it started to systematically build databases, create an environment for data exchange and promote e-services. If this path had not been chosen, we would have to consistently demand in our audits that the government create such a systematic data environment. Irrespective of the challenges and problems, we can say that digitalization and e-governance have increased the efficiency of the public sector. As a co-product, it has given the NAOE the ability to do its job better and more efficiently. As I already said – real-time access to topical data gives us a substantive opportunity to share our expertise and experience in decision-making processes proceeding from our role.

But the accessibility of data doesn't only mean opportunities; it also means obligations. If the role and mission of the National Audit Office is to help the public sector act smartly, make important decisions in the interests of the general public and weigh all kinds of information as thoroughly as possible before these decisions are made, we have to do this, as said above, as soon as possible, using all of our professionalism and accessible information. Collecting information and verifying its accuracy doesn't take as long as it did a decade ago. We can use big data and foresight, carry out advanced data analyses and so on. Thus, the work and results of the work of the National Audit Office cannot be the same as 10 years ago. The developments of the e-state in Estonia also require the NAOE to rethink its work and create a response capacity corresponding to the e-state by introducing innovative audit tools. This is a challenge for sure, but a requirement of the times. There are no excuses for not doing it.