

INTOSAI-P 12

The Value and Benefits of
Supreme Audit Institutions
– making a difference to the
lives of citizens



INTOSAI

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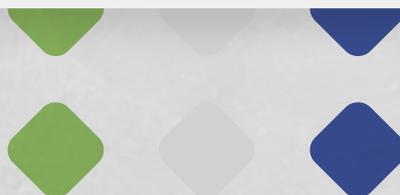


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PREAMBLE

- 1) Public sector auditing, as championed by the Supreme Audit Institutions (SAIs), is an important factor in making a difference to the lives of citizens. The auditing of government and public sector entities by SAIs has a positive impact on trust in society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions. Once SAIs' audit results have been made public, citizens are able to hold the custodians of public resources accountable. In this way SAIs promote the efficiency, accountability, effectiveness and transparency of public administration¹. An independent, effective and credible SAI is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy.
- 2) In a democracy, structures are created and elected representatives are empowered to implement the will of the people and act on their behalf through legislative and executive bodies. A risk to be considered with public sector institutions in a democracy is that power and resources can be mismanaged or misused, leading to an erosion of trust that can undermine the essence of the democratic system. It is therefore critical that the citizens of a country are able to hold their representatives accountable. Democratically elected representatives can only be held accountable if they, in turn, can hold accountable those who implement their decisions. Consistent with the spirit of the Lima Declaration² an important component of the accountability cycle is an independent, effective and credible SAI to scrutinise the stewardship and use of public resources.

1 United Nations General Assembly Resolution A/66/209

2 INTOSAI-P 1 The Lima Declaration

- 3) Acting in the public interest places a further responsibility on SAIs to demonstrate their ongoing relevance to citizens, Parliament and other stakeholders³. SAIs can show their relevance by appropriately responding to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted. Furthermore, it is important that SAIs have a meaningful and effective dialogue with stakeholders about how their work facilitates improvement in the public sector. This enables SAIs to be a credible source of independent and objective insight, supporting beneficial change in the public sector.
- 4) To be able to fulfil their functions and ensure their potential value to citizens, SAIs need to be seen as trustworthy. SAIs only deserve trust if they themselves are objectively judged as being credible, competent and independent and can be held accountable for their operations. In order to make this possible, they need to be model institutions, setting an example from which others in the public sector and the auditing profession at large can learn.
- 5) The principles set out in this document are constructed around the fundamental expectation of SAIs making a difference to the lives of citizens. The extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI:
 - 5.1) Strengthening the accountability, transparency and integrity of government and public sector entities;
 - 5.2) Demonstrating ongoing relevance to citizens, Parliament and other stakeholders; and
 - 5.3) Being a model organisation through leading by example.
- 6) SAIs operate under different mandates and models. However, these objectives and principles are intended for SAIs to strive towards and to enable all SAIs to communicate and promote the value and benefits that they can bring to democracy and accountability in their respective jurisdictions. The principles apply equally to SAI staff and those who undertake work on behalf of the SAIs⁴. SAIs are encouraged to apply them and assess their compliance with such provisions in a manner that is most appropriate for their respective environments.

3 “Stakeholder” is defined in this document as a person, group, organisation, member or system that can affect or can be affected by the actions, objectives and policies of government and public sector entities.

Source: www.businessdictionary.com – adapted for the SAI environment

4 See also INTOSAI-P 20 Principles of Transparency and Accountability, principle 5

STRENGTHENING THE ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY OF GOVERNMENT AND PUBLIC SECTOR ENTITIES

To ensure that elected officials act in the best interests of the citizens they represent, governments and public sector entities need to be accountable for their stewardship over, and use of, public resources. SAIs strengthen accountability, transparency and integrity by independently auditing public sector operations and reporting on their findings. This enables those charged with public sector governance to discharge their responsibilities, in responding to audit findings and recommendations and taking appropriate corrective action, and thus complete the cycle of accountability.

PRINCIPLE 1: Safeguarding the independence of SAIs⁵

- 1) SAIs should strive to promote, secure and maintain an appropriate and effective constitutional, statutory or legal framework.
- 2) SAIs should seek to safeguard the independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in accordance with applicable legislation, which results from the normal discharge of their duties.
- 3) SAIs should make use of their mandates and discretion in discharging their functions and responsibilities to improve the stewardship of public funds.
- 4) SAIs should have unrestricted rights of access to all necessary information for the proper discharge of their statutory responsibilities.
- 5) SAIs should use their rights and obligations to report independently on their work.
- 6) SAIs should have the freedom to decide on the content and timing of their reports.
- 7) SAIs should have appropriate mechanisms for following up audit findings and recommendations.

5 See also United Nations General Assembly Resolution A/66/209 and INTOSAI-P 10 Mexico Declaration on SAI Independence.

- 8) SAIs should seek to maintain financial and managerial or administrative autonomy and appropriate human, material and financial resources.
- 9) SAIs should report on any matters that may affect their ability to perform their work in accordance with their mandates and/or the legislative framework.

