



Presentation of Accounts and their Rendering

I. - Introduction

Notwithstanding their particular functions, the SAI have a common mission in terms of protecting the correct use of public wealth, ensuring the compliance of the legal system, the preservation and empowerment of administrative probity, and transparency in the financial management of the State.

Starting from this premise, the SAI must prepare information and communicate the results of the auditing carried out at the State's administration services and institutions through reports that give an account of the actions taken by the governments involving the income and investment of public resources.

In this context, the result of the SAI's external control actions on the governmental activities must be fairly and reasonably put at public disposal, so that the function of the State's administration over the use of the resources that society has granted to it is known. Therefore, the success of the SAI's performance relies on the degree of comprehension held about their tasks and results in terms of society, administration, and the parliament.

Due to the legal mandates and frameworks that regulate the SAI, the products and services generated must be understandable and of quick accessibility. Likewise, their processes and working methods must be transparent and openly spread to the community, the social communication media and third parties interested in their control action.

The SAI must assure that all the information delivered to the different addressees is governed by principles of public ethics, which comprise and give coherence to general and specific principles that the system must define for the preparation, transmission, custody and publicity of the information.

The principles and guidelines ruling the spreading of information on the part of the SAI must be a reflection of the constitutional and legal framework's spirit applicable to each one of them, especially of those precepts which determine responsibilities and sanctions towards actions going against transparency, probity and publicity in the entities of State administration.

II. - Accounts Rendering System

The definition of a public accounts rendering system must consider two fundamental aspects. One related to the obligation that concerns the politicians and officers who manage public wealth of presenting information that justifies their actions before those who have delegated them such capacity, i.e. the citizens. Another element is represented by the existence of sanctioning mechanisms when these agents violate or fail to accomplish their obligations of public service undertaken with the community.

In turn, implicit in the process of accounts rendering, two types of competences and duties that the SAI must assume are inferred. On the one hand, the SAI must keep a rule of law that provides enough guarantees and conditions for the consolidation of institutionality, organization, functions and responsibilities of the State so that the administrators and auditors of the public resources can present, render and examine the accounts. As far as possible, this obligation of

being liable to third parties interested in the management of the State should be within a context of National Public Control System, which in turn is part of a conception of Corporative Government, through which the leaders respond to the community and the SAI about the achievements in their role of public wealth administrators. For these purposes, the SAI must adopt solid auditing methodologies which incorporate control matrices supporting the agencies' auditing planning, as well as risk analysis matrices and evaluation of the control procedures, to establish impact areas and risk exposure levels.

III. - Basic principles for Accounts Presentation and Rendering

- **Innovation**

Its aim is a radical transformation of the manual administrative practices of accounts presentation and rendering through the use of lead technology, especially through the use of public corporative portals, the development of high interoperability systems, in particular, for the transmission and extraction of data such as public acquisitions and contracting, public investment initiatives and social programs. The adhesion to this principle enables the access to an electronic government, characterized by an agile, efficient and effective public management, provided with administrative procedures of a high technological level which enable an adequate and timely provision of services.

An Electronic Government must be understood as a set of diverse actions and processes which, supported by the intense and innovative use of the Information and Communication Technologies, aims to introduce an intelligent and organized system of management and control for the administration of the State. For these purposes, it is necessary to have a conceptual framework that specifies the limits into which a conception of public management as well as electronic control and accounts rendering systems are understood.

- **Accessibility**

The SAI as well as the public wealth administrators' accounts rendering must be accessible to all citizens, either through institutional Internet portals or face-to-face public account.

- **Functional Equivalence**

It allows to legally standardize the juridical value and efficiency of the documents and electronic acts which the rendering is about and those in printed version or carried out in person.

Relying on legal media guarantees the truthfulness and effectiveness of the electronic media as a source of supporting the facts, mainly economic. Hence, it is important to set rules that confirm the electronic documents as authentic, and demand a certain conduct to guarantee authenticity, the identity of the users that take part in the transaction, the integrity of the contents within the electronic documents and the legal quality of the digital messages.

- **Confidentiality**

Its aim is that the information is only available for authorized users, when the processes of presentation and rendering are not completely perfected, acting as a guarantee of people's rights and the proper fulfillment of the fiscalizing function.

