



**Towards Greater Independence - A
Guidance for Supreme Audit Institutions
Draft**

Contents

Abbreviations	4
Glossary.....	5
Executive Summary.....	10
Background	14
How to read and use this guidance	16
PART 1: WHAT DOES SAI INDEPENDENCE STAND FOR?	18
Introduction	19
Chapter I: The rationale for SAI independence.....	21
Introduction: Why is SAI independence necessary?.....	21
I.1. What does INTOSAI mean by independence, and what are the standards supporting SAI Independence?	22
I.2. How independent SAIs can make a difference, and the benefits of an independent SAI	26
I.3. Growing international momentum on SAI independence.....	30
I.4. Independence in practice: more than a set of rules.....	31
Chapter II: Interpreting SAI independence	33
Introduction	33
II.1. Principle 1: The existence of an appropriate and effective constitutional/ statutory/legal framework and of de facto application provisions of this framework	33
II.2. Principle 2: The independence of Heads of SAI and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties	35
II.3. Principle 3: A sufficiently broad mandate and full discretion in the discharge of SAI functions	36
II.4. Principle 4: Unrestricted access to information	40
II. 5	41
Principle 5: The right and obligation to report on their work; and	41
Principle 6: The freedom to decide the content and timing of audit reports and to publish and disseminate them	41
II.6. Principle 7: The existence of effective follow-up mechanisms on SAI recommendations.....	43
II.7. Principle 8 Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources	44
Chapter III: Independence challenges and threats faced by SAIs	47
Introduction	47
III.1. Common challenges to independence:	47
III.2. Common threats to independence:.....	51
III.3. Baseline data at the INTOSAI and Regional level:.....	55

PART 2: MOVING TOWARD GREATER SAI INDEPENDENCE	61
Introduction	62
Chapter IV: Developing an independence strategy	63
Introduction	63
IV.1. Step One: Assessing the SAI’s current state of independence.....	64
IV.2. Step two: the SWOT analysis.....	68
IV.3. Step three: Identifying priorities.....	70
IV.4. Step four: Formulating and preparing the strategy document	72
Chapter V: Implementing an Independence strategy.....	75
Introduction	75
V.1. Advocating for strengthened independence.....	76
V.2. Involvement in constitutional or legislative change.....	80
V.3. Practical enhancements of independence	83
V.4. Responding to emerging challenges and threats	84
V.5. Ensuring organisational readiness.....	85
List of figures and tables	87
List of Key Documents Related to SAI Independence.....	88

Abbreviations

AFROSAI-E: African Organisation of English-speaking Supreme Audit Institutions

ASOSAI: Asian Organisation of Supreme Audit Institutions

ARABOSAI: Arab Organisation of Supreme Audit Institutions

CAROSAI: Caribbean Organisation of Supreme Audit Institutions

CREFIAF: African Organisation of French-speaking Supreme Audit Institutions

CSO: Civil Society Organisation

EUROSAI: European Organisation of Supreme Audit Institutions

IBP: International Budget Partnership

IDI: INTOSAI Development Initiative

INTOSAI: International Organisation for Supreme Audit Institutions

ISSAIs: International Standards for Supreme Audit Institutions

NGO: Non-Governmental Organisation

PAC: Public Accounts Committee

PEFA: Public Expenditure Framework Assessment Program

PFM: Public financial management

PASAI: Pacific Association of Supreme Audit Institutions

SAI: Supreme Audit Institution

SAI PMF: Performance Management Framework for SAIs

SDGs: Sustainable Development Goals

UN: United Nations

Glossary

Accountability	Accountability is about calling and holding institutions and officials to account in undertaking their functions or duties
Auditing Standards	Auditing standards are professional standards against which the quality of audits are performed and may be judged. Professional standards, and associated guidance material, are essential to the credibility, quality and professionalism of public sector auditing. Auditing standards for SAIs are found in the ISSAI Framework.
Autonomy	In relation to a SAI, autonomy refers generally to the has availability of sufficient resources (financial, human, material) to discharge its duties, and the ability to manage those resources and allocate them appropriately.
Civil Society Organisation	The term Civil Society Organisation (abbreviated to CSO) is generally understood to mean a non-market or non-state organisation or structure in which people organise to pursue shared objectives and ideals.
Corruption	Corruption is the abuse of vested power or decision-making authority for private gain at the detriment of society
Executive	The Executive refers to the executive power of the state, or the executive branch of the system of government. In a democratic system with the separation of powers, it is the branch that executes and enforces law made by the Legislature, subject to the oversight of the Judiciary.
Governance	Governance is described as the manner in which power is exercised in the management of a country's economic and social resources.
Head of SAI	This refers to the leadership level of the SAI. The Head of SAI may be an individual or a board. In some countries, there is no distinction between the SAI and its head.
Independence	SAI independence should be understood with reference to the Lima and Mexico Declarations (ISSAIs 1 and 10). It should be considered in respect of the SAI as an institution; the Head of SAI; the SAI's professional activities including planning and conducting audits, reporting results, and follow-up of audit

	recommendations; and its external relationships.
Integrity	The term integrity is derived from the Latin <i>in-tangere</i> , meaning untouched. It refers to virtue, incorruptibility and the state of being unimpaired. Integrity is about honesty and fairness, so is a cornerstone of good governance. It is a precondition for legitimacy of government activities and more generally for trust in government. Integrity is closely related to the absence of fraud and corruption, but it also entails common decency. In this context, it is a positive and broad concept related to ethics and culture.
INTOSAI	INTOSAI is the International Organisation of Supreme Audit Institutions.
ISSAI	An ISSAI is an International Standard for Supreme Audit Institutions. The ISSAI framework, formally established in 2007 and accessible at www.issai.org , reflects the ambition of INTOSAI to provide its membership and other interested parties with a framework of professional high-quality auditing standards. Pronouncements issued by INTOSAI are included in the ISSAI framework as either ISSAIs (International Standards of Supreme Audit Institutions) or INTOSAI GOVs (INTOSAI Guidance for Good Governance).
Judiciary	The Judiciary is the system of courts that applies the law and interprets it in the name of the state. Sometimes, it is referred to as the judicial system or court system. In some systems of government, the Judiciary is responsible for the investigation and prosecution of crimes, as well as adjudication. In other countries, investigation and prosecution is the responsibility of the Executive. Consistent with the language of the Mexico Declaration and the SAI PMF, this guide uses the term Judiciary in the former, broader, sense.
Legal framework	The set of laws (referred to by principle 1 of the Mexico Declaration as the constitutional/statutory/legal framework) that establish a SAI and/or the Head of SAI, including institutional status and form, appointment and tenure provisions, mandate and powers, reporting obligations and powers, funding, operational powers, and accountability. The legal framework may include provisions in the country Constitution, legislation or other forms of law enacted by the Legislature, and subsidiary laws and regulations.
Legislature	The Legislature is the institution or deliberative body of persons, usually elected, empowered to make the laws of a country, authorise taxation and public expenditure, and hold the Executive to account for its implementation of

	the national budget.
Lima Declaration	ISSAI 1, the <i>Lima Declaration of Guidelines on Auditing Precepts</i> , adopted at the IX Congress of INTOSAI at Lima, Peru, in 1977.
Mexico Declaration	ISSAI 10, the <i>Mexico Declaration on SAI Independence</i> , adopted at the XIX Congress of INTOSAI in Mexico, 2007, and ISSAI 11 containing associated guidance material.
Non-governmental Organisation	A Non-Governmental Organisation (abbreviated to NGO) is a non-profit, voluntary citizens' group which is organized on a local, national or international level.
PEFA	PEFA is a programme designed and used by the World Bank to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time. The PEFA framework includes a report that provides an overview of the PFM system and evidence-based measurement against 31 performance indicators, one of which assesses the extent to which countries are served by independent SAIs.
PFM	The Public Financial Management system, the system for raising and controlling the use of public resources. Sound public financial management (PFM) ensures accountability and efficiency in the management of public resources, and is an essential underpinning to improve governance and fight corruption.
SAI	SAI is the generic term for a Supreme Audit Institution. A SAI is the highest public finance oversight entity within a country, and should be independent of the Executive and the Legislature. Its main role is to audit the proper execution, by the Executive, of the budget as approved by the Legislature. Countries with federal systems of government or overseas territories may have similar institutions which function at state, provincial, or territorial level. While not strictly speaking a SAI, they may function in the same manner and be subject to the same principles of independence as the country's SAI itself.
SAI model	The term SAI Model is used to describe the different models of SAIs throughout the world. Models vary in terms of legal mandates, reporting relationships, and internal governance systems, depending on the country political, social,

	<p>cultural and PFM environment and history. INTOSAI categorises SAIs under three broad models:</p> <ul style="list-style-type: none"> • The Westminster model, also known as the Anglo-Saxon or parliamentary model, used in the United Kingdom and most Commonwealth countries. Key features include an independent institution headed by an individual Head of SAI, which submits audit reports to the Legislature and/or a committee of the Legislature (often known as the Public Accounts Committee). • The Board or Collegiate model, used by Germany, the Netherlands, Japan, South Korea, and other countries, is similar to the Westminster model, except that the SAI Head comprises an audit board (or boards) that produces audit reports and submits these to the Legislature. • The Judicial or Napoleonic model used by France and many Latin countries in Europe, Africa, and South America. The SAI is often known as a Court of Accounts, that judges the accounts of public accountants which are a specific category of civil servants. A Court of Accounts is generally an institution independent from the other three branches of the system of government. But in some countries, the SAI is part of the Judiciary. <p>There are other SAI models, or a mixture of the three models above. For example, most Arabic and Russian speaking SAIs have a specific model that does not fall in any of the above. Some countries in the CREFIAF region have particular variations. The Congressional model is a variant of the Westminster model, and is used in the United States of America and a number of other countries.</p>
SAI PMF	The SAI Performance Measurement Framework, known as the SAI PMF, is a tool designed for SAIs to measure their performance and enhance their development over time.
Sustainable Development Goals	The Sustainable Development Goals (abbreviated to SDGs), adopted by the UN in September 2015 under the United Nations Agenda 2030.
Stakeholder	<p>A SAI stakeholder is understood as a party that has an interest in the SAI and that can either affect or be affected by its work. Typically, the main stakeholders of a SAI include other public institutions (including the Executive, Legislature, and Judiciary), as well as citizens, media, non-government or civil society organisations, and development agencies or partners.</p> <p>A full description of SAI stakeholders is in Chapter IV, section IV.1.</p>
Transparency	Transparency refers to the duty of public institutions, office holders, and officials to act visibly, predictably and understandably to promote participation

	and accountability. In a free society, transparency includes a government's obligation to share information with citizens.
--	--

Executive Summary

SAI Independence – a pre-requisite to success

A country's SAI should be its primary public sector auditing organisation. A well-functioning SAI can play an important role in confirming that controls over public expenditure are operating effectively, identifying waste, and suggesting ways in which public sector entities can operate more effectively and transparently.

A modern SAI also plays a vital role in providing assurance to citizens that governments are using their taxes and assets well. One of the key ISSAIs, ISSAI 12, recognises that a SAI's ability to do so depends not only on how well it can contribute to strengthened accountability, transparency and integrity of government and public sector entities, but also to demonstrate ongoing relevance to its stakeholders and be a model organisation through leading by example.

However, it is difficult for citizens to trust that assurance if the SAI is not independent.

Much of the discussion around the independence of SAIs focuses on constitutional and legal provisions, and other formal aspects. This is described in the guide as the "legal framework" of a SAI. The importance of a SAI's legal framework was first identified in the Lima Declaration of 1977. The Mexico Declaration of 2007 refers to this as "de jure independence", i.e. the aspects of the SAI's independence that should be reflected in the Constitution, legislation, or other forms of law.

But it also has to be understood that independence involves much more than a set of rules. As much as the constitutional and legal expressions of independence are important, it is also fundamental for SAIs to build and consolidate their independence in their day to day operations, within such independence as the law confers in a formal sense.

The Mexico Declaration refers to this as "de facto independence". This guidance uses the term "practical independence", or "independence in practice", in contrast to independence in the constitutional and legal sense. Practical independence refers to conditions which must exist to effectively maintain the independence of the SAI within the existing legal framework, such as:

- the ability to be protected when the SAI's independence (or that of its Head) is challenged;
- the ability to have access to resources when needed, and the willingness to be held accountable for their use;
- the ability to recruit and be supported by professional and well rewarded staff;
- ensuring the SAI is led and staffed by people of impeccable character, leadership and integrity; and
- the effective use of the SAI's powers to select and conduct audits, make and follow up on its reports, and communicate its work to stakeholders.