PRINCIPLE 2: Carrying out audits to ensure that government and public sector entities are held accountable for their stewardship over, and use of, public resources

- 1) SAIs should, in accordance with their mandates and applicable professional standards, conduct any or all of the following:
 - a) Audits of financial⁶ and, where relevant, non-financial information
 - b) Performance audits⁷
 - c) Audits of compliance with the applicable authority⁸
- 2) SAIs may also, in accordance with their mandates, perform other types of work, for example judicial review or investigation into the use of public resources or matters where the public interest is at stake⁹.
- 3) SAIs should respond appropriately, in accordance with their mandates, to the risks of financial impropriety, fraud and corruption.
- 4) SAIs should submit audit reports, in accordance with their mandates, to the legislature or any other responsible public body, as appropriate.

PRINCIPLE 3: Enabling those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations and taking appropriate corrective action

- 1) SAIs should ensure good communication with audited entities and other related stakeholders, as appropriate, and keep them well informed during the audit process of the matters arising from the SAI's work.

6 ISSAI 200 Financial Audit Principles

7 ISSAI 300 Performance Audit Principles

8 "Applicable authority" refers to laws, regulations and principles of sound public sector financial management and conduct of public sector officials; ISSAI 400: Compliance Audit Principles

9 See also INTOSAI-P 10 Mexico Declaration on SAI Independence, principles 3 and 6.

- 2) SAs should, in accordance with their mandate, provide the legislature, its committees, or audited entities' management and governing boards with relevant, objective and timely information.
- 3) SAs should analyse their individual audit reports to identify themes, common findings, trends, root causes and audit recommendations, and discuss these with key stakeholders.
- 4) SAs should, without compromising their independence, provide advice on how their audit findings and opinions might be used to the greatest effect, for example through the provision of good practice guidance.
- 5) SAs should develop professional relationships with relevant legislative oversight committees and audited entities' management and governing boards to help them better understand the audit reports and conclusions and take appropriate action.
- 6) SAs should report, as appropriate, on the follow-up measures taken with respect to their recommendations.

PRINCIPLE 4: Reporting on audit results and thereby enabling the public to hold government and public sector entities accountable

- 1) SAs should report objective information in a simple and clear manner, using language that is understood by all their stakeholders.
- 2) SAs should make their reports publicly available in a timely manner.¹⁰
- 3) SAs should facilitate access to their reports by all their stakeholders using appropriate communication tools.¹¹

¹⁰ See also INTOSAI-P 20 Principles of Transparency and Accountability, principle 8

¹¹ See also INTOSAI-P 20 Principles of Transparency and Accountability, principle 8

DEMONSTRATING ONGOING RELEVANCE TO CITIZENS, PARLIAMENT AND OTHER STAKEHOLDERS

SAIs demonstrate ongoing relevance by responding appropriately to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted. Furthermore, to serve as a credible voice for beneficial change, it is important that SAIs have a good understanding of developments in the wider public sector and undertake a meaningful dialogue with stakeholders about how the SAI's work can facilitate improvement in the public sector.

PRINCIPLE 5: Being responsive to changing environments and emerging risks

- 1) SAIs should be aware of the expectations of stakeholders and respond to these, as appropriate, in a timely manner and without compromising their independence.
- 2) SAIs should, in developing their work programme, respond as appropriate to the key issues affecting society.
- 3) SAIs should evaluate changing and emerging risks in the audit environment and respond to these in a timely manner, for example by promoting mechanisms to address financial impropriety, fraud and corruption.
- 4) SAIs should ensure that stakeholders' expectations and emerging risks are factored into strategic, business and audit plans, as appropriate.
- 5) SAIs should keep abreast of relevant matters being debated in domestic and international forums and participate where appropriate.
- 6) SAIs should establish mechanisms for information gathering, decision making and performance measurement to enhance relevance to stakeholders.

PRINCIPLE 6: Communicating effectively with stakeholders

- 1) SAIs should communicate in a manner that increases stakeholders' knowledge and understanding of the role and responsibilities of the SAI as

an independent auditor of the public sector.

- 2) SAIs' communication should contribute to stakeholders' awareness of the need for transparency and accountability in the public sector.
- 3) SAIs should communicate with stakeholders to ensure understanding of the SAI's audit work and results.
- 4) SAIs should interact appropriately with the media in order to facilitate communication with the citizens.¹²
- 5) SAIs should engage with stakeholders, recognising their different roles, and consider their views, without compromising the SAI's independence.
- 6) SAIs should periodically assess whether stakeholders believe the SAI is communicating effectively.

PRINCIPLE 7: Being a credible source of independent and objective insight and guidance to support beneficial change in the public sector

- 1) SAIs' work should be based on independent professional judgement and sound and robust analysis.
- 2) SAIs should contribute to the debate on improvements in the public sector without compromising their independence.
- 3) SAIs should, as active partners in the national and international public sector auditing profession, use their knowledge and insights to advocate public sector reforms, for example in the area of public financial management.
- 4) SAIs should periodically assess whether stakeholders believe that they are effective and contribute to improvements in the public sector.
- 5) SAIs should collaborate internationally within INTOSAI and with other relevant professional organisations in order to promote the role of the SAI community in addressing global issues related to public sector auditing, accounting and accountability.