The new integral view of the State entities' accounts rendering to society generates concrete and effective challenges regarding the information confidentiality, security of the documents or fund transactions communication media, identity of the spokesmen, intellectual property, reliability of the transaction and its backup, among others.

- **Availability**

It assures to all individuals a free and timely access to the public information systems, in accordance with previously established profiles, privileges and legal scope. However, the previous cannot neglect the consistency and integrity of the reports, states and rendering, so this free and timely access demands to adopt appropriate precautions.

- **Juridicity and Legality**

It is the basis of all administrative action, both for the administrator of public resources and the SAI. It involves a strict integral subjection to the right in the choice, foundation and implementation of the actions, with the purpose of avoiding abuse or diverted competence, acts of corruption in which the public function is replaced by private interests and arbitrariness.

- **Efficiency and Effectiveness**

Resources must be assigned and used efficiently in tasks and activities specified in strategic plans. Besides, the results must be in line with the defined objectives for the proper fulfillment of the public function. In spite of everything, it is necessary to adopt continuous improvement policies in the public services, which allow providing them with solid systems of customer service that simplify, reduce or eliminate redundant or unnecessary procedures through quicker and more personalized answers and assistance.

- **Coordination**

The tasks must be carried out in an organized way and tend to a unity of action, avoiding the duplication or interference of functions. Regarding this subject, the coordination the SAI establish with the internal control entities to determine the scope and opportunities of the accounts examination, presentation and rendering is important.

The main instrument to exert an adequate coordination between the SAI and the administration is the technical tuition not only related to the internal auditing units, but also to the agencies' planning, personnel management, finance and legal advice entities.

- **Publicity**

Notwithstanding the concrete legal regime to which a SAI is submitted, a social and democratic rule of law is based on the publicity of the actions of its entities and in the transparency of the principles and procedures they use. This way the reserves concerning the publicity of actions become exceptional, being allowed only to respect the proper fulfillment of such entities, like the rights of the people involved and the national interest. Regarding this subject, a greater transparency of the information strengthens social control and administrative probity, allowing the civil society, auditing entities and third parties interested in the management of governmental action to have agile access to the systems of accounts rendering, integrated financial management, and public purchasing and contracting at their disposal.

- **Legal norms update and systematization for technological innovation**

Its aim is to standardize the legal system ruling the administrative action to identify the norms that need to be modified or adjusted in order to develop projects of electronically transferred documents, digital signature, communication standards for the public forwarding, presentation and rendering of accounts in an electronic government atmosphere. Similarly, attention must be paid to those matters that need an expressed statement from the legislator, like, for example, the legal standardization of legal documents and signatures, the protection of personal data processed by the public sector, in step with the transparency and publicity of the administrative acts and the State control of information; the penalizations related to the use of information technologies, copyright protection of digital works developed or acquired by the State, and the systems of electronic contracting and purchasing of good and services on the part of public administration.

Moreover, the Information and Communication Technologies have generated a greater opening on the part of public entities, allowing them to visualize new ways of providing public service. In many opportunities this incorporation of technology has led the organizations to the convenience of minimizing their functional structures, eliminating bureaucratic steps or procedures and, in the last few years, to define new legal concepts and labor policies.

IV. - Electronic Corporative Governments and Public Rendering of Accounts

Due to the massive use of ICT and the need to promote their efficient and effective use, practices to assist the organizations have been generated, and the conformation of these proposals leads the ICT to be an important part of the organization resources and, therefore, to have the obligation to be at the service of their objectives, goals and strategies. Consequently, the concept of Corporative Government has been consolidated, which not only aims to unite all the resources of an entity, but also to clearly delimit the responsibility and competences that must prevail in the professional performance of both superior authorities who are leaders of the citizens, and the direct agents in charge of the reception, custody, administration, investment of public wealth, and the presentations of accounts and their corresponding rendering. All of that aiming to value the public service.

