

Conclusions and Recommendations

Resilience concept

Public administrations are experiencing a paradigm change from crisis management to 'system-quake' governance. This new governance model is characterized by a Turbulent environment, Oscillating knowledge quality, Domino falling interdependence, and Opposing and disputed sustainability of 'solution' (TODO).

Resilience in this context involves 5 aspects of renewed public administration (C⁵): Capacity, including HR+, public finances, data, infrastructure; non-Certainty for decision making; Confidence and mutual trust; Consequences and appropriateness, i.e. providing results and behaving appropriately; Cultures of social and digital innovation.

Supreme Audit Institutions (SAIs) will need to audit governments' preparedness to deal with system- quakes (TODO preparedness audits), as part of their systemic performance auditing.

Resilience and climate change

Climate change presents major challenges for present and future generations, making it one of the most urgent and complex issues faced by national governments, with significant risks to societal cohesion and public budgets. Climate change shares an important characteristic with public debt, namely the accumulation factor: measures cannot decrease climate change in the short term and inaction increases the long term cost of achieving results, particularly carbon neutrality. Therefore, the focus should shift towards instantly visible benefits of transition rather than risks, in order to prevent citizens from questioning the rationale of transition measures. Moreover, the imbalance between costs and benefits of transition between countries, especially for the global south, should be addressed.

Resilience to climate change involves enhancing the capacity of human and natural systems to adapt to climate challenges, reduce losses and damages, and promote sustainable development in an evolving climate.

SAIs can play a key role in support of cost-effective and impactful national climate action, by prioritizing audits on topics where government impact is greatest, by addressing climate change mitigation and adaptation as much as possible together, by focusing on climate policy coherence. They can particularly audit the implementation of the national energy transition with regard to security, affordability and environmental friendliness of energy supply.

Through their audit findings and recommendations, EU SAIs¹ have already contributed to: raising awareness and supporting governments to better consider climate risks; facilitating the development of legal frameworks; improving overall management as well as the planning, monitoring, and reporting on climate action; and helping to mainstream climate action into various sectors.

EU SAIs can collaborate within the EU Contact Committee and as EUROSAI and INTOSAI WGEA members, by participating in cooperative audits, exchanging audit methodologies and experiences regarding climate change in general and, in particular, energy issues.

Collaboration takes time, but contributes also to the capacity development of SAIs. Through cooperation, EU SAIs can maximize their added value and the impact of their work on climate change issues.

Resilience and digitalization

Digital transformation involves digital platforms bringing together economic and societal agents and actively managing network effects among them. This transformation should contribute to economic, social and environmental sustainability, i.e. the ability to fulfill current generations' needs without compromising future generations' needs in terms of Profit, People and Planet.

Although digitalization as such is not a UN Sustainable Development Goal (SDG), it is essential for monitoring and achieving several UN SDGs and also EU goals in most areas of action. The adoption of artificial intelligence (AI) techniques is crucial for the EU's economic development.

These new ICTs offer new opportunities, such as better use of natural resources through the digitalization of transactions, easier access to information for all societal agents; creation of new markets, productivity gains and development of e-government.

However, these opportunities are counterbalanced by complex risks and challenges that must be addressed to ensure digital resilience, including digital sovereignty, i.e. keeping control of handling, storing and processing of data, and legal compliance; cyber security and citizen's trust in e-government; efficient management of ICT investments; growing carbon footprint resulting from digitalization; the digital divide in access to and control of data; and the need for new skills to address emerging threats.

ICTs, and particularly AI, also present auditing challenges and opportunities for SAIs, as they should help to ensure that e-government systems function properly and are not lagging. To achieve this, they will need to continue developing new skills, new cross-sectoral auditing approaches and tools, new products, and new ways of internal and external communication.

A crucial challenge for SAIs is fulfilling their role in contributing to citizen trust in the truth and quality of data and decision-making based on algorithms. Algorithms must be seen as technical regulations, with all the consequences this brings, including with regard to transparency and democracy in the process of their construction. This calls for permanent control and scrutiny.

