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Intellectual capital balance – an instrument for displaying the value of Supreme Audit Institutions

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As part of the 19th UN/INTOSAI Symposium¹, held in Vienna in March 2007, Günter Koch² presented intellectual capital balance, a relatively new instrument for displaying the relation between the parameters of monetary and non-monetary performance.

What purpose is served by intellectual capital balances?

As part of the 19th UN/INTOSAI Symposium, held in Vienna in March 2007, Günter Koch presented intellectual capital balance, a relatively new instrument for displaying the relation between the parameters of monetary and non-monetary performance. Basing himself on surveys conducted by US banks, Mr. Koch explained that the difference between the book value and the market value of companies has provided the opportunity to confirm that the value of a company can be determined not only by what appears in the balance sheet but also, and to an equal degree, by what can be observed with respect to values that transcend it. He explained that scientific institutions in particular, whose performance is difficult to express in classical economic-business terms, opened the path to those methods of analysis and presentation of reports.

The intellectual capital balance of the Court of Audit of Austria

External financial audit institutions are to a special degree knowledge-based institutions. Because of that, in order to display

their value it is advisable to take into account non-financial magnitudes as well as profitability parameters, such as experience, specialised knowledge and the expertise of the workers.

For that reason, the Austrian Court of Audit drew up its first intellectual capital balance in the year 2007 on the basis of the model of Koch and Schneider, which is the model of intellectual capital balance most widely used in Europe. The model of intellectual capital balance is contained in the performance report of the Court of Audit of Austria, published in October 2007, and can be consulted and downloaded from the website (www.rechnungshof.gv.at) in “News-Publications-Report and intellectual capital statement 2006/07”.

Composition of the intellectual capital balance

The composition of the intellectual capital balance of the Court of Audit of Austria follows a logical process from strategic orientation to implementation of the commercial processes. The range extends from the knowledge objectives, passing through knowledge management and intellectual patrimony up to commercial processes.

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¹ Symposium on the value and benefits of government audit in a globalised environment, 28 to 30 March 2007, Vienna.

² The valuation of qualities and the “intangible” values of an organisation by means of an “intellectual capital balance” (Prof. DI Günter Koch, Director General of the “Central European Institute of Technology”, Schwechat/Austria; guest professor in Austrian universities).

Knowledge objectives

The four strategic intellectual capital objectives of the Court of Audit of Austria (transmission of the values of the Court of Audit of Austria, excellence in checking and assessment, creation of value and benefit of use measured via the activity of checking and advice, as well as connection with national and international partners), are based on its ideal, as well as on its strategic bases. These assure a clear orientation of the intellectual capital in the Court of Audit of Austria and permit the formation of operative and individual intellectual capital objectives.

Knowledge management

The Court of Audit of Austria considers Knowledge management to be an interdisciplinary part of management, which is experienced with the participation of all workers. In the knowledge management of the Court of Audit of Austria there exist three levels of responsibility:

- the departments as centres of ability in the framework of their responsibility in subjects,
- the intellectual capital communities as forums of intellectual capital that are key in certain fields of knowledge and
- the department of Knowledge management.

Intellectual patrimony

The intellectual patrimony of the Court of Audit of Austria is divided into the ar-

eas of Human Capital, Structural Capital and Relational Capital. It consists of magnitudes that permit conclusions to be reached on their potential for intellectual capital.

In Human Capital, what is fundamentally displayed is personal data, focusing on the qualification and skills of the workers. Structural Capital provides information on the division of the organisation, the communication, the technical infrastructure, and also on quality assurance instruments. Relational Capital displays the intensity and quality of the collaboration of the Court of Audit of Austria with its clients and partners, as well as the connection with other audit institutions and with intellectual capital institutions.

Commercial processes

The commercial processes of the Court of Audit of Austria can be subdivided into a variety of central and specialised processes. Many of them are processes requiring intensive intellectual capital.

The strategically most important scope of performance of the Court of Audit of Austria – auditing and advice – is carried out in a structured process consisting of several partial processes, for which there are specified and concrete norms on quality.

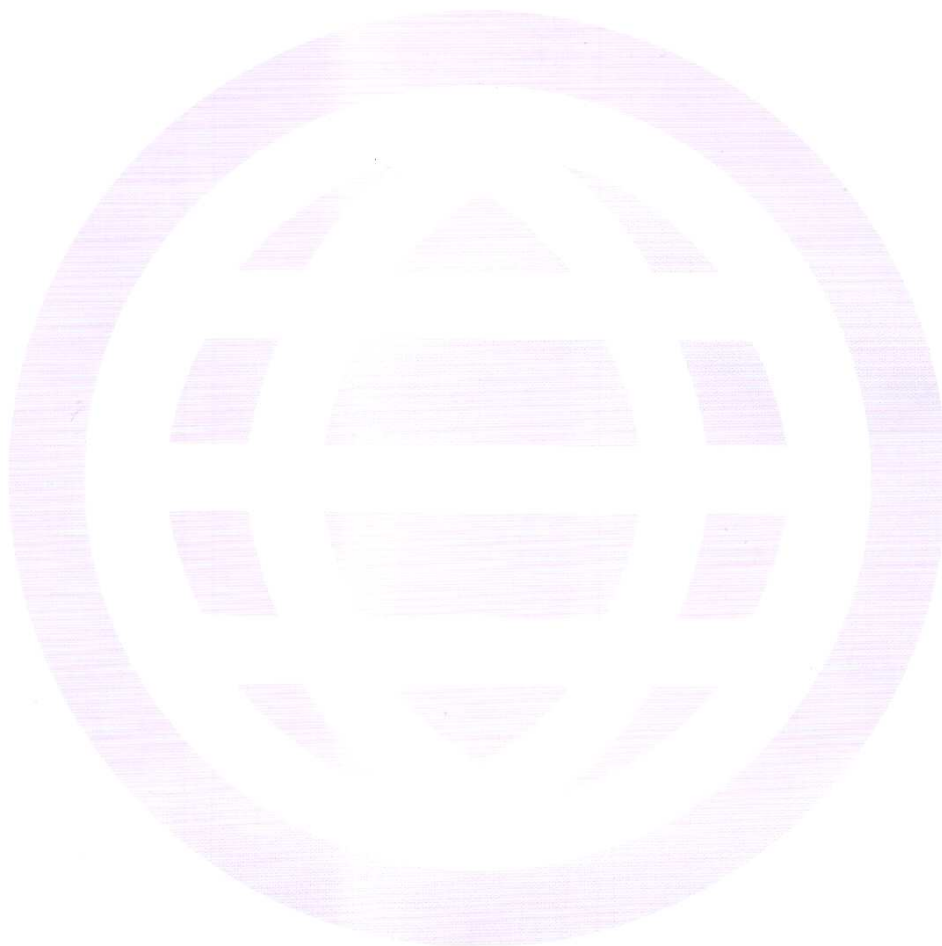
Perspectives

The Court of Audit of Austria is going to be perfecting its intellectual capital balance in the coming years and will try to achieve the strategic intellectual capacity objectives.

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European Organisation of Supreme Audit Institutions
Organisation des Institutions Supérieures de Contrôle des Finances Publiques d'Europe
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