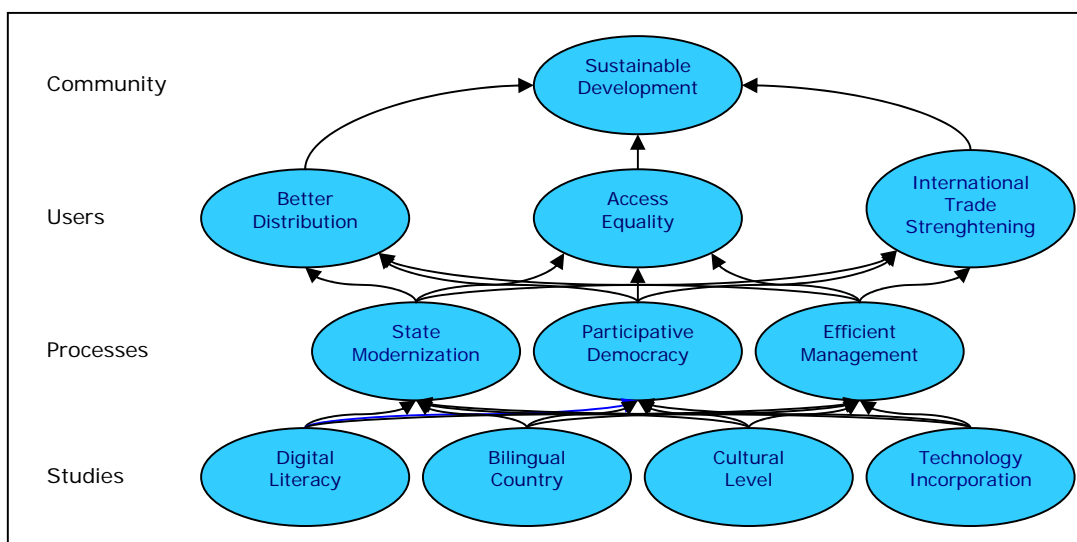
Consequently, the administrators' performance, must not only be measured in an incomes and expenses report, but also, each of their activities must be evaluated according to their fulfillment, performance, transparency and responsibility when acting with third parties.

The above mentioned implies that the Public Corporative Governments have the obligation to assure the community that their interests are assigned and used properly. Furthermore, they must encourage trust and democratic rights, through a participative control of society, guaranteeing a fair treatment to social actors regarding the benefits generated from the State growth and development. Following this line, corporative governments, as the principles indicate, must guarantee the civil right to be properly informed about the State work. All this to emphasize the fiscal responsibility which corresponds to the executive, legislative and control authorities, in terms of accounting properly and timely for their actions, because, although the obligation of accounts rendering must arise from the system itself, it is also understood that it must be generated by a volunteer attitude from the ones in charge of administrating public wealth, giving rise to a self-evaluation concept which is necessary for the cultural development of the public organizations.

V. - Account Presentation and Rendering Model: Strategic Components

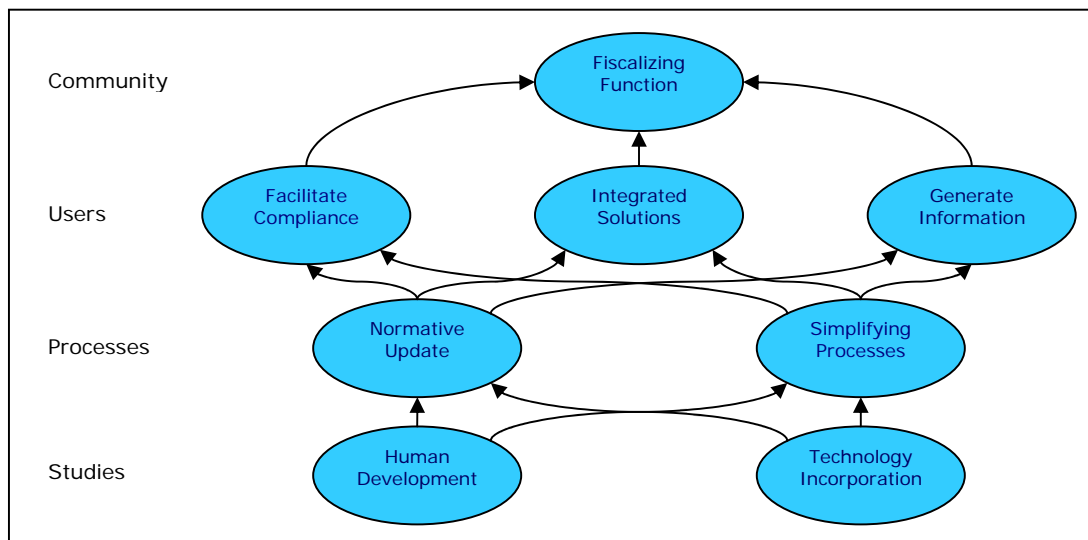
The account of the public wealth administrators must, if possible, available on the institutional portals of each one of the managing services. Although its structure depends on the particular features of each State, it must be able to align the institutional processes of strategic planning with those of the State and link them to annual budgets in terms of results, where the center of attention focuses on the achievement results of each agency according to the purposes stated by the law. Regarding this subject, it is fundamental that the agencies are able to align their strategic plans with a national development plan. As an example, a model of State Strategic Global Map is shown, as a primary strategic reference for the planning of services in the medium term.