12 See also INTOSAI-P 20 Principles of Transparency and Accountability, principle 8

BEING A MODEL ORGANISATION THROUGH LEADING BY EXAMPLE

SAIs must be trustworthy. Their credibility depends on being seen as independent, competent and publicly accountable for their operations. In order to make this possible SAIs need to lead by example.

PRINCIPLE 8: Ensuring appropriate transparency and accountability of SAIs¹³

- 1) SAIs should perform their duties in a manner that provides for accountability, transparency and good public governance.
- 2) SAIs should make public their mandate, responsibilities, mission and strategy.
- 3) SAIs should use, as appropriate for their circumstances, auditing standards¹⁴, processes and methods that are objective and transparent, and make known to stakeholders what standards and methods are used.
- 4) SAIs should manage their operations economically, efficiently, effectively and in accordance with applicable laws and regulations, and report publicly on these matters, as appropriate.
- 5) SAIs should be subject to independent external scrutiny, including external audit of their operations, and make available these reports to stakeholders.

PRINCIPLE 9: Ensuring good governance of SAIs

- 1) SAIs should adopt and comply with good governance principles and report appropriately thereon.
- 2) SAIs should periodically submit their performance to independent review, for example peer review.
- 3) SAIs should have an appropriate organisational management and support structure that will give effect to good governance processes and support sound internal control and management practices.

¹³ See also INTOSAI-P 20 Principles of Transparency and Accountability

¹⁴ See ISSAI 100 Fundamental Principles of Public-Sector Auditing, para 8-12.

- 4) SAIs should assess organisational risk on a regular basis and supplement this with appropriately implemented and regularly monitored risk management initiatives, for example through an appropriately objective internal audit function.

PRINCIPLE 10: Complying with the SAI's Code of Ethics

- 1) SAIs should apply a code of ethics¹⁵ that is consistent with their mandate and appropriate for their circumstances, for example ISSAI 130 Code of Ethics.
- 2) SAIs should apply high standards of integrity and ethics as expressed in a code of conduct.¹⁶
- 3) SAIs should institute appropriate policies and processes to ensure awareness of and adherence to the requirements of the code of conduct within the SAI.
- 4) SAIs should publish their core values and commitment to professional ethics.
- 5) SAIs should apply their core values and commitment to professional ethics in all aspects of their work, in order to serve as an example.

PRINCIPLE 11: Striving for service excellence and quality¹⁷

- 1) SAIs should set policies and procedures designed to promote an internal culture that recognises that quality is essential in performing all aspects of the SAI's work.
- 2) SAIs' policies and procedures should require all staff and all parties working on behalf of the SAI to comply with the relevant ethical requirements.
- 3) SAIs' policies and procedures should stipulate that the SAI will only undertake work that it is competent to perform.
- 4) SAIs should have sufficient and appropriate resources to perform their work in

15 A code of ethics is a comprehensive statement of values and principles which should guide the daily work of auditors.

16 A code of conduct is an internal regulation, developed according to each individual SAI's environment, establishing the institutional provisions governing the auditors' conduct. The code incorporates the values and principles included in the code of ethics. See also INTOSAI P-20 Principles of Transparency and Accountability, principle 4.

17 See also ISSAI 140 Quality Control for SAIs.

accordance with relevant standards and other requirements, including having timely access to external and independent advice where necessary.

- 5) SAIs' policies and procedures should promote consistency in the quality of their work and should set out responsibilities for supervision and review.
- 6) SAIs should establish a monitoring process that ensures that the SAI's system of quality control, including its quality assurance process, is relevant, adequate and operating effectively.

PRINCIPLE 12: Capacity building through promoting learning and knowledge sharing

- 1) SAIs should promote continuing professional development that contributes to individual, team and organisational excellence.
- 2) SAIs should have a professional development strategy, including training, that is based on the minimum levels of qualifications, experience and competence required to carry out the SAI's work.
- 3) SAIs should strive to ensure that their staff have the professional competencies and the support of colleagues and management to do their work.
- 4) SAIs should encourage knowledge sharing and capacity building in support of the delivery of outputs.¹⁸
- 5) SAIs should draw on the work of others, including peer SAIs, INTOSAI and relevant regional working groups.
- 6) SAIs should strive to co-operate with the broader auditing profession in order to enhance the profession.
- 7) SAIs should strive to participate in INTOSAI activities and build networks with other SAIs and relevant institutions, to keep abreast of emerging issues and promote knowledge sharing to benefit other SAIs.

18 See also "Building capacity in Supreme Audit Institutions – A guide"

ANNEXURE A

The extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI:



ANNEXURE B

The 12 principles of the value and benefits of SAIs under each of the three objectives are:

