



## DECLARATION OF ASUNCIÓN

### "On Budgetary Security and Financial Stability of Supreme Audit Institutions"

The XXVII General Assembly of the Organization of Latin American and Caribbean Supreme Audit Institutions, OLACEFS, gathered in Asunción del Paraguay, states that:

**Recognizing** that in recent years, as has been established in the declarations of Santiago 2013, Cusco 2014 and Punta Cana 2016, the Supreme Audit Institutions of the region have broadened their view on the scope of their work, recognizing possibilities for making a difference in the life of the citizenry based on the value and benefits of supreme audit, as set out in ISSAI 12 of the International Organization of Supreme Audit Institutions (INTOSAI International Standards). Today, with a more integrated understanding of the environment, they are aware that considering their functions and capabilities they should work towards supporting good governance.

**Bearing in mind** that although governance is a broad concept with a multiplicity of meanings, we agree that the public entities that show good governance are those that have made progress in fostering and adopting standards of transparency for their activities, who are consistently accountable for them, and who carry out their activities with appropriate oversight, with the aim of providing quality public goods and services.

**Aware** that the participation of SAIs in supporting good governance in their countries is based on ISSAI 1, known as the "Lima Declaration", whose article 1 states that audit is not an end in itself, but rather an indispensable part in the running of the state apparatus, and that in compliance with this function it must in a timely manner reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of operations in public bodies in order that appropriate corrective action may be taken.

**Considering** that this positive view of oversight is highlighted by the United Nations, whose General Assembly, through Resolution 66/209 of 2011 and Resolution 69/228 of 2014, recognized the important role of SAIs in promoting the efficiency, accountability, effectiveness and transparency of public administration



as elements that help achieve national and international development goals and priorities.

**Taking into account** that, as acknowledged in article 5 of ISSAI 1, SAIs can only perform their functions effectively if they are independent from the agencies they audit and are protected against any form of outside influence.

**Considering that** for the purposes of the international community of SAIs independence is understood as the absence of any undue subordination to, or interference by, the government.

**Cautioning** that absolute independence from other state bodies is impossible in a context where SAIs are carrying out their work. As such it is essential that they enjoy the appropriate legal and constitutional protection from any interference with their independence and their oversight powers.

**Emphasizing** that principle number 1 of ISSAI 12, relating to the protection of the independence of SAIs and based on UN General Assembly Resolution A/66/209 and ISSAI 10, known as the "Mexico Declaration on SAI Independence", states, among other matters, that "8. SAIs should seek to maintain financial and managerial or administrative autonomy and appropriate human, material and financial resources."

**In effect** Resolution 66/209 of 2011 states that SAIs can only perform their tasks objectively and effectively if they are independent of the audited entity and are protected from outside influence This was consolidated three years later in Resolution 69/228 when the same assembly encouraged member states to give due consideration to the independence and capacity building of SAIs, in a manner consistent with their national institutional structures, as well as improving public accounting systems, in accordance with national development plans and in the context of the post-2015 development agenda.

**Emphasizing** that the concept of independence spans various functional and organizational aspects, which, summarized in ISSAI 10, known as the "Mexico Declaration on SAI Independence", include principles and elements essential for the proper exercise of the supreme oversight of each state, such as the existence of an appropriate and effective constitutional, regulatory or legal framework; the independence of the supreme authority of the SAI; a sufficiently broad mandate and fully discretionary powers in the execution of its work; the existence of effective mechanisms for follow-up on SAI recommendations; and budgetary security, financial stability and the availability of appropriate human, material and economic resources for the execution of their functions, the matter on which this Declaration focuses; and,





**Emphasizing** that the proper implementation of the concepts mentioned above allows SAIs to work and progress with an adequate degree of independence in the execution of their duties, highlighting the importance of OLACEFS member SAIs having the necessary budgetary security and financial stability at their disposal to fulfill their legal mandate, in accordance with systematic accountability processes for the resources allocated to them, and in direct relation to supporting good governance in their respective countries.

## THUS

Considering the terms outlined above,

Bearing in mind the INTOSAI study *“Proyecto de Independencia de las EFS. Informe final del Grupo de Trabajo”* and the document *“Making SAI independence a reality. Some lessons from across the Commonwealth”*,

Full OLACEFS members established in the XXVII General Assembly recognize the importance and value, according to the scope and powers of the constitutional and legal framework in force in each country, of the following statements which we declare and consider to be determining requirements for granting budgetary security and financial stability to SAIs and, in this way, recognize their value in terms of the benefit they represent for good national governance and providing value to citizens, and as such we declare:

**First.** To reinforce the value of budgetary security and financial stability as a prerequisite for the professional performance of SAIs, which ensures the continuous improvement of products and delivered results and their added value;

**Second.** To protect and improve the degree of independence and, consequently, the budgetary security and financial stability of SAIs, recognizing that this is consistent with the Sustainable Development Goal 16 on Peace, Justice and Strong Institutions, which identifies among its goals the need for effective, accountable and transparent institutions at all levels;

**Third.** To understand that independence is based on due budgetary security and financial stability in the short, medium and long terms, allowing SAIs to increase their oversight capacity in a manner proportional to growth of the universe under its control, bearing in mind the economic and financial reality of each country;

**Fourth.** To be aware that any state action to protect the budgetary security and financial stability of SAIs requires a joint project between the legislative and executive branches.





**Fifth.** To highlight the need to identify and include external stakeholders in the work of SAIs on any proposal that involves improving the budgetary security and financial stability of SAIs, given that it is essential to have a support platform that generates awareness of society as a whole for the need of stability and appropriate resources, being key elements for the proper development of the public sector and consequently for the benefit of the citizenry.

**Sixth.** To bear in mind that in light of of any regulatory adjustment to protect the budgetary security and financial stability of SAIs, it is important to take special care with certain items that might complicate the process of reform, including the following:

- i. *Way of determining and agreeing on the budget.* Where the formula for budgetary security and financial stability includes discussion of the institutional budget, any decision taken should not, under any circumstance, depend on the auditee;
- ii. *Independent external audit on the financial statements and accounting and financial management of the SAI.* As a guarantor of the proper use of public resources, we must subject ourselves to a process of oversight that gives transparency to the proper management of the funds that the entity receives and administers.
- iii. *Form of disclosure of information on the financial management of the SAI and the body to which it will be accountable;* Having greater budgetary security implies necessary greater transparency and accountability of work to the public entity which defines national legislation, ideally the legislative power.
- iv. *Possibility for the SAI to freely determine the hiring, promotion, firing and remuneration of its employees;* It is always important for best practices to prevail in matters relating to human talent, consistent with the principles of openness, equity and efficiency;
- v. *Need to preserve, maintain or increase decision-making capacity to determine the focus, depth and other aspects of the audit plan;* On this point it is important to take into account that it is the SAI that determines what type of audit - performance, compliance or financial - to perform, or which oversight method or procedure to use, in accordance with its legislation, to exercise of its powers with regard to certain bodies or public programs.
- vi. *Power of SAI to audit the use and investment of public funds, regardless of who administers or uses them.* This seeks to prevent the transfer of funds to the private sector to avoid SAI control.
- vii. *Necessary protection of auditors to carry out their work without external interference;*



- viii. *Protection of the head's mandate, which must be sufficiently extensive and protected from external interference.* For this reason grounds for cessation of office should be clearly determined in order to avoid subsequent misuse.
- ix. *Transparency in the process for appointing the head (or heads) of the SAI;* There should be a system in place that meets the highest standards, to appoint senior executives, as the head of the SAI must be regarded as a professional, competent person of integrity. It is recommended that the appointment be supported by the opposition to the government.
- x. *SAI's right to publish its reports and other material stemming from its work, as it deems appropriate;*
- xi. *Power to follow up on audit reports and make requests concerning these of the competent authorities.*

**Seventh.** To recognize that budgetary security and financial stability as an indispensable element for the independence of Supreme Audit Institutions implies a duty to apply the same rules to their own activities as those applied to audited institutions. In this context, SAIs should:

- a. Apply appropriate work and audit standards to internal operations and adhere to a code of ethics based on ISSAI 30;
- b. Provide reasonable security for the economy, efficiency and effectiveness of their activities, and be publicly accountable for their operations;
- c. Be willing to submit voluntarily to a system for the oversight of their performance, which, respecting their independence, is appropriate to the environment in which they operate and to their position in the state apparatus.

We sign this document confident of the importance and value of that declared herein, in Asunción del Paraguay, on the fourth (4th) day of October, two thousand seventeen (2017).