1. - Global level State Strategic Map Model with strategic objectives associated to the perspectives of a balanced scorecard, and the eventual threats which are risk factors for the achieving of goals.



2. - Alignment of an Agency's Strategic Map

The strategic objectives of each agency must be a consequence of both their mission declaration and the definition of their strategic vision and guidelines. By virtue of management of both the services and SAI's control, it is important that each agency develops risk matrices in accordance with their fundamental perspectives specified in a balanced scorecard, by areas of interest related to their strategic objectives.



3. - Financial perspective: Importance of Public Agencies' Budgets

International experience has determined the government's adaptation to the demands from the citizens, for which purpose it is essential that the SAI evaluate the agencies performance in terms of achievements or results, according to the strategic and operative plans developed for each of them. So, regarding this subject, each agency budget, as a main component of the financial perspective must be conformed in terms which it can control, for example, economic and efficient use of resources, indebtedness, which are of concern for management and control.

Provided that the current systems of public financial administration separate budgetary operations from those corresponding to financial or economic brokerage, they allow the SAI to measure the impact level of the planning and the agencies' budgets on the public patrimony.

- **Performance Indicators engaged by the Agency**

The agencies' budget can incorporate, by type of activities or functions, a number of indicators to measure medium-term or final results, and a percentage which measures results concerning the product and its attributes. Similarly, the performance indicators belonging to each agency can measure effectiveness, efficiency, economy and quality aspects in the provision of the strategic products. Likewise, they can establish guiding indicators or alerts.

- **Evaluation of Governmental programs**

Programs evaluation, as an inherent part of the examination of the public accounts' rendering systems, is related to a SAI process which can gather the evaluation of public programs from different agencies linked by common purposes. In this kind of evaluation, starting from the programs' objectives, the SAI can determine the consistence of their designs and results with the planned goals, to express an opinion about their aspects of economy, efficiency and effectiveness. Generally, in these methodologies the available information in the program is used, within reduced time intervals, a situation that does not allow to obtain enough evidence; consequently, in recent years lines for the evaluation of the public programs' impact have been incorporated, which

use external means of collecting information and methods that allow to estimate the impact of each one of the programs. In this context, the Organization of Latin American and Caribbean Supreme Audit Institutions, has recommended the member SAI to promote the development of impact auditing, which permits, on the one hand, to establish whether the achievements and benefits reached are a product of the public programs or not, and, on the other hand, to determine the causes which have influenced the achievement of expected results and those which have not.

On a different matter, it is convenient to identify a comprehensive line of evaluation of the Expenditure, whose goal is to evaluate the set of policies, programs and procedures which manages an agency and its equivalence with the agencies' organizational structure, their functions and principal activities.

It is important to note that these three types of program evaluation lines are essential elements to secure an independent, efficient, reliable and timely external auditing on the part of the SAI concerning the public agencies' rendering of accounts system.

VI. - Account Presentation and Rendering Model: Financial Component

The SAI must verify the consistence existing between strategic and financial information in the agencies' rendering of accounts, so that an opinion about their performance, results and achievements can be expressed. The financial reports presented must allow the control of the agencies' budgetary perspectives and actions, in terms of operation, investment and financing intermediate results, also introducing validation rules which match the reached results to the cash flow and the final budgetary stock. In turn, the model of comparative patrimonial balance, must allow segregating the variations of the resources, obligations and patrimony of each agency, according to budgetary, financial and economic flows.

- **Model of Budgetary Management of an Agency**

In the examination of the accounts rendering, it is necessary to verify if the budgets are in line with the purposes established in the strategic plan of the agencies, and also, to analyze the measure in which the real, medium-term and global budgetary results, have fulfilled the objectives and goals proposed in the plan. Regarding this subject, the economic analysis of the budget and its implementation allows to determine the levels of fulfillment regarding operational results, non-financial and net financial cash flow. On the first of the results, aspects of the agencies' savings can be inferred. The next intermediate results allow controlling the programs and projects which concentrate the public resources used in physical and financial investment initiatives:

AGENCY BUDGET AND EXECUTION	<i>Projection</i>	<i>Accrued</i>	<i>Cash</i>	<i>Balance</i>
Total Income	1.093.100	1.066.182	1.054.120	12.062
Current Transfers	980.000	955.297	955.297	0
Property Revenues	300	287	261	26
Operation Income	47.000	46.481	40.966	5.515
Other Current Income	16.000	15.133	14.359	774
Non-Financial Assets Sales	800	795	795	0
Loans Recovery	11.000	10.988	5.241	5.747
Capital Transfers	38.000	37.201	37.201	0
Total Expenses	-1.093.610	-1.066.602	1.031.239	35.363
Employee Expenses	-500.000	-487.228	-487.228	0
Consumer Goods and Services	-260.000	-249.059	-216.107	-32.952

Pension Benefits	-48.000	-47.006	-45.877	-1.129
Current Transfers	-225.000	-224.663	-224.614	-49
Tax Payments	-10	-3	-3	0
Other Current Expenses	-900	-820	-820	0
(-)Non-Financial Assets Acquisition	-8.000	-6.803	-6.157	-646
(-) Investment Initiatives	-33.000	-32.340	-31.911	-429
(-)Debt Servicie	-18.700	-18.680	-18.522	-158
Surplus/Deficit	-510	-420	22.881	-23.301

VALIDATION

Cash and Equivalents Net Change		16.374	16.374	
Fund Advances Change		65.518	65.518	
Third-Party Deposits Change		-59.011	-59.011	
Receivable Budgetary Stock		12.062		12.062
Payable Budgetary Stock		-35.363		-35.363
TOTAL SURPLUS / DEFICIT		-420	22.881	-23.301

2.- BUDGETARY ECONOMIC ANALYSIS

BUDGETARY FLOWS

	<i>Projection</i>	<i>Accrued</i>	<i>Cash</i>	<i>Balance</i>
Operational Income	1.043.300	1.017.198	1.010.883	6.315
Current Transfers	980.000	955.297	955.297	0
Property Revenues	300	287	261	26
Operation Income	47.000	46.481	40.966	5.515
Other Current Income	16.000	15.133	14.359	774
Operational Expenses	-1.033.910	-1.008.779	-974.649	-34.130
Employee Expenses	-500.000	-487.228	-487.228	0
Consumer Goods and Services	-260.000	-249.059	-216.107	-32.952
Pension Benefits	-48.000	-47.006	-45.877	-1.129
Current Transfers	-225.000	-224.663	-224.614	-49
Tax Payments	-10	-3	-3	0
Other Current Expenses	-900	-820	-820	0
Operational Net Result	9.390	8.419	36.234	-27.815
Non-Financial Assets Sales	800	795	795	0
(-)Non-Financial Assets Acquisition	-8.000	-6.803	-6.157	-646
(-) Investment Initiatives	-33.000	-32.340	-31.911	-429
Capital Transfers	38.000	37.201	37.201	0
Non-Financial Net Flow	-2.200	-1.147	-72	-1.075
Financial Assets Sale	0	0	0	0
(-)Financial Assets Acquisition	0	0	0	0
Indebtedness	0	0	0	0
Loans Recovery	11.000	10.988	5.241	5.747
(-) Loans	0	0	0	0
Indebtedness	0	0	0	0
(-) Debt Servicie	-18.700	-18.680	-18.522	-158
Financial Net Flow	-7.700	-7.692	-13.281	5.579
SURPLUS/ DEFICIT	-510	-420	22.881	-23.301

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- **Model of General Balance by Transactional and Economic Flows**

In the examination of the accounts rendering, it is necessary to verify the consistence between the fund variations and the receivable and payable budgetary stock shown in the general balance, with the budget's accrued and cash flow; and also to analyze the budget level of impact on the agencies' assets, liabilities and property.

	Opening		Flows		End		Relations
	Balance	Budgetary	Financial	Economic	Balance		
1 ASSETS	586.198	77.978	59.011	-12.427	710.760		Estimate Impact
1 AVAILABLE RESOURCES							
1 CASH AND EQUIVALENTS	15.423	22.881	-6.507		31.797		Cash Flow
4 RESOURCES ADVANCES	23.396		65.518		88.914		Cash Flow
5 BUDGETARY DEBTORS	0	12.062			12.062		Receivable Stock Financial
2 FINANCIAL GOODS	12.409	-10.985		-279	1.145		Investment
3 CONSUMER AND INVENTORY GOODS	4.762	15.037		-12.108	7.691		Physical
4 PROPERTY, PLAN AND EQUIPMENT	479.243	6.631		47	485.921		Investment
5 OTHER ASSETS	938	12		4	954		Physical
6 PROJECTS AND PROGRAMS COSTS	50.027	32.340		-91	82.276		Investment
2 LIABILITIES	52.993	16.684	59.011	-392	128.296		Estimate Impact
1 CURRENT DEBT							
4 THIRD-PARTY DEPOSITS	33.877		59.011		92.888		Cash Flow
5 BUDGETARY CREDITORS	0	35.363			35.363		Receivable Stock
2 OTHER DEBTS	19.116	-18.679		-392	45		
3 PATRIMONY	533.205	61.294		-12.036	582.464		Estimate Impact
1 STATE PATRIMONY	533.205				1 533.206		
4 PATRIMONIAL INCOMES		1.055.190		578	1.055.768		Savings/Desaving
5 PATRIMONIAL EXPENSES		-993.896		-12.614	1.006.510		Savings/Desaving

- **Integral Accounts Rendering Model**

According to the model of accounts rendering report proposed by INTOSAI, and the studies about principles prepared by the OLACSAI's technical commission of accounts rendering, the SAI must assure that the agencies' authorities present the rendering in integral terms, with specific reports concerning strategic, legal, financial, organizational and control matters. To do so, the following report structure is considered to be basic:

1. SAI's report about the agencies' adhesion to the **principles** ruling the presentation of accounts and its rendering.
2. Report about the agency's strategy **alignment** degree in reference to the government's superior plans.

3. Report about the evaluation of **control procedures'** class and type, risk seriousness level, strength of the control, and, consequently, risk exposure levels.
4. Report about the agencies' **public account examination**, among other matters, regarding the alignment degree of the financial information with the planning, examination of the incomes, costs, investments, performance, results, legal compliance, applying, for that purpose, fulfillment or validation tests, and substantive or data analysis tests, together with evidence and recommendations analysis.
5. SAI's report about the **impact auditing** developed to the agencies' programs and projects which are part of a national priority matrix.

In spite of everything, it is essential that the SAI express an opinion about the level of the agencies' **added value** regarding the **provided public service**, and the way in which the State administration control systems contribute to the **country image** in their reports about the results of the examinations of the accounts rendering systems.

In this type of complex evaluations, the SAI must be able to fully develop an integral auditing of the public administration's accounts rendering systems. For these purposes, the OLACSAI's Special Technical Commission for Performance Evaluation has insured the development of criteria for a strategic management evaluation of the region's SAI, through the preparation of indicators that allow an evaluation of their performance within a strategic, operational and administrative framework.

VII. - CONCLUSIONS

- 1.- The public accounts presentation and rendering must be part of a **Corporative Electronic Government system** which guarantees the community the fulfillment of basic principles which must be followed by those who manage and control public wealth.
- 2.- The access to the accounts rendering must be **timely and quick** on the part of the community and third parties interested in the State management.

- 3.- The Supreme Audit Institutions must be in charge of **auditing the accounts rendering systems** belonging to the administration and informing society about the result of their control actions.
- 4.- Within a context of Corporative Electronic Government, the Supreme Audit Institutions must exert a significant leadership level in order to guarantee the necessary conditions of **institutionality** which assure a proper rendering of accounts system as a direct contribution to the image of the countries they represent.
- 5.- The systems of public accounts rendering must contain **non-financial strategic information** properly aligned with the State's development plans, and also, **financial information** related to the planning processes of each agency, so that the SAI can audit the efficient assignment and use of the public resources.
- 6.6.- The State's regimes of financial management must assure the existence of **integrated financial management systems**, implemented in high quality technological platforms, through which the SAI can interact to control the State's operations at global, sectoral, regional and institutional level.
- 7.7.- The agencies' as well as the SAI's accounts rendering systems must be ruled by **ethic, technical and legal principles** which assure the transparency, reliability, timeliness and quality of the information they provide to the community.