¹ EU SAIs refers to all members of the EU Contact Committee, i.e. the SAIs of EU member states and the European Court of Auditors.

EU SAIs could enhance their own resilience to digitalization challenges as well as their capacity to audit societal digital resilience by strengthening their cooperation and information sharing through various initiatives developed both at the level of EU SAIs and more broadly within EUROSAI and INTOSAI.

EU SAIs could also consider to deepen their cooperation on audit challenges arising from the need to ensure both the truthfulness and quality of data and the reliability of the algorithms underlying critical public decisions.

Resilience and public finance

Resilience in public finance is about the ability to bounce back after shocks to an original state, and to bounce forward to reorganize and improve the quality of public finances. The quality of public finance depends on several factors: revenue and expenditure levels; fiscal position and sustainability; composition, efficiency and effectiveness of expenditure, particularly of investments; the structure and efficiency of revenue systems; and fiscal governance.

Fostering fiscal-financial resilience in the public sector is vital to ensure the stability and capacity of governments to respond efficiently to crises and system quakes, as well as to ensure the delivery of essential services to society. This is an integral part of good governance within the public sector. Several success factors can contribute to this resilience: prudent fiscal management; transparency and accountability; investment in infrastructure and human capital; and robust risk management.

Key components of a resilient fiscal policy framework are: an orderly, tight and transparent budget process; ensuring good quality of spending; clear operational objectives for fiscal policy, including spending ceilings and fiscal buffers; and external follow-up by SAIs and other oversight bodies. SAIs bring added value through their unique strengths: Accountability and Transparency, Audits, Independent oversight.

Strategic EU actions, including the Stability and Growth Pact, the European Semester, Next Generation EU/ Recovery and Resilience Facility, have aimed to foster fiscal-financial resilience in the EU in terms of Anticipation and preparation, Response, Recovery and Adaptation.

To ensure fiscal stability, EU SAIs must have access to all information they deem relevant for their work. They should target audits on the areas and topics where they can add the most value. EU SAIs could further enhance cooperation among them by increasing the professional exchange at working level (as within the EU Contact Committee's NGEU/RRF activity), to jointly examine, for instance, issues related to the use of consolidated accounts, and to contribute to improving the EU's financial framework towards a more harmonized and clear system.

Resilience and democracy (independence of SAIs)

For democracies to be and remain resilient, it is essential not only to defend established forms of representative democracy, but also to renew them. Representative democracy has developed with two gaps that now need to be filled: not all who are affected by the state's decisions are represented, nor are future generations represented in decisions made by present generations.

Interconnected democracies will not function properly and be resilient if they cannot manage interdependence (negative 'externalities' or costs; positive 'externalities' or benefits) between them, in fundamental matters such as the conference topics. Inter-generational democracy requires a long-term commitment to balancing the claims of future and present generations, notably in managing climate change. Populism can pose a serious threat to all of this.

Citizens' trust in public institutions and (the safeguarding of) the rule of law are core values of the EU, as materialized by the structured rule of law dialogue at Council level and the rule of law conditionality mechanism. These mechanisms support the independence of EU SAIs and also rely on SAIs' rule of law insight and input, including concerning the follow-up of their audit recommendations.

The INTOSAI Lima Declaration states that maintaining the independence of a SAI is crucial to ensure that it can effectively fulfill its role as an oversight body of public sector functioning. SAIs must act decisively and use all available means to maintain their independent functioning, as this is essential for ensuring transparency, accountability and good governance in the public sector. Unfortunately, SAI independence is sometimes seriously threatened, as evidenced by the experiences of several EU SAIs in recent years.

It is therefore important that EU SAIs, and SAIs worldwide, show unity and solidarity among them when the independence of particular SAIs is threatened; collaborate for structural improvements as regards SAI independence; strengthen independence in order to make public sector auditing more effective; and reinforce the value of SAIs as pillars of the democratic rule of law in the EU and worldwide.