The evolving nature and context of SAI independence

Equally, achieving independence is a process, not a product. It involves a "journey", a process with milestones and roadblocks, and an evolving construct. It also requires vigilance to remain relevant and involved, as governments adopt new ways of delivering services and new forms of communication with stakeholders develop and evolve at an alarmingly fast rate.

This is quite to be expected. Independence is “an evolving construct”. The fundamental precepts of SAI independence originated in the Lima Declaration in the 1970s, but the more detailed Mexico principles are of more recent origin. Many countries’ constitutional and legal frameworks have yet to capture the full range of the Mexico principles (for example, by recognising the SAI as an institution in its own right, with financial independence and managerial/operational autonomy). The UN General Assembly resolutions¹ now encourage them to do so.

Moreover, since the Mexico Declaration, the ISSAI framework has encouraged SAIs to see themselves as professional institutions, undertaking the professional work of risk-based auditing. This has further implications for independence, and becomes progressively more important as a SAI makes use of the level-4 ISSAIs in its work and engages professionally qualified staff.

SAIs do not therefore speak of having “achieved independence”. Like the Lima Declaration which preceded it, the Mexico Declaration acknowledges the aspirational nature of many of its principles. It also implicitly acknowledges that a SAI may be more advanced against some principles (for example, the strength of the Head of SAI’s constitutional status and protections) than others (for example, the power to report at a time of the SAI’s choosing, or the system by which the SAI is financed).

This also requires an acknowledgment of the inherent challenges of achieving, and being, independent. Regardless of the SAI model to which a SAI belongs, repeated global surveys show that a majority of SAIs across the INTOSAI regions lack the level of independence they aspire to. Many SAIs also face active threats to their independence, either as part of their country context or as a result of doing their job well. Identifying the challenges and threats that a SAI faces with regard to its independence is a fundamental prerequisite to assessing its needs and understanding what it will take to reach the level of independence it aspires to.

All of these developments have implications for how a SAI in the modern era understands its independence and gives effect to it, in both a legal and a practical sense.

Why this guidance?

Given these needs and the importance of independence to the effectiveness of SAIs, IDI has initiated a programme to contribute to the ongoing efforts to enhance independence of SAIs globally. The objective of the programme is “greater SAI independence”.

This guidance is a key element of the programme. It aims to build on and bring together the various international declarations and the work done by many stakeholders with a practical focus.

¹ See section 1.3 in chapter I.

The two part structure

The guidance is structured in two parts.

Part 1 examines in detail the founding basis of SAI independence and their origins in the Lima Declaration and the Mexico Declaration (chapter I); the principles of the Mexico Declaration and their meaning in practice, together with the problems and solutions for putting them into effect (chapter II); and the challenges and threats which SAIs can encounter in relation to their independence (chapter III).

This sets the scene for Part 2, which describes independence as a strategic objective, expanding on the notion of independence as a “project” or a “journey”. Chapter IV provides guidance on how a SAI can assess its current state of independence, identify priorities, and place these in the context of a long-term independence strategy. Chapter V then provides guidance on implementing a strategy, including the importance of advocacy and engagement with stakeholders in doing so.

The guidance is intended to be accessible to SAIs from all over the world, irrespective of their system of government or the SAI Model they belong to. To make it a truly global document, it also contains a body of reference material in the form of “stories” contributed by SAIs themselves.²

IDI expresses its thanks to all the SAIs which responded to the call for these “stories”.

A reminder of key principles

Finally, it is helpful to state some key principles that emerge from this Executive Summary and which need to be kept in mind – both when understanding and applying SAI independence in a legal and practical sense and when undertaking a process of developing, and then implementing, an independence strategy.

In particular:

- **Independence is not an absolute concept:** As it is said by the Lima Declaration, SAIs as state institutions cannot be absolutely independent, because they are part of the state as a whole.³ SAIs also have to keep in mind that independence (whether in functional terms or as an institution) is subject to country context. This can include political, constitutional or legislative, administrative, and resourcing constraints.
- **Rules alone cannot guarantee independence:** Rules may provide independence in theory, but cannot guarantee it. SAI independence is also a state of mind. Independence can be strengthened on both fronts through a strategic approach. As part of that approach, a SAI also needs to appreciate the value of its independence and how it can be given effect in the quality of its institution and its work. The recognition and support which the SAI can gain by its activities is, thus, the greatest safeguard of its independence.
- **Independence and interaction are not mutually exclusive:** In similar vein, an independent SAI does not isolate itself from the outside world (whether other institutions of government or civil society and citizens). Rather, a sound understanding of its independence (in both the legal and

² To come later, including inserting references through the text.

³ Article 5(2), under section II (Independence).

the practical sense) gives the SAI a framework to interact with the Executive, the Legislature, and the Judiciary, and other auditees, with confidence. Good relationships inspire better results.

And finally, SAIs should help each other to achieve independence, drawing on the resources and opportunities for collaboration that are available at the global, regional and bilateral levels.

Background

Effective SAIs deliver value and benefits and make a difference to the lives of citizens by contributing to accountability, transparency and integrity, staying relevant and leading by example. To be able to deliver these value and benefits as envisaged in ISSAI 12⁴, a SAI needs an enabling and conducive institutional framework. This includes independence as a primary requirement.

INTOSAI's Lima and Mexico Declarations are the primary reference points in defining SAI independence.

SAI independence also finds central place in the December 2011 UN General Assembly Resolution A/66/209 promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening SAIs. The resolution recognised that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.

Building on the December 2011 resolution, the General Assembly passed another resolution, No. A/69/228, in December 2014 which encourages member states to give due consideration to the independence and capacity-building of SAIs in a manner consistent with their national institutional structures.

The importance of independent SAIs is also underlined by the SDGs contained in the United Nations Agenda 2030 and adopted in September 2015. Goal 16 of the SDGs provides for the building of "effective, accountable and inclusive institutions at all levels." Target 16.6, which aims at developing "effective, accountable and transparent institutions at all levels," is of particular importance for the contribution of independent SAIs to sustainable development.

In reality, many SAIs in the INTOSAI community still fall well short of the aspirations for independence identified by the Mexico Declaration. Much work has already been done to promote independence, especially by the INTOSAI General Secretariat, INTOSAI regions, individual SAIs providing bilateral support to others, and development partners. However, the 2014 IDI Global Survey⁵ indicates that SAIs continue to face challenges and threats in terms of their independence.

Given these needs and the importance of independence to the effectiveness of SAIs, IDI has initiated a programme to contribute to the ongoing efforts to enhance independence of SAIs globally. The objective of the programme is "greater SAI independence". This guidance is a key element of the programme. It aims to build on and bring together the various international declarations and the work done by many stakeholders with a practical focus.

The guidance is accordingly in two parts:

Part 1: What does SAI Independence stand for?

- Introduction
- Chapter I: Rationale for SAI Independence
- Chapter II: Interpreting SAI Independence
- Chapter III: Independence challenges and threats faced by SAIs

⁴ ISSAI 12: *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens.*

⁵ Reference to be added.

Part 2: moving towards greater Independence:

- Introduction
- Chapter IV: developing SAI Independence Strategy
- Chapter V: Implementing SAI Independence Strategy

The Appendices contain stories and lessons learned from SAIs across INTOSAI community in their journey towards greater independence, together with some model provisions for SAI constitutional and legislative status.⁶

⁶ To come later.

How to read and use this guidance

This guidance is meant to give practical help and support to SAIs wishing to enhance their independence in line with the principles of the Lima and Mexico Declarations. It has been written as a global resource, with the different SAI models in mind.

The guidance should not be understood to establish legally binding standards or responsibilities. Instead, it describes the fundamental principles of independence as articulated by the two Declarations, and places them in the modern context of SAIs as professional institutions and their stakeholder context. It discusses a number of challenges and threats that some SAIs have faced in their quest to achieve greater independence, and then outlines strategies that SAIs could use in identifying their needs for greater Independence and planning to achieve and operationalise them.

While the guidance should therefore be viewed only as recommendations, users should be aware of the UN General Assembly resolutions which encourage member states to recognise and give effect to SAI independence. Country constitutions or legal systems may also recognise the independence of the SAI and require it to be given effect through national laws.

The guidance is written primarily for use by SAIs, and has been prepared with all types of SAI models in mind. However, it could also be used as reference material by other stakeholders intending to help their SAI in its journey to greater independence.

The diagram below (Figure 1) illustrates a framework for SAIs in their journey towards greater independence, reflecting the structure and chapters of the guidance.

Journey towards greater SAI independence

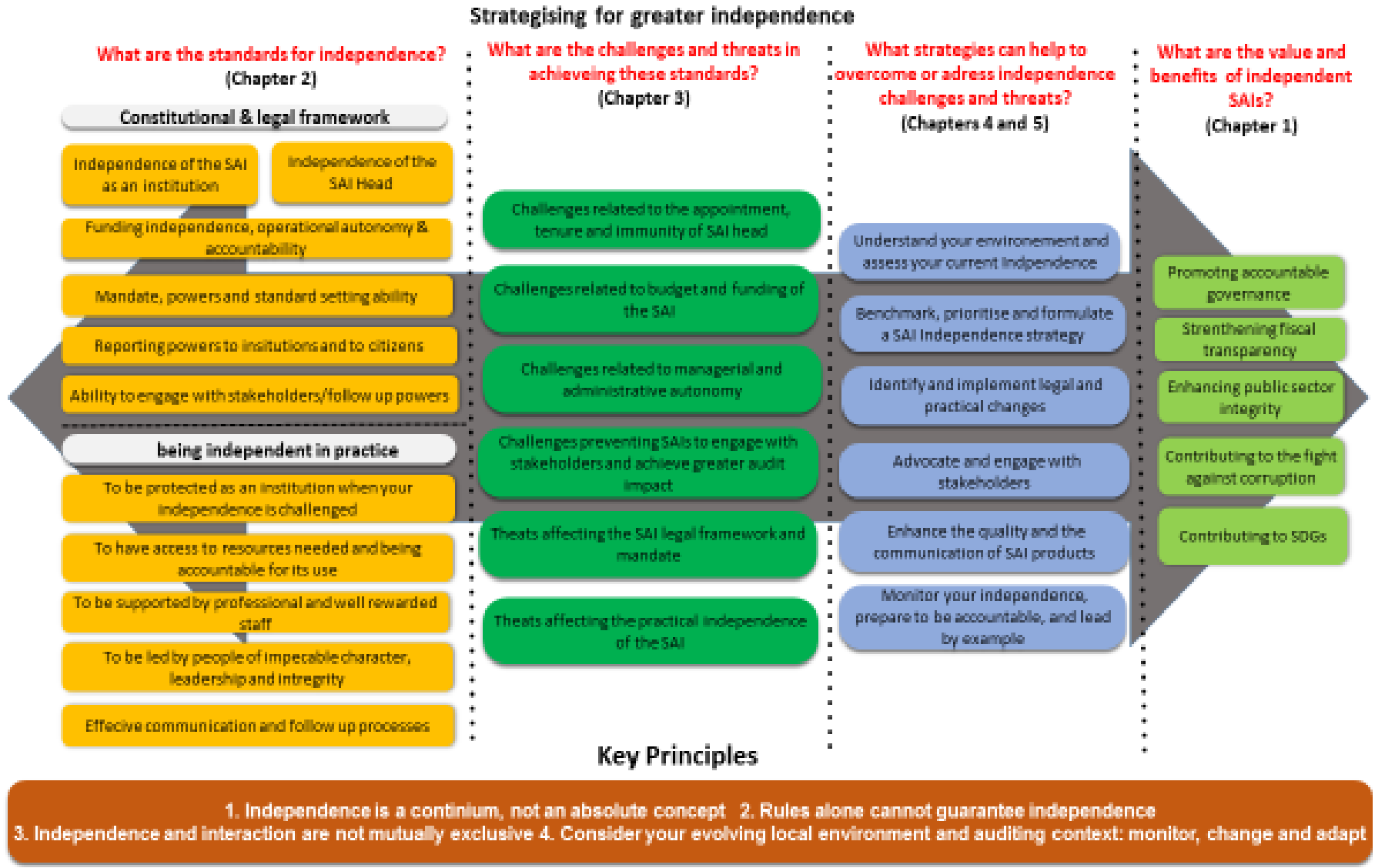
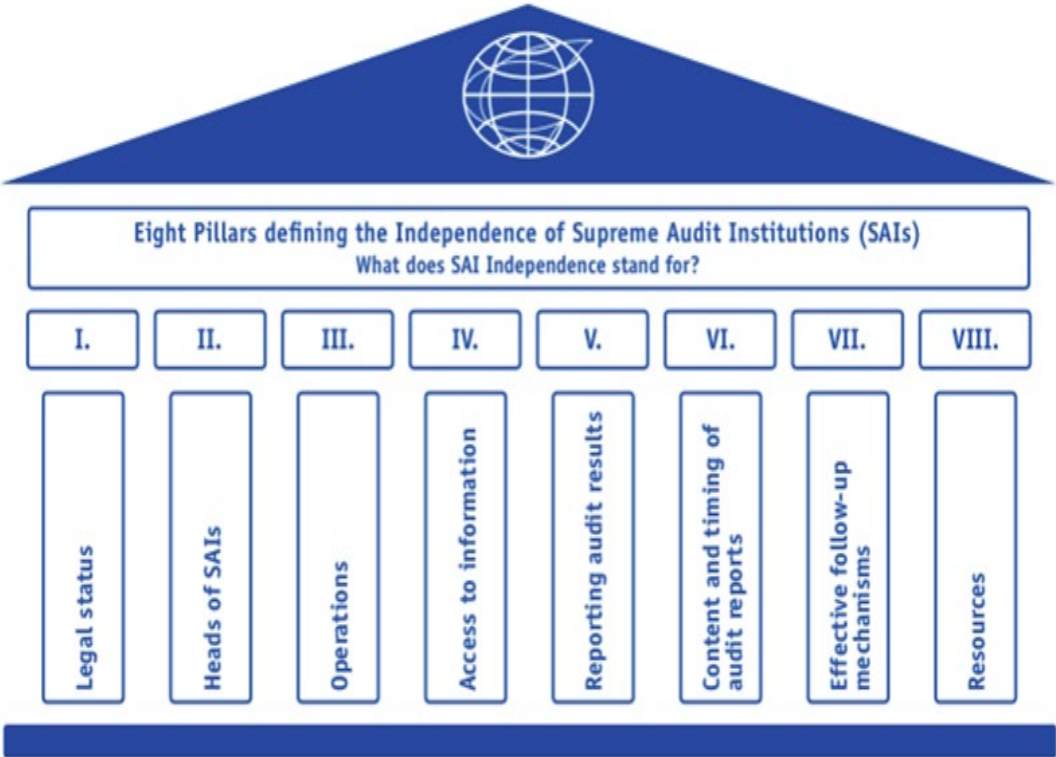



Figure 1: Journey towards greater SAI independence

PART 1: WHAT DOES SAI INDEPENDENCE STAND FOR?



Introduction

Part 1 explains the principles of SAI independence in their modern context. It acknowledges the multidimensional nature of independence, and the need to consider independence in both legal and practical terms. It also recognises that every SAI has its own independence needs and challenges. It is structured in three chapters.

Chapter I explains the basic rationale of SAI independence. After describing independence in a SAI context, it explains the benefits of an independent SAI to a country, and their consequences for audit quality, value to stakeholders and more broadly in promoting the values of accountability, good governance, transparency and integrity (including the contribution of the SAI to corruption deterrence and the achievement of international objectives like the SDGs).

Chapter II interprets SAI independence through the 8 “pillars” of the Mexico Declaration. This provides context for Chapter III, which identifies the challenges and threats which SAIs around the world typically encounter with regard to their independence. This can help a SAI to map the specific challenges it faces in enhancing its independence, and to prioritise them according to its own context.

This provides context for Part 2, which contains guidance on developing and implementing an independence improvement strategy.

Chapter I: The rationale for SAI independence

Introduction: Why is SAI independence necessary?

A country's SAI should be its primary public sector auditing organisation.⁷ Its main tasks are to audit public expenditure and examine whether public funds are spent economically, efficiently and effectively in compliance with existing rules and regulations and in line with national priorities. A well-functioning SAI can play an important role in confirming that controls over public expenditure are operating effectively, identifying waste, and suggesting ways in which public sector entities can operate more effectively and transparently.⁸

A modern SAI also plays a vital role in providing assurance to citizens that governments are using their taxes and assets well. ISSAI 12 recognises that a SAI's ability to do so depends not only on its ability to contribute to strengthened accountability, transparency and integrity of government and public sector entities, but also to demonstrate ongoing relevance to its stakeholders and be a model organisation through leading by example.

However, it is difficult for citizens to trust that assurance if the SAI is not independent.

This concept of independence is central to the role of all external auditors. In the private sector, it is widely recognised that the auditor should be independent from the client company, so that the audit opinion will not be influenced by any relationship between them. Shareholders need to know that the external auditor can give them an unbiased and honest professional opinion on the company's financial statements. There are many examples of catastrophic company failures where cosy relationships have been allowed to develop between the external auditor and the company's management, and this unbiased professionalism has been eroded. One of the best known of these scandals was the collapse of ENRON in the late 1990s.

Similarly in the public sector, the SAI as the external auditor needs to be able to deploy the same professionalism and integrity to report openly and honestly to the Legislature, the Executive, and citizens on its audits. To do this effectively, it needs to be independent both in a constitutional and legal sense and in practice. If citizens want a SAI that can speak truth to power without fear, they need to provide the conditions in which the SAI can act with full independence.

More broadly, independent SAIs play an important role in strengthening democracy. This includes providing a check and balance against overly strong executives who, once power is gained, can be reluctant to share that power and be held accountable to the Legislature, the Judiciary, and citizens. A SAI can help limit the scope for fraud and corruption by conducting hard hitting and rigorous audits and recommending that proper controls are in place.

A strong, independent SAI can enhance these contributions to good governance if it is prepared to lead by example and demonstrate best practices itself. The same is true in reverse. Through ISSAI 12, INTOSAI recognises that one of the most effective ways SAIs can promote and protect their

⁷ There are many SAI models, which vary according to the legal, financial and political traditions of each country. INTOSAI operates on the basis that there can only be one SAI for each country. If a country has more than one organisation involved in public external audit, the country should determine which organisation it wishes to identify as the SAI. See the

⁸ Good Practices in Supporting Supreme Audit Institutions, OECD. [Need full reference??]

independence is by clearly and consistently demonstrating the value and benefits of the SAI and its work.

I.1. What does INTOSAI mean by independence, and what are the standards supporting SAI Independence?

Independence is not a simple construct. It encapsulates all the features which enable a SAI to produce rigorous, high quality audits and reports. To be independent, and be seen to be independent, a SAI needs to:

- be protected by the Constitution and legislation which clearly mandates it to examine public funds wherever they are raised or spent, with unrestricted access to information;
- be able to choose auditing methods and ways of reporting which are consistent with best international professional auditing standards;
- be led by people of impeccable character and integrity;
- be supported by properly trained and rewarded staff;
- have the resources it needs to provide an adequate coverage of all public expenditure and income;
- be able to place its findings in the public domain in a timely manner of its choosing; and
- be able to follow up on its findings and recommendations to ensure appropriate action has been taken.

The Lima and Mexico Declarations

INTOSAI has long recognised the centrality of independence for SAIs. There are two key documents which define what is meant by independence.

The first, endorsed in 1977 and known as the Lima Declaration, determines the principles of independence of public sector auditing in methodological and professional terms. The Declaration was the first INTOSAI document to comprehensively set out the importance of SAI independence, by reminding INTOSAI members that SAIs can only be objective and effective if they are independent from the audited entity and are protected from outside influence.

The principles laid down in sections 5 to 7 of the Declaration can be summarised as follows:

1. *Organisational independence* is to ensure independence of SAI members (acting free from instructions; no possibility of arbitrary dismissal), and supreme authority of the Head of SAI in all staff-related matters, as well as non-interference on auditors by external sources.
2. *Functional independence* implies that the audit powers of the SAI are laid down in the Constitution, at least in general terms; the SAI is free to set up its own audit programme, and the SAI is free in drafting reports intended for publication.
3. *Financial independence* implies that SAIs can directly apply for the required funding to the body adopting the state budget (Parliament), as necessary, and SAIs can freely dispose of the appropriated budget during the financial year.

The course was set, and, in the years that followed, the subject of independence would come up at a variety of INTOSAI events. The second key document, known as the Mexico Declaration, was endorsed 30 years later in 2007. It defined the Lima principles in more concrete terms, and also drew on decisions made at the Congress of INTOSAI in Seoul, Korea in 2001, as essential requirements of proper public sector auditing.

The Mexico Declaration contains eight principles. They refer to:

1. The existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework.
2. The independence of Head of SAIs and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties.
3. A sufficiently broad mandate and full discretion, in the discharge of SAI functions.
4. Unrestricted access to information.
5. The right and obligation of SAIs to report on their work.
6. The freedom to decide the content and timing of audit reports, and to publish and disseminate them.
7. The existence of effective follow-up mechanisms on the SAI's recommendations.
8. Financial and managerial/administrative autonomy, and the availability of appropriate human, material, and monetary resources.

The authors of the Mexico Declaration also developed a document entitled *Guidelines and Good Practices Related to SAI Independence* (now ISSAI 11). This is still relevant today, and should serve as a source of good practices to share means of increasing and improving SAI independence. However, it was also intended to be a living tool that could be maintained and updated.

Chapter 2 of this guidance explores the Mexico Declaration principles in more detail.

The ISSAI Framework

The Lima and Mexico Declarations sit within, and are complemented by other elements of, the framework of ISSAIs that have served as a global set of professional standards for SAIs since 2007. There are four levels of ISSAIs, as shown in Figure 1:

- SAI founding principles (level 1)
- The prerequisites for the functioning of SAIs (level 2)
- The fundamental auditing principles (level 3)
- Auditing guidelines (level 4).

ISSAI Framework

Level	Subject	ISSAI No	
1	Founding Principles	Lima Declaration	1
2	Prerequisites for functioning of SAIs	Independence Transparency and Accountability Ethics Quality	10-40
3	Fundamental Auditing Principles	Basic Principles General -, Field - and Reporting Standards	100-400
4	Auditing Guidelines	Financial Audit Guidelines Performance Audit Guidelines Compliance Audit Guidelines Specific Guidelines	1000-2999 3000-3999 4000-4999 5000-5999



The Lima Declaration (ISSAI 1) forms Level 1 . The Mexico Declaration and guidance (ISSAI 10 and ISSAI 11) sit within Level 2.

Other Level 2 ISSAIs that relate to SAI independence are:

- ISSAI 12: The Value and Benefits of SAIs - making a difference to the life of citizens: where independence appears as a key enabler of SAIs

ability to perform and produce value and benefits to the citizens;

- ISSAI 20: Principles of Transparency and Accountability;
- ISSAI 30: Code of Ethics; and
- ISSAI 40: Quality Control for SAIs.

Even though independence is strongly related to the institutional and organisational levels addressed by Levels 1 and 2, the practitioner or professional level should not be overlooked. New trends within PFM practice, characterised in particular by the movement towards accrual accounting, had a significant impact on INTOSAI's auditing standards and the adoption of the ISSAI framework. The Level 4 ISSAIs reflect INTOSAI's the ambition to provide its membership and other interested parties with a framework of professional high-quality auditing standards analogous to those used by private sector auditors.

Levels 3 and 4 of the ISSAI framework establish a direct relationship between the independence of a SAI and its ability to deliver quality products consistent with the requirements of the auditing standards, whether through financial audits (ISSAI 200 and 1000 series), performance audits (ISSAI 300 and 3000 series), or compliance audits (ISSAI 400 and 4000 series).

This means there is a mutually reinforcing relationship between the institutional independence of a SAI, its professionalism and that of its staff, the quality of its work, and the credibility it has achieved over time.

The Strategic Management Framework for SAIs and the SAI PMF

In conjunction with INTOSAI's regional groups, the IDI has recently developed a Strategic Management framework for SAIs. The framework is pictured in Figure 2.

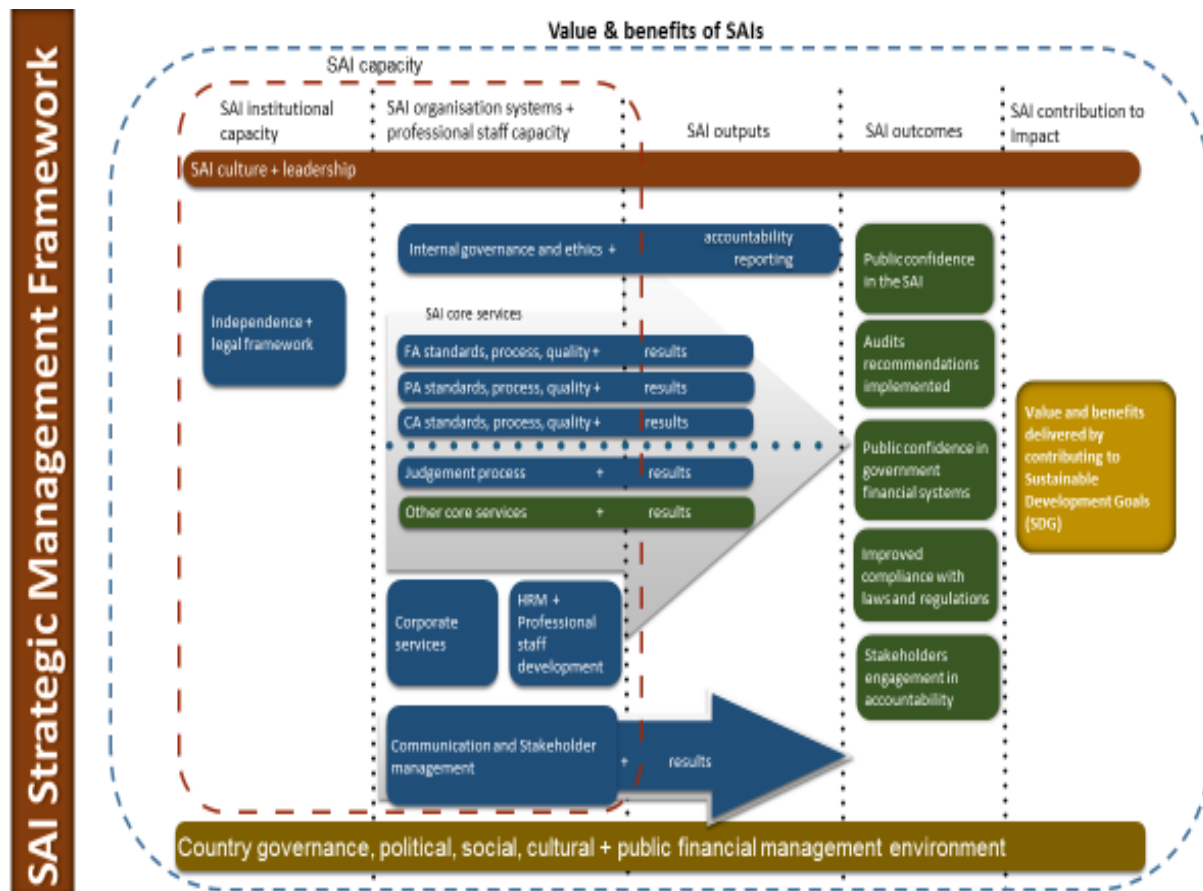


Figure 2: SAI Strategic Management Framework

The Framework envisages a well-functioning, independent SAI as one that delivers value and benefits for the citizens of its country, in accordance with ISSAI 12. As such, SAI independence is not an end in itself, but one of the most critical capacities required by a SAI to fulfil its larger mission of delivering value.

The Framework is also aligned with the SAI PMF, the measurement tool developed by INTOSAI's Capacity Development Committee in 2013 and finally adopted by at the 2016 Congress of INTOSAI in Abu Dhabi, United Arab Emirates. The SAI PMF enables a SAI to measure its independence against the Mexico Declaration principles within the context of its broader institutional framework.⁹

The structure of the SAI PMF is depicted in Figure 3. [Enhanced version to be inserted]

⁹ The use of the SAI PMF as an assessment tool for independence is discussed further in Chapter IV.

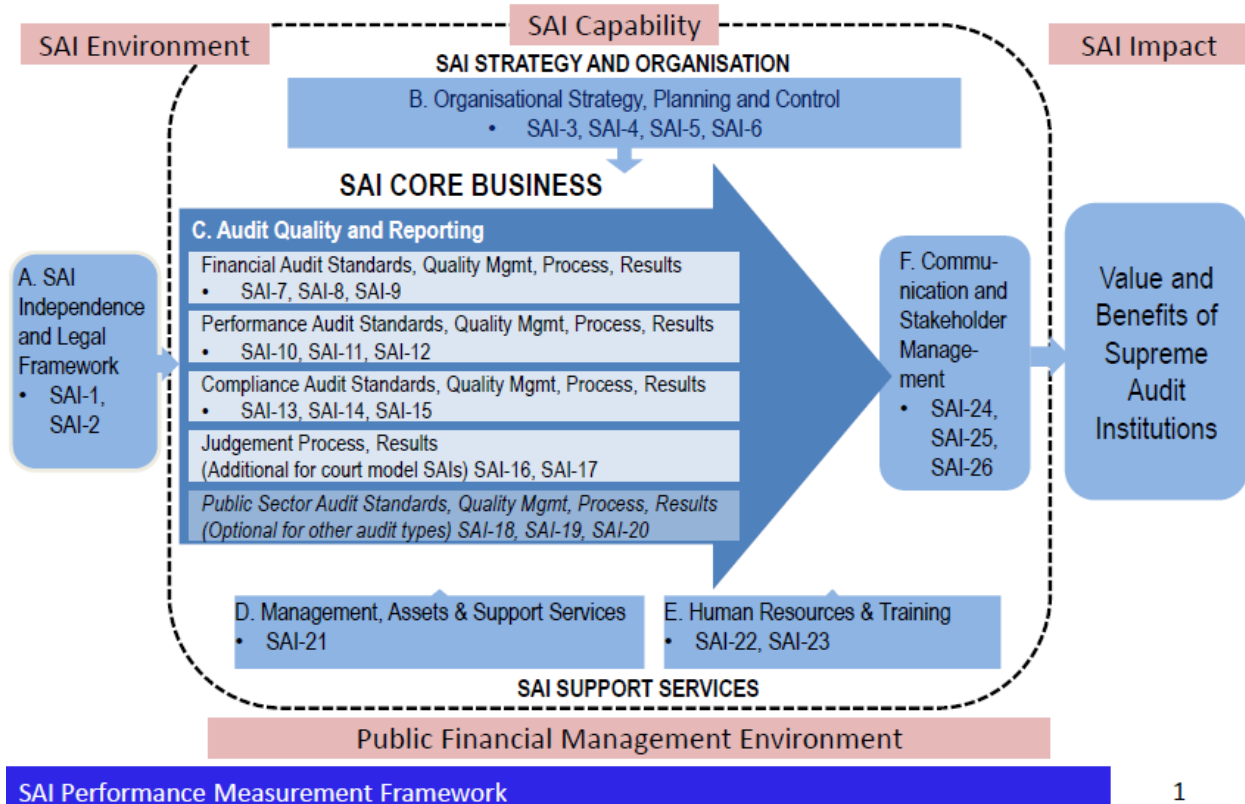


Figure 3: SAI PMF

The Strategic Management Framework and the SAI PMF also recognise that the Mexico Declaration principles are aspirational and were designed to be applicable in different ways in different environments. SAI independence thus needs to be looked at not only in relation to the international principles and standards, but also in relation to the local context and environment of the SAI. Independence is a continuum, and each SAI may be at a different place on the continuum.

SAIs also need to be able to demonstrate that they “deserve” their independence before they get support to lobby for greater independence. This also means that when a SAI embarks on its independence journey, it needs to ensure that it is ready to take on that independence. This is regarded as important because independence may come with more responsibilities in terms of the SAI’s outputs and increased expectations from its stakeholders.

I.2. How independent SAIs can make a difference, and the benefits of an independent SAI

As explained in the Introduction to this chapter with reference to ISSAI 12, public sector auditing is an important factor in making a difference to the quality of country governance and, consequently, the lives of citizens. Independent 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.

It is possible to expand on this contribution with reference to a number of recognised success factors for country governance. They are:

- accountable governance;
- strengthening fiscal transparency;
- enhancing public sector integrity; and
- contributing in the fight against corruption.



These factors are also recognised by Goal 16 of the SDGs¹⁰, which the UN General Assembly adopted on 25 September 2015 under the 2030 Agenda for Sustainable Development. Building on the lessons from earlier development initiatives, such as the Millennium Development Goals, INTOSAI has recognised

that delivering on the SDGs will require more attention to effectiveness and efficiency by governments, as well as greater accountability and transparency to meet the growing expectations of citizens, and that SAIs will have a critical role in doing so. SAIs can make significant contributions to the SDGs, through their audits, by confirming that controls are operating effectively, identifying waste, and suggesting ways in which public sector entities can improve their service delivery to citizens.

Each factor is discussed in turn.

a. Promoting accountable governance

Accountable governance refers to the collective responsibility of officials to preserve the public's trust in government by delivering on policy outcomes and safeguarding taxpayer funds. In today's uncertain global economic and financial environment, which emphasises "doing more with less", governments are called upon by their citizens to account for



¹⁰ SDG 16 aims at promoting peaceful and inclusive societies for sustainable development, providing access to justice for all, and building effective, accountable and inclusive institutions at all levels. It envisages this will be achieved mainly by substantially reducing corruption and bribery in all their forms; developing effective, accountable and transparent institutions at all levels; and ensuring public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

how public funds are spent through the execution of the public budget and are helping to deliver results and better public services, through an effective, efficient and economical use of taxpayers' money.

This is not a new trend. Indeed, it can correctly be pointed out that the article 15 of the French Declaration of Human and Civil Rights reads "Society has the right to ask a public official for an accounting of his administration"¹¹. However, recent global developments have strengthened the need for greater accountability and more effectiveness and efficiency in the delivery of public services.

Accountable governance involves systems and coordinated actions through which the public sector ensures the effectiveness, efficiency and economy of public expenditure. It relies on tools that promote value-for-money, integrity and transparency in government, such as external control, internal control, sanctions, and enforcement.¹²

Even though accountable governance is not the responsibility of one Institution, SAIs play a key role in creating and maintaining an enabling environment for greater accountability and improved governance.

b. Strengthening fiscal transparency

Fiscal transparency refers to the comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the past, present, and future state of public finances. It is critical for effective fiscal management and accountability. Transparency helps ensure that governments have an accurate picture of their finances when making economic decisions, including of the costs and benefits of policy changes and potential risks to public finances. It also provides the Legislature, markets, CSOs, NGOs and citizens with the information they need to hold governments accountable.¹³

The degree of fiscal transparency has been shown to be an important predictor of a country's fiscal credibility and performance. A growing body of empirical research has highlighted the positive relationship between the degree of fiscal transparency and measures of fiscal sustainability.¹⁴

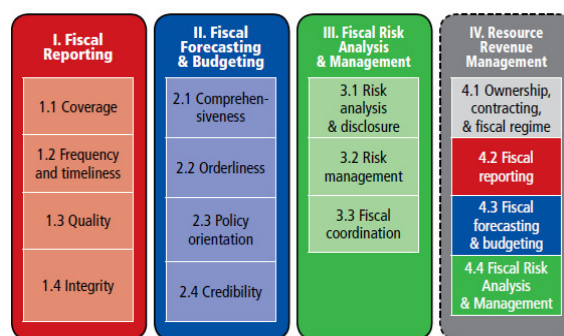


Figure 4: components of fiscal transparency. Source IMF

Independent SAIs can play a key role in identifying gaps in the quality and reliability of government accounts and financial information produced by governments. As such, external audit by the SAI

¹¹ French Declaration of human and civil rights of 26 august 1789

¹² OECD

¹³ IMF, fiscal transparency Code

¹⁴ IMF, fiscal transparency, accountability and risks

provides a key means by which the Legislature, on behalf of the taxpayer, scrutinises how the Executive uses the resources allocated to it.

Through their assessments of the fiscal reporting, whether it is by the means of financial audits or thematic audits, such as public debt audits, SAIs can also contribute to enhancing the coverage, frequency and timeliness, quality and integrity of the country's fiscal reporting, which will help mitigate the occurrence of fiscal risks.

c. Enhancing public sector integrity

Public sector integrity is a cornerstone of good governance. It is a precondition for legitimacy of government activities and – more generally – for trust in government. Efforts to strengthen public institutions need to be comprehensive and multi-faceted. In this context, fostering integrity in the public sector and its interactions with other stakeholders is essential to establish public trust in government and lay the foundations for long-term sustainable growth. Promoting a culture of integrity requires coherent efforts to define expected standards of conduct, provide guidance and incentives, as well as monitor them in daily practice to ensure compliance.¹⁵



Independent SAIs contribute to integrity in the public sector not only through their auditing activity (including audits of compliance and propriety) but also by demonstrating their own integrity and adherence to ethical values in their daily operations. This enables them to be considered as model organisations in the public sector, as encouraged by ISSAI 12.

d. Contributing to the fight against corruption

Corruption is most commonly defined as the misuse or abuse of public office for private gain. It can come in various forms and a wide array of illicit behaviour, such as bribery, extortion, fraud, nepotism, graft, speed money, pilferage, theft, and embezzlement, falsification of records, kickbacks, influence peddling, and campaign contributions. Corruption causes tremendous damage to public institutions ranging from financial loss, to loss of organisational performance, reputation and credibility.



¹⁵ OECD, integrity framework

SAIs are among the key players in the fight against corruption. Through their oversight function, they can play an important role in creating an enabling environment for good governance. Audits as exercised by SAIs, make risks visible, and help build robust and effective internal controls that contribute specifically to the prevention of corruption. By reporting their audit findings to the citizen, their representatives and other relevant stakeholders, SAIs create a climate of transparency that largely contribute to detecting and more importantly preventing corruption¹⁶.

While many SAIs are not directly responsible for detecting fraud during audits, an independent SAI ought to be able refer suspected cases of fraud to the Executive and/or the Judiciary (unless the SAI has its own investigative and/or prosecutorial powers). In turn, the SAI can monitor the Executive and the Judiciary to follow up and report on the extent to which cases are taken forward and result in prosecutions.

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.

[1.3. Growing international momentum on SAI independence](#)

The importance of SAI independence has been increasingly recognised by global and regional governmental organisations since the Mexico Declaration was adopted in 2007.

In December 2011, the UN General Assembly passed resolution 66/209 which recognised the need to promote the efficiency, accountability, effectiveness and transparency of public administration by strengthening SAIs. The resolution recognised that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.

The General Assembly reinforced this in November 2014 with a further statement which recognised “that supreme audit institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence”.

Similarly, in November 2013, the Commonwealth Heads of Government issued a communique in which they:

recognised the contribution that strong, properly resourced and independent supreme audit institutions play in improving transparency, accountability and value for money to ensure that public funds are appropriately spent.

In July 2015, the Third International Conference for Development held in Addis Ababa, Ethiopia, brought a clear commitment to strengthening SAIs, by reaffirming in the Addis Ababa Action Agenda issued at the end of the Conference:

¹⁶ IDI program on SAIs fighting corruption.

the will of the Heads of State and Government and High Representatives, gathered in Addis Ababa, to strengthen national control mechanisms, such as supreme audit institutions, along with other independent oversight institutions, as appropriate... with the goal of improving the quality of governance and government services.

These statements are evidence of a growing consensus in the international community on the need to recognise the importance of, and strengthen, the independence of a country's SAI. It is increasingly accepted that an independent, effective and credible SAI is an essential component of a system where accountability, transparency and integrity are indispensable parts of a stable democracy.

SAI independence is also gaining increasing recognition within key international tools used to assess government financial systems, such as the PEFA programme and the Open Budget Index.

Within the INTOSAI community, the Paris Declaration of SAIs with Jurisdictional functions, issued by the Forum of SAIs with Jurisdictional Functions in November 2015, strongly advocates for greater independence, especially for SAIs with jurisdictional powers, including the ability to exercise their duties independently from the Legislature and Executive.¹⁷ The endorsement of the SAI PMF in 2016 is another useful development. As discussed in chapter IV, the SAI PMF enables a SAI to measure the degree of its independence as identified by the Lima Declaration and the Mexico Declaration. This recognises that the foundation for a SAI's existence needs to be recognised in the legal framework, providing the independence necessary for the SAI to act without the risk of being perceived as influenced by the Executive and other entities.

I.4. Independence in practice: more than a set of rules

Much of the discussion around the independence of SAIs focuses on constitutional and legal provisions, and other formal aspects. The Mexico Declaration refers to this as “de jure independence”, i.e. the aspects of the SAI's independence that should be reflected in the Constitution, legislation, or other forms of law. De jure independence encapsulates most, and in some cases all, of the dimensions of independence recognised by the Lima Declaration, namely institutional, functional, and financial independence – or, with reference to the Mexico Declaration principles:

- the independence of both the SAI as an Institution and its Head (principles 1 and 2);
- the SAI's legal mandate and powers of access to information (principles 3 and 4);
- the SAI's reporting powers (principles 5 and 6) and, in some cases, follow-up powers (principle 7); and
- the SAI's funding arrangements under legislation (if any), the extent (if any) of the Head of SAI's legal autonomy over its resources, and any legal requirements of accountability (principle 8).

¹⁷ Paris Declaration of SAIs with jurisdictional functions, 13th November 2015.

But it also has to be understood that independence involves much more than a set of rules. As much as the constitutional and legal expressions of independence are important, it is also fundamental for SAIs to build and consolidate their independence in their day to day operations, within such independence as the law confers in a formal sense.

The Mexico Declaration refers to this as “de facto independence”. This guide uses the term “practical independence”, or “independence in practice”, in contrast to independence in the constitutional and legal sense. Practical independence refers to conditions which must exist to effectively maintain the independence of the SAI within the existing legal framework, such as:

- the ability to be protected when the SAI’s independence (or that of its Head) is challenged;
- the ability to have access to resources when needed, and the willingness to be held accountable for their use;
- the ability to recruit and be supported by professional and well rewarded staff;
- ensuring the SAI is led and staffed by people of impeccable character, leadership and integrity; and
- the effective use of the SAI’s powers to select and conduct audits, make and follow up on its reports, and communicate its work to stakeholders.

Equally, achieving independence is a process, not a product. It is a process with milestones and roadblocks, and an evolving construct. In that regard, each generation of Heads of SAI and auditors needs to be vigilant that their SAI remains professional, relevant, and able to provide its stakeholders with the assurances they need. As governments adopt new ways of delivering services, for example using private companies to deliver public services, being independent means the ability to adapt, as well as to propose new legal powers such as the right to audit the flow of public funds to NGOs.

These matters will be explored in depth in Chapters 3, 4 and 5 of this guidance. But it is considered important to state the dimensions of independence here too. In building a case for stronger independence, it can be helpful to understand that the constitutional and legal (de jure) manifestations of independence go hand in hand with how well the SAI uses the powers and resources it has to in a practically (de facto) independence sense.

Chapter II: Interpreting SAI independence

Introduction

This chapter examines the eight principles, or pillars, of independence under the Mexico Declaration, exploring what they mean in practice.

The Mexico Declaration reminds us (in its preamble) that absolute independence is neither possible nor desirable. A SAI is an organ of a state, dependent ultimately on the will of citizens through their elected representatives to provide the resources to enable a SAI to function. As chapter I has noted, the Declaration also acknowledges that independence has both a legal (*de jure*) and a practical (*de facto*) application. There are many ways SAIs have found to put independence into practice, and it is important to recognise that the political and legal context of each country is unique.

The examples provided in this chapter are therefore illustrative, not definitive, of how the pillars of independence should be given effect.¹⁸

II.1. Principle 1: The existence of an appropriate and effective constitutional/statutory/legal framework and of *de facto* application provisions of this framework

Principle 1 recognises the importance of a constitutional and statutory/legal **framework** for the SAI. The aim is to ensure that the SAI is formally recognised in the country's law and system of public sector governance. This is important because it provides legitimacy, clarity, and a stable basis for the SAI to function. It also reduces the opportunity for arbitrary change driven by political or other expediency (as discussed in chapter III).

It is important to understand the framework in terms of the SAI both **as an institution** and for what it is **mandated to do**. As a minimum, a SAI needs legal recognition of its:

- institutional form and structure, including its institutional independence;
- Head and office holders (whether the SAI as an institution takes the form of, or is headed by, a court, a board, or a single public office-holder) – their independence is discussed under principle 2 below;
- mandate (including which entities and/or accounts it audits, and what types of audits it can perform) – discussed further under principle 3;

¹⁸ The case studies/success stories provide useful examples from around the world of how SAIs have enhanced their independence. See also the examples provided in ISSAI 11, which records the results of a 2006 survey by the INTOSAI subcommittee which was responsible for preparing the text of the Mexico Declaration.

- legal powers to support its auditing work (including powers to obtain or require production of documents and obtain information from officials or other persons) – discussed further under principle 4; and
- powers to report and/or disclose information (whether to the Legislature, the Executive, the Judiciary, or other agencies or persons) – discussed under principles 5 and 6.

Principle 1 expects these fundamental provisions to be either enshrined in the Constitution or set out in specific legislation (such as an Act or Law) devoted solely to the SAI or the work of public sector auditing.¹⁹

Legal recognition of the SAI as an independent institution is increasingly important in the modern context of professionally-based auditing, as discussed in chapter I. It is also a pre-requisite to the implementation of principle 8 (discussed below), which concerns financial independence of the institution and the autonomy of the Head of SAI to govern and manage it.²⁰

The legal framework should also, therefore, address how the SAI:

- develops and either gives or obtains legal authority for its auditing plans;
- sets (or is given) its auditing standards;
- prepares and either confirms or seeks approval of its operational budget, obtains its funds, and reports on its financial and other performance;
- obtains and manages its personnel and other resources.

Other important institutional arrangements include how the SAI:

- functions in a professional and ethical sense, including in relation to conflicts of interest, the confidentiality of information, and staff conduct; and
- follows up or enforces its reports or findings – discussed further below under principle 7.

Depending on the country system, matters of this type may be either set out in the SAI’s specific enabling legislation or included in other legislation (such as a public finance law dealing with all public sector agencies’ budgeting and financial management). Alternatively, they may be addressed in standards, protocols, or MOUs with other agencies (or a combination).

There are risks in specifying the SAI’s governing law in too much detail. A less detailed or prescriptive approach can leave space for matters of operational significance to be worked out over time, and put into practice through subsidiary legislation, internal regulations, or operational policies²¹ – depending what is appropriate in the country context.

Developing the constitutional or statutory/legal framework is not simple. Part 2 of this guidance describes it as a strategic activity for a SAI. Globally, there is considerable experience of the areas which are often overlooked or which can be contentious. These are outlined in the sections below.

¹⁹ In this discussion, the “legal framework” therefore includes the Constitution, legislation, and other forms of law. Principle 1 recognises that the exact mix is a matter for country context, although it is widely accepted that the Constitution should demonstrate fundamental recognition of the SAI, its Head, and its mandate.

²⁰ Some countries’ Constitutions or other laws recognise the Head of SAI as an individual office holder or board, but do not refer to an institutional form separate from the Executive.

²¹ Referred to in principle 1 as “the de facto application provisions” of the legal framework.

II.2. Principle 2: The independence of Heads of SAI and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties

Principle 2 recognises that the people chosen to lead a SAI, and who are recognised by the legal framework established under principle 1, must have the freedom to carry out that role without fear of arbitrary dismissal or the risk of being subjected to legal action (whether criminal, civil, or some other form) by those unhappy with the SAI's audits or reports.

Principle 2 has four key elements. They are:

- **The process of appointment:** This should be set out clearly in the legal framework, and should be transparent and free of political influence or faction. It should result in the appointment of the Head of SAI (and, where applicable, senior office holders within the SAI) on merit. Important personal attributes include leadership ability, integrity, managerial skills, reforming passion, and the professional skills to lead the SAI and bring about its continued growth and transformation as an institution.

It is good practice for the process of appointing the Head of SAI to be set out in the Constitution, and to be made by, or require the approval or recommendation of, the Legislature.

- **The term of office:** Principle 2 recognises that Heads of SAI (and those appointed to senior SAI positions) should be given sufficient tenure to make a difference. Too short a period and little can be done – too long and the organisation can suffer from a lack of turnover.

There are several possible options. They include appointing the Head of SAI on a permanent basis subject to an age of retirement; providing for a renewable appointment (for example for a term of five years); or providing a single, non-renewable term (for example of seven, ten or more years). This is likely to be the subject of debate, especially if it requires a different approach to that taken for other public officials. The outcome may be influenced significantly by country context, including the terms of the Constitution, approaches to political authority, and cultural factors.

- **Protection from removal from office:** The legal framework should state clearly the basis on which the Head of SAI may be suspended or removed from office. Ideally, this should be stated in the Constitution and should confer the same level of protection as that available for members of the Judiciary or other important office holders (being, for example, limited to incapacity or misconduct). As with appointments, a clear and transparent process for suspension or removal from office is essential, protecting against arbitrary or politically motivated action.
- **Legal immunity:** The Head of SAI, and where applicable the SAI as an institution and its senior office holders, need to be immune to any prosecution, civil action, or other form of punitive legal sanction for any act, past or present, that results from the normal discharge of their duties. Without clear immunity, those wishing to silence the SAI or suppress uncomfortable audit findings can use legal processes to prevent the SAI going about its

work, or prohibit or delay release of its reports and other information into the public domain.

Finding the right mechanisms and balances for these provisions can be among the most difficult aspects of developing the SAI's legal framework. They can require careful drafting, to ensure transparency and avoid loopholes which could be used against the SAI or its personnel in a retaliatory fashion.

II.3. Principle 3: A sufficiently broad mandate and full discretion in the discharge of SAI functions

The SAI's mandate should be specified in law. There are several elements to this.

The types of audit the SAI can perform

To meet international standards according to the ISSAIs, the legal framework should state clearly that the SAI can conduct financial, compliance and performance audits.

How this is expressed is a matter of country context. For example, some SAIs' legislation provides for a single audit, but incorporating the three audit types. Other countries separate them into distinct audits.

Whatever approach is taken, care is also needed to allow flexibility, giving the SAI freedom to respond and carry out new and emerging types of audits e.g. environmental audits, investigations, forensic audits, and other forms of assurance. In developing countries, the SAI may also be called upon to audit development projects or the use of donor funds. Other types of audits may be mandated, of a nature specific to the country level

This suggests that the law should be drafted with a mix of mandatory auditing duties (in particular, specifying which audits such as annual financial audits the SAI must perform and when) and discretionary auditing functions (without being prescriptive or over-specific as to what such audits might entail or when they should be performed).

The IDI's Global Survey of SAIs in 2014 showed that SAIs almost universally have mandate to carry out financial and compliance audits, and also increasingly performance audits.²²

The "field of audit"

The legal framework should specify the extent of the SAI's auditing jurisdiction clearly, and as simply as possible. Principle 3 makes it clear that SAIs should be empowered to audit:

- the use of public monies, resources, or assets, by a recipient or beneficiary, regardless of its legal nature;
- collection of revenues owed to the government or public entities;
- management of public entities;
- legality and regularity of government or public entities' accounts;
- quality of financial management and reporting; and

²² The Global Survey is discussed in more detail in chapter III.

- economy, efficiency, and effectiveness of government or public entities' operations.

How the field of audit is expressed is a matter for country context. In some countries (including those with a SAI under the court model), the mandate is expressed in terms of a responsibility to audit public money or resources, or particular accounts. In others, the approach is entity-based.

It is important for the law to state clearly which approach is being used. This is especially so for a country that is transitioning from a government-wide accounting system to an entity-based PFM system. A lack of clarity can give rise to uncertainty or confusion.

The reality is that the frontiers of the mandate are often contested. For example:

- the SAI may be able to audit expenditure but not revenue;
- particular forms of revenue may be excluded from the mandate (such as oil or extractive industry revenue); or
- the SAI may be unable to audit sensitive areas of government activity (for example the defence and secret service budgets) or entities such as the central bank or state-owned commercial entities.

Chapters IV and V explore how these issues can be identified and factored into a strategy for advocating broader independence.

"Following the money"

The ability to follow public resources to their point of final expenditure is another important element in achieving the aims of principle 3. Irrespective of how the mandate is defined (for example, whether in terms of resources, accounts, or entities), it is important that the SAI is able to follow and audit the use of public resources from the point where their use is authorised by the Legislature (or otherwise received by the Executive as revenue) to the point where they are spent or applied.

This is especially important in those countries where public resources are made available to NGOs or private sector companies sitting outside the public sector, for example to deliver public services or to construct and operate public infrastructure assets. The SAI may find its mandate to audit funds of this nature challenged. Clarity of expression in the legal framework is therefore important, and vigilance is needed to ensure that changes in the way governments carry out their activities remain subject to the SAI's audit oversight.

Where the SAI's mandate is confined (for example to public sector entities), it is important for its powers of access to information (see principle 4, below) to extend to information held by third party entities outside the public sector. This enables the SAI to use the information when auditing the public sector entity that is responsible for the activity concerned. Alternatively, the right to audit or to have access to information can be written into the contract with the third party.

Achievability of the mandate

While breadth and flexibility are crucial in defining the SAI's mandate, it is also important for the law to be realistic about what a SAI is required to do and what is affordable and achievable.

In less developed countries, it may be desirable to allow the SAI to set auditing targets rather than requiring it to carry out annual financial audits of all accounts, or every entity, within its jurisdiction. That will ensure that the law does not place the SAI in a position of being unable to comply with its legal obligations.

Making provision for the contracting out of audits (under the SAI's supervision and direction) is another means of enabling full coverage of the public sector while not imposing unrealistic burdens on the SAI.

Selection of audit activity

Principle 3 also deals with the need for independence in how the SAI's mandate is given effect. Not only should the SAI have the broadest possible mandate and field of audit, but it should also be free from direction or interference from the Legislature or the Executive in the:

- selection of audit issues;
- planning, programming, conduct, reporting, and follow-up of audits; and
- enforcement of decisions where applicable to the mandate.

Principle 8 also addresses the autonomy of the Head of SAI to allocate resources as considered necessary to audit activity.

The selection of audits should not happen in a vacuum. There should be scope for the SAI to discuss its work programme intentions with the Legislature, and be open to accommodating requests for particular audits or areas of audit emphasis. This may also extend to discussion of audit priorities with other stakeholders, including CSOs and the public, as part of the SAI's willingness to remain relevant and credible to citizens. Practices of that nature are consistent with ISSAI 12, as discussed in chapter I.

However, the ability to say "no" is crucial. Maintaining the SAI's independence from political processes is an important proviso to any good working relationship with the Legislature and other stakeholders. For example, if the SAI believes a request to carry out a particular audit is "political", it must have the power to decline such requests. Likewise, the SAI should be aware of community preference or pressure, but retain the decision as to which areas of audit work are most important.

This needs to be made clear in the legal framework. Ideally, it should be expressed through a constitutional provision which guarantees the independence of the SAI and its Head, including freedom of direction from any person or body in relation to its selection of audits and its power to report.

However, this aspect of principle 3 also has important practical dimensions. Independent audit selection can be controversial, or unsettling. In practice, it can be enhanced by means such as:

- using a transparent, risk-based audit selection methodology, which includes interaction with auditees or committees of the Legislature;

- explaining the reasons for audit selection decisions, both directly to auditees or legislators and to the public and other stakeholders through the SAI's relationship management practices²³;
- explaining the nature of a proposed audit with reference to the mandate, standards, and methodology, and providing reassurance about audit quality (for example by explaining the quality control and quality assurance processes); or
- in relation to a performance audit, explaining that (unless the law allows otherwise) the audit will not involve questioning or commenting on government policy choices but will be restricted to the audit of policy implementation.²⁴

The SAI should also be willing to explain that independence in audit selection does not mean that the SAI regards itself as above the law, or unaccountable for its work.²⁵

Auditing standards and methodology

The legal framework should also ensure that the standards and methodology for the SAI's work are not set by the Executive. This is an important element of independence in functional terms.

In many PFM systems, the Minister or Ministry of Finance sets the accounting standards for the government's financial reporting. However, it would be inconsistent with auditor independence for the same authorities to set the standards by which the accounts are to be audited. This would, in effect, result in the SAI's primary audit client setting the standards and thereby determining the scope of its audits.

There are several options for achieving independence in this area. One is for the law to give the Head of SAI autonomy to determine the standards which will be applied. Preferably, this should be with reference to internationally accepted standards (such as the ISSAIs), with a power to modify for local circumstances. Another is to give the standard setting responsibility to an independent commission. However, in that case it is important that the members have sufficient knowledge and understanding of auditing standards to perform this task appropriately.

In either case, the standards should be publicly available, to ensure transparency. Many SAIs put their standards on their websites. In some countries, they are presented to the Legislature and made public in that way.

Independence in relation to the mandate should also extend to the broader audit methodology. The SAI should be free to use appropriate working practices and methods, including computer-assisted auditing techniques, and to set standards and expectations of its staff (including through a code of ethics). These questions are also important in relation to principle 8, which concerns the operational autonomy of the Head of SAI.

²³ Reference to Relationship Management guidance.

²⁴ This distinction can be hard to make, but is a useful way to emphasise the responsible use of the SAI's independent auditing responsibilities.

²⁵ Reference can be made to, for example, the use of the SAI PMF assessment tool, peer reviews by other SAIs, or requirements for the SAI to report annually to the Legislature on its activities.

II.4. Principle 4: Unrestricted access to information

A SAI's legal framework should also give it all the tools it needs to discharge its legal duties fully within the law. If a SAI is to perform its mandate effectively, it must be able to gather the evidence it needs to reach appropriate and defensible opinions. The SAI needs to know that the entities or officials it is auditing will put no barriers in its way to access all the necessary documents and information, in whatever format they are stored, freely and quickly, and that it will be able to obtain copies of such information to use when preparing its audit reports.

Over and above documentary evidence, the SAI needs access to the appropriate officials and staff within the government or audited entity, so that it can interview them when necessary, check their understanding of the internal control systems, and verify facts collected during the audit process.²⁶

The power to access information should also extend to information not held by the audited entity. This can include, for example, bank records, tax records, or information held by officials in their personal capacity. The SAI's powers should be expressly able to override other obligations applying to such information, for examples duties of secrecy in relation to bank or tax records, or "commercial in confidence" obligations in relation to information received from third parties.

When there is any doubt about the SAI's mandate to audit resources or entities outside the public sector (as discussed under principle 3, above), it is important to ensure that the SAI has power to obtain information held by those persons.

It is essential that the SAI's powers are written into the legal framework, with clarity and precision. They should be capable of delegation to authorised personnel of the SAI under the oversight of the Head of SAI or other senior office holders.

Reserve powers are also necessary to address extreme situations. They should include powers to enter premises, seal documents or working spaces, and require officials or others to attend the SAI for questioning. Sanctions may also be needed, for example in the form of criminal offences for an entity or individual to wilfully obstruct the SAI or its officers in the performance of their duties – including failing to provide information within a reasonable time period.

Principle 4 also has important practical dimensions. The ISSAIs refer to the need for audit opinions to be formed on the basis of sufficient appropriate audit evidence. An audit under the ISSAIs is conducted within the context of a relationship with the entity and its personnel (including its management and those charged with its governance). Principle 4 can be enhanced by understanding the need for information in this context.

On the other hand, the SAI's power of unrestricted access to information can in practice be threatened when officials or audited entities seek to frustrate the SAI's attempts to gather information. This can happen in many ways, even in the context of an audit relationship as just described. They include delays in responding to requests, providing only partial responses to questions, or, at worst, denying the existence of documents which the SAI knows exist or must exist.

²⁶ International auditing standards also increasingly recognise the importance of the auditor being able to interact with those charged with governance of an entity, both in planning and reporting on the results of an audit. Those charged with governance can include (in the government context) the permanent secretary or administrative head of a ministry, or (in an entity context) the board of directors or an audit committee.

As well as being able to resort to the SAI's reserve powers, these problems can be addressed through intervention by senior officials or the Head of SAI, or use of the SAI's reporting powers to draw the Legislature's attention to the lack of cooperation.

II. 5

Principle 5: The right and obligation to report on their work; and

Principle 6: The freedom to decide the content and timing of audit reports and to publish and disseminate them

Principles 5 and 6 both refer to a SAI's power to report, and can usefully be considered together. They seek to establish the important principles that a SAI should have the autonomy to decide what to include in its reports, should be able to issue reports which contain observations and recommendations (taking into account the views of the audited entity as appropriate), and should issue reports which are timely (as determined by the Head of SAI, except where the law prescribes specific reporting requirements).

These powers are fundamental to SAI independence, and to the effectiveness of the SAI as an auditing institution. They should be addressed in the SAI's legal framework, but they also have important practical dimensions. For example, the reference to the dissemination of reports should be seen in the modern context of ISSAI 12, which has emerged since the Mexico Declaration was written. This encourages SAIs to consider their reporting practices as part of a wider approach to communications and relationship management.

There are several distinct aspects to these principles, which also need to be considered carefully if modernising the legal framework.

Frequency of reporting, and to whom

The notes to principle 5 say that SAIs should be required by law to report "at least once a year on the results of their audit work". This is a fundamental principle of accountability – if a SAI does not produce at least one report a year, then what value can the SAI's work have for citizens and the Legislature?

The Legislature should be the primary recipient of the SAI's. Some SAIs that are required to report to the Legislature must also send copies of their reports to the President, the Prime Minister, or other Ministers. The audited entity should also, of course, be aware of the report and its contents.

The requirement to report "at least annually" is often understood to mean that a SAI should only report once a year on the results of all its audits. This is also written into some countries' legal frameworks. In some countries this is because the SAI is expected to issue a single opinion on the public accounts, or the financial statements of all ministries and other entities, each year and report on them to the Legislature.

While that reflects a strong basis in principle, it can lack flexibility. This is especially so if the SAI is reliant on a single reporting power to communicate the results of all its various audit work. Single

reporting powers are less common in countries where the SAI can undertake a range of different types of audits, or audit accounts or entities other than those of the central government. A power to report “at least annually”, but also at other times, enables the SAI to report more frequently and at times of its choosing.

SAIs also have different reporting practices. Some, for instance, place their audit reports in the public domain as soon as individual audits, particularly performance audits, have been finalised – so providing the Legislature and other stakeholders with a steady stream of audit results. But in other countries it is the practice to produce one comprehensive report covering all audits produced in the year, and deliver this to the Legislature – sometimes in more than one volume.

In general terms, a more flexible approach to reporting is considered desirable. This may also extend to a power to report to other persons – for example, to Ministers or the Judiciary in relation to matters of improper behaviour, fraud, or corruption detected in the course of an audit.

The ISSAIs can also be significant to the scope of a reporting power. They can also be a potential source of confusion, for example, if the SAI uses the ISSAIs (or equivalent standards) to prepare an “audit report” containing the SAI’s opinion on an entity’s financial statements. While the issue of that report may be considered part of the audit, principle 6 regards it as the exercise of a reporting power (saying that legislation should specify the content of a formal audit opinion or certificate). The legal framework should make the distinction clear.²⁷

Timing of reports

Principle 6 makes it clear that SAIs should be free to publish and disseminate their reports. However, this freedom is then qualified by reference to the reports being “tabled or delivered to the appropriate authority – as required by law”. This has proven contentious in some countries. In practice, it can result in audit reports rarely reaching the public domain because of technicalities or delays in the process of presentation to the Legislature or other recipient. If an audit report does not reach the public domain shortly after completion, it serves little purpose in enabling citizens and others to hold a government to account and undermines the value and benefits of the SAI’s work.

Balancing the rights of the primary recipients of the SAI’s reports against the need for timely dissemination of audit results can be a difficult question to resolve when drafting new reporting powers. While it may be appropriate for the Legislature (or the audited entity, or other office holders such as the Prime Minister) to be the first recipients of audit reports, this should not result in a lack of timeliness or provide a means to delay publication of reports which may be politically uncomfortable. Good practice internationally is that a SAI should be able to release its reports to the media, and on its website, at the moment or soon after the report is delivered to the Legislature. Many SAIs do this, but others are restricted in their ability to do so. Some SAIs are even prohibited by law from reporting publicly under any circumstances.

Determining the content of reports

²⁷ For example, by providing that the SAI must report to the Legislature on the results of the audits, including the audit opinions reported to each entity.

Principles 5 and 6 also make it clear that SAIs should consider the views of audited entities or other affected persons before completing a report. In some countries, this is a legal requirement, or part of an overall duty to act fairly. In other countries, and under the ISSAIs, it is a matter of good practice.

However, this also has the potential to undermine independence. If an auditee wants to slow down the release of an audit report, they can take a long time providing feedback to the SAI on the draft reports.

To overcome this problem, if the law requires the SAI to include auditee comment in a report it should also require responses to be given in a reasonable time. What is reasonable should be within the power of the Head of SAI to determine. It is important for this to be fair – too short, and the auditee will not have time to provide a thorough response; but too long and the report may be unjustifiably delayed or the audit findings may cease to be relevant.

II.6. Principle 7: The existence of effective follow-up mechanisms on SAI recommendations

Principle 7 recognises that SAIs have two roles. One relates to holding public bodies to account. The other is about helping to achieve meaningful improvements. One of the main measures of a SAI's effectiveness is whether governments and auditees act on its findings and recommendations.

A SAI therefore needs the power to follow up its audit reports. It should also be able to report to the Legislature and the public on the extent to which its recommendations are being implemented. If a SAI issues reports recommending improvements to internal controls or the better management of public services and these recommendations are ignored, then, it may be asked, why have a SAI? There should be a reasonable expectation on the part of audited entities that, once an audit report has been completed in accordance with principle 6 (taking account of the views of the audited entity, as discussed above) and the SAI's recommendations accepted, the public can expect that the recommendations will be implemented in a timely manner – and where they have not been, the audited entity should be expected to explain to the Legislature and citizens why not.

This principle does not specify who should undertake the follow up, nor where the results of such follow ups should be reported. The appropriate mechanism is widely regarded as a matter for the country context. As noted under principle 1, the extent to which follow up processes need to be implemented through the legal framework or as a matter of practical application is also a point for consideration.

The options for follow up mechanisms may include some or all of the following:

- a legal duty on the SAI to follow up its recommendations, with a responsibility to develop appropriate systems and an obligation to produce a follow up report to the Legislature at least annually;
- the role being taken on by a government ministry (such as the Ministry of Finance), which must prepare a report to the Legislature which is tabled and made public;
- each audited entity being required to produce an annex to its own annual report noting progress against the SAI's recommendations; or

- a committee of the Legislature itself carrying out the follow up, with the power to hold hearings and examine the affected entities, and a requirement to report to the full Legislature.

Other approaches can have an emphasis on enforcement and sanction. Enforcement of audit findings and recommendations is important for many SAIs, especially those which operate under the judicial model or in countries with strong cultures of compliance and sanction. Finding the best approach requires careful attention in law drafting, to achieve the desired level of compliance without undermining the fundamental precepts of public sector auditing as they apply in the particular jurisdiction.

These SAIs should inform the citizens about the results of their sanctioning procedures, whether conducted internally or through other jurisdictions.

When considering enforcement in an anti-corruption context, it is also important that the SAI has the ability to communicate findings to the Judiciary or other agencies responsible for law enforcement. This may happen, for example, in cases where the SAI detects possible corruption during an audit, or has specific authority to undertake forensic investigations that could result in prosecution. As noted under principles 5 and 6, it is important for the SAI's reporting powers to have enough flexibility for this purpose.

Whatever follow up system is in place it needs to be robust, based on real evidence of implementation, timely and publicly available.

II.7. Principle 8 Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

Principle 8 has three dimensions:

- To be able to act independently, SAIs need sufficient resources to implement their mandate.
- The SAI should have financial independence from the Executive.
- Heads of SAI should have sufficient autonomy to deploy the allocated resources as they see fit.

As noted under principle 1, these elements all relate to the SAI as an institution. In return for its independence, the SAI should be prepared to be accountable for its use of the resources entrusted to it. The following discussion explores this in greater detail.

Financial independence

As noted under principle 1, the legal framework should make clear how the SAI is to be funded. This is a complex question, which requires careful consideration and explanation.

As a minimum, the SAI should be responsible for preparing its own annual budget proposal. It makes sense for the proposal to be based on the SAI's annual work programme that it has also developed, in accordance with its mandate. The advantage of preparing the budget in tandem with the work programme is that it enables the programme to be costed and then reflected in the budget

proposal. This lends strength to the budgeting process, even if the approval of the budget may remain subject to some form of control or oversight by the Executive.

However, the process for approving the budget should also, as far as possible, remove the risk that funding is controlled by the Executive, including Ministers or Ministry of Finance officials (who have a natural incentive to limit the freedom of the SAI to carry out an adequate level of audit and scrutiny). Instead, it is best practice for the Legislature, or another body independent of the Executive, to either determine the budget (subject to fiscal parameters set by the Ministry of Finance) or be able to make a recommendation to the Executive following discussion with the SAI.

This should happen before the Executive presents its national budget (including the SAI's budget) to the Legislature for scrutiny and enactment.

Models which see these processes implemented by a non-partisan committee of the Legislature, or a politically neutral commission, can enhance the independence of the SAI both as an institution and in its freedom to carry out audits as it sees fit.

Other forms of revenue

A SAI's financial independence can be enhanced by having the power to charge audit fees. Practice on charging fees varies internationally. It is more common for the audits of state-owned enterprises or other entities which the SAI can contract out to external auditors.

Moving to a fee-based approach can be a point of difficulty in those countries where the SAI has traditionally been funded solely from the national budget (and often without the power to employ its own staff). Also, in many countries SAIs are asked, or may wish, to take on additional audits – for example, an international audit or an audit of donor funded projects. In such cases, it is desirable for the audit to be funded by the project in question. The SAI should also seek the ability to retain the additional earned income (and employ additional staff). This should come, of course, with the normal expectation of being expected to report annually on its use of such income.

Operational autonomy

Operational autonomy includes the power to allocate the resources given to the SAI through its budget. This has links with principle 3, and the power to decide on the content and direction of the SAI's auditing operations. It should also extend to powers of procurement, including the development of information and communications technology capability, the acquisition and use of computer-assisted auditing techniques, and the development and control of a website.

Autonomy in human resources is a critical capability. In many countries, the SAI is dependent on the Executive or a powerful body such as a public service commission which controls all aspects of staffing in the public sector. Such bodies are not always attuned to the specialist skills needed to carry out professional audits according to international standards. There may not be appropriate grading categories to allow a SAI to retain some professionals needed to deliver high quality audits. Equally there may not be systems in place allowing the SAI to promote staff on merit or remove underperforming staff. This can mean that it is difficult to recruit staff with the right skills, offer

competitive salaries to recruit and retain professionally qualified staff, promote staff on the basis of ability and dismiss staff who are under-performing.

Principle 8 anticipates these matters should be under the direct control of the Head of SAI. Autonomy can help the SAI to be flexible, responsive and able to produce high quality work. However, it is also important to use these powers in conformity with broad government guidelines, a structured approach to recruitment, performance management, and remuneration, and good employment practices. These matters require careful consideration and discussion with the relevant authorities.

Accountability

In return for financial independence and operational autonomy comes accountability. ISSAI 12, the SAI PMF, and other documents encourage SAIs to demonstrate that it is practising the highest levels of internal control and judicious use of public resources.

A willingness to be accountable can be a powerful counterpoint to government concerns about extending the SAI's financial or operational independence. A new law may therefore establish arrangements for the SAI to report annually on its performance. Where the country system allows it, this should include the production of separate and audited financial statements (with the external auditor being appointed by a transparent process to ensure objectivity). Independence can be enhanced by providing that the SAI must make its report to the Legislature, especially if the Legislature also has the power to approve the SAI's budget.

Again, this can require extensive discussion and, in some instances, acceptance that the SAI needs to be treated differently from other public sector agencies.

More challenges and threats to SAIs' independence will be presented in detail in the following chapter.

Chapter III: Independence challenges and threats faced by SAIs

Introduction

Chapters I and II have shown why SAIs need to be independent if they are to be credible and effective. The degree of independence that SAIs enjoy is a cornerstone to successful and effective audits. It is essential in ensuring that public sector auditing is genuinely free from outside influence and can result in objective audit findings. Independence will always therefore be a concern for SAIs. A major challenge for all countries is to ensure that their SAIs' independence is effectively ensured, practised and protected.

Regardless of the SAI model, repeated global surveys show that a majority of SAIs across the INTOSAI regions lack the level of independence they aspire to. This impedes their ability to hold the Executive to account for its use of public resources. SAIs often face significant challenges and threats that curtail their independence in crucial ways.

This chapter focuses on some of the challenges and threats that are most common to SAIs across the INTOSAI community. It also summarises the recent baseline data on SAI independence from two global surveys, the IDI's Global Survey of 2014, and the Open Budget Survey of 2015.

Identifying the challenges and threats that a SAI faces with regard to its independence is a fundamental prerequisite to assessing its needs and understanding what it will take to reach the level of independence it aspires to. For the purpose of this discussion, a "challenge" arises from weaknesses or an absence of opportunities inside the SAI, or within its power to address, that can affect the SAI's ability to act independently; and a "threat" is an external factor or reality which lies outside the SAI or is beyond its control but can affect the SAI independence legally and in practice.

The discussion of challenges and threats in the first sections of the chapter can be cross-referenced to the discussion of the Mexico Declaration principles in chapter II, and to the baseline data summarised in the final section of this chapter. Cross-references have been included for ease of reference. Chapters IV and V then discuss in more detail how to develop and implement effective strategies to achieve greater independence.

III.1. Common challenges to independence:

Many countries have established strong constitutional or legal frameworks for their SAIs. Despite relatively strong legal frameworks, a number of challenges hamper the achievement of effective independence in practice. This section focuses on four key independence challenges:

- the identity of the appointing authority, and the nature of the tenure of the SAI Head;
- the existing process for developing the SAI's budget and obtaining its funding;
- the extent to which the SAI has managerial and administrative autonomy; and
- the SAI's ability to engage with stakeholders to achieve greater audit impact.

a. Challenges related to the appointing authority and the tenure of the Head of SAI

The interpretation of principle 2 of the Mexico Declaration has been discussed in Chapter II. This has included a discussion of the different options for appointment and tenure of the Head of SAI. However, this remains an area of significant challenge for many countries and their SAIs.

In most countries, the head of state or the head of the Executive appoints the Head of SAI. In others, the head of the Executive nominates or proposes the Head of SAI for approval by the Legislature. In countries where these systems prevail, the head of the Executive retains equivalent powers to propose the dismissal or suspension of the Head of SAI. In these cases, even though by law the SAI may report to the Legislature, the head of the Executive is the de facto appointing authority for the Head of SAI. This is a challenge to the SAI's independence because it provides a significant opportunity to exercise influence over the SAI. It also creates challenges for the Head of SAI in selecting, conducting, reporting on, and publishing high-impact audits. This influence can then extend into direct threats to independence (as discussed later in the chapter), sometimes taking forms that are as severe as denying the SAI full access to financial and other relevant information, or putting restrictions on what the SAI can report or publish.

In other countries, the Head of SAI is either directly appointed by the Legislature or appointed by the head of state or the head of the Executive on the recommendation of the Legislature, with reporting responsibilities to the Legislature clearly defined in the legal framework. Irrespective of which of these systems is used, challenges still exist. The Legislature may be open to influence by the head of state or the Executive if the ruling party has a dominating majority in the Legislature. It may be difficult for the Legislature not to follow the wishes of the Executive with regard to who the Head of SAI should be, or in an extreme case to remove the Head of SAI from office.

Another area of challenge arises from the type of tenure the Head of SAI should have. Even with a relatively strong legal framework, many countries still have relatively short terms of office. Principle 2 of the Mexico Declaration recognises the potential of a short term to affect the ability of an appointee to complete a meaningful programme of work, or to develop or reform the SAI as an institution, during their tenure. If the term is short but renewable, the Head of SAI can face challenges since renewal is never objectively guaranteed. In some countries, this may result in the Head of SAI spending most of their time struggling for political survival, including having to bend on unjustified demands by the Executive.

For information arising from the IDI's Global Survey, see page 54 below.

b. Challenges related to budget and funding

The IDI Global Survey and the Open Budget Survey both confirm that the budgeting process and funding of the SAI is one of the major challenges to SAI independence (see page 55 and 59 below). It is also a particularly delicate issue in many countries, and perhaps the most controversial one with regard to SAI independence under the Mexico Declaration (see the discussion of this in Chapter II, under the heading of principle 8).

In many countries the SAI's budget is developed and controlled on the same basis as government ministries. This means that the SAI has to engage in the very subtle process of budget negotiation with the ministry of finance or its equivalent. This weakens the SAI and puts it in uncomfortable position of bargaining with its principal audit client. In countries in which the national budget is affected by cash rationing, and in which the SAI does not have an independently determined budget or an entitlement to a fixed amount or proportion of the budget, the SAI is likely to experience unpredictable fluctuations in funding.

In reality, Executive control over the SAI's funding is a direct control over the SAI's audit coverage, including in terms of how much it can audit and how effectively it can carry out its audits. Inadequate levels of funding also imply that the SAI will not have sufficient mechanisms to report its findings or to monitor, follow up or enforce its findings, recommendations, judgments or sanctions. This limits its operational independence, a key feature of a truly independent SAI.

Chapter II has identified the options for independent budgeting and funding of the SAI, in particular giving the Legislature control or influence over the budgeting process. But even in countries where to the Legislature can take the responsibility of preserving the SAI's budget, or where the budget of the SAI is classified as "charged" expenditure, it can again be constrained by the ruling party's dominance.

Chapter II has also discussed audit fees. Some SAIs can charge audit fees for some of their audits, or have the power to do so. This makes them able to generate their own resources. This can be an advantage to the SAI in terms of being able to develop its work programme on a costed basis using its own business model. However, excessive reliance on audit fees presents the risk of the SAI focusing on those auditees that are able to pay even when they do not present the highest audit risk. A failure by the auditee to pay the fees may also affect the business model of the SAI, and complicate the process by which the SAI determines the fees to be charged.

Legislatures as well as other stakeholders therefore have an important role in ensuring that the SAI gets sufficient financial resources to perform its mandate.

While in many countries this is a matter of dealing with the inherent challenges of a less-than-ideal funding system, it can also become a matter of direct threat. Possible forms of threat, including the withholding of approved funds from the SAI, are discussed further in the next section of this chapter and confirmed by data from the 2014 Global Survey of SAIs.

c. Challenges related to managerial and administrative autonomy

Managerial and administrative autonomy is also addressed by principle 8 of the Mexico Declaration, and has been discussed in Chapter II. The term refers to the ability of the SAI to manage its staff in terms of recruiting, rewarding, promoting and dismissing in accordance with the national employment law and prevailing remuneration rates for the types of staff involved, including professional auditors. Even if the legal framework defines and guarantees the SAI's independence, its ability to prepare an annual audit plan and implement it without interference becomes

theoretical if it cannot hire the necessary staff, dismiss those who do not perform, remunerate its staff adequately, and change or adapt its structures as needed to enhance its effectiveness.

Many SAIs lack autonomy in these areas. Fundamentally, this prevents or limits their ability to develop organisational structures and systems that suit the nature of their business, and to develop as independent and professional auditing institutions. Instead, they must rely (depending on the SAI model) on the Executive, a body such as a public service commission, or the Judiciary to determine their organisational and managerial approach on their behalf. In some cases this may require the organisational structure and other systems to be determined by Ministers; in others it is determined by regulation or requires the approval of the Legislature. This affects the SAI's independence because it enables, in practice, those branches of government to restrict the SAI's ability to discharge its mandate due to poor or outdated structures, inadequate or inappropriately qualified staff, poor remuneration, weak auditing methodologies and processes, and therefore ineffective auditing. Many SAIs are far from being able to escape this trap.

It is important to be able to respond to these challenges, both in seeking legal reforms and in being able to manage the independence challenges as far as possible within the existing framework. A parallel could be drawn between the SAI and other independent institutions such as the national central bank, ombudsman or anti-corruption agency which need to be established with similar safeguards of independent funding, independence from political control, and autonomy in matters of staffing and resource allocation. Many countries have not understood, or have been unwilling to accept, that the SAI should be in the same position as those types of institutions.

d. Challenges preventing stakeholder engagement and enhanced audit impact

ISSAI 12 emphasises the importance of SAIs engaging with stakeholders. This is a key element in enhancing its audit impact.

Citizens are the SAI's ultimate stakeholders. Others include (within the system of government) the Legislature, the Executive, and the Judiciary, and (outside the government) CSOs and NGOs, the media, donors, and other development or cooperating partners.

Stakeholders can act as both users and replicators of information produced by the SAI, thus increasing the impact of its audits and contributing to building bonds with other agents that may benefit from the SAI's work. Nowadays, there is increasing evidence demonstrating the added value of stakeholder engagement around the audit process and budget oversight. SAI-stakeholder engagement mechanisms create complementarities that allow both parties to leverage and amplify their capacity and voice respectively. This is necessary to ensure a response to the audit recommendations presented to the Legislature and the Executive. Increased engagement leads to synergies that raise the effectiveness of the SAI and stakeholders alike, and ultimately translates into improved service delivery and more effective use of public resources. Stakeholder engagement is also an effective mechanism, in itself, for the SAI to gather support to enhance and maintain its independence.

However, for this to happen, a SAI needs a sound legal framework and mandate supportive of stakeholder engagement. This will set the baselines for stakeholder engagement, create an enabling environment for increased collaboration, and pave the way for the institutionalisation of that agenda by and within the SAI.

If the baselines for engagement are clearly specified in the legal framework, they enable the SAI to acknowledge the importance of stakeholders' participation opportunities in the process of public sector oversight. This becomes a way to exact transparency and fight corruption. In particular, the discussion of principles 5 and 6 of the Mexico Declaration in chapter II has recognised the importance of a flexible set of powers to report and communicate information about audit findings. In many jurisdictions the SAI's power to communicate its findings (and, in doing so, to engage with its stakeholders) before, during and after the audit process is not clearly recognised or specified in the law. This limits the SAI's ability, or discourages it, from fostering interaction with its stakeholders – even given their role within the broad accountability system. This works against the active participation of stakeholders in the broader accountability process.

The Legislature is the primary institution representative of citizens in overseeing and holding the Executive to account. It therefore plays a key role in following up on the SAI's audit recommendations. In turn, this enhances the impact of the SAI's products. This relationship between the SAI and the Legislature is supported by Section 8 of the Lima Declaration (ISSAI 1), which states that “the relationship between the SAI and parliament shall be laid down in the constitution according to the condition and requirements of each country”.

The independence of the SAI is in danger, or may face serious challenges, in countries where there is no Legislature, or where the Legislature or its relevant committees entrusted with the oversight function are weak, or where the relationship between the SAI and the Legislature is not clear – for example, where the legal framework does not require the SAI to submit its reports to the Legislature.

In addition, a lack of guarantees of managerial and administrative autonomy (discussed in the previous section) can seriously undermine the SAI's ability to successfully engage with relevant stakeholders – especially in countries where the SAI is subject to undue political or other external influence. This challenge also applies in jurisdictions where the SAI is experiencing undue interference in completing and publishing its audit reports.²⁸

III.2. Common threats to independence:

SAIs can also face threats to their independence that arise from factors external to the SAI. Threats can be linked to problems that the SAI is already aware of, or may be identified as future risks. Threats to independence can arise even if the SAI has already achieved a certain level of independence.

²⁸ The 2014 INTOSAI Global Survey (discussed later in this chapter) showed that 15% of SAIs had not published any audit reports in the public domain since the previous survey.

Common threats to independence can be categorised into two broad groups: those affecting the legal framework and mandate; and those affecting independence in practical terms.

a. Threats affecting the SAI's legal framework and mandate

The SAI's constitutional or legal independence can be threatened by:

- Amendments to the law that introduce (or facilitate) political dependence of the Head of SAI or the SAI's senior managers, and open the way for political interference in the SAI's work.
- Politically driven governmental initiatives that will have the effect of limiting the SAI's legal mandate, without consultation with the SAI, appropriate policy analysis, or obtaining the opinions of independent experts.

This group of threats arises in relation to principles 1 and 2 of the Mexico Declaration. Obviously, governments and politicians are entitled to propose amendments to laws, and no SAI is above the law. But legal changes should be undertaken in a principled way, after due consideration, and should not violate international audit principles. Unfortunately, this sometimes happens.

b. Threats affecting the SAI's independence in practical terms

In a more practical sense, the SAI's independence can be threatened by actions and omissions that have the effect of undermining the SAI's ability to function independently. They can be grouped as follows:

Interference in the appointment of Head of SAI and staff

The first section of this chapter has discussed the appointment process for the Head of SAI. Common types of threats arising from the process may include:

- Delays in the nomination or appointment of the Head of SAI (sometimes resulting in a prolonged vacancy).
- Rejection by the Legislature or the Judiciary (and/or other bodies), for political reasons, candidates proposed by the SAI for membership of the SAI or appointment as a senior office holder or manager.

Many countries have experienced delays in the nomination of a new Head of SAI, sometimes more than a year after the term of office of the previous Head has expired. This may happen because of complications in the nomination or decision-making procedure, for example when the law requires the head of state to propose a candidate and the Legislature must give its approval but parties represented in the Legislature cannot agree on one candidate. Long vacancies can have a negative effect, since the acting Head of SAI may have limited responsibilities under the law, or may be prepared to undertake only a limited number of audit initiatives or internal reforms to enhance the effectiveness of the SAI as an institution. Moreover, in some countries an acting Head of SAI is not

authorised to engage with key stakeholders such as the Legislature or the Judiciary, or to communicate with the media.

Similar threats to independence may arise when the Head of SAI submits proposals to nominate SAI members or staff that are delayed or rejected for political reasons. This has been the experience in some countries where motions to nominate candidates with professional experience have been rejected by the Legislature, sometimes with suggestions that the Head of SAI should propose 'suitable' candidates.

Interference in the selection and conduct of audits

Threats to the SAI's independence in relation to its auditing activity can take many forms. Here are some:

- The Legislature, Ministers, or the Judiciary making frequent requests, or (when they have the power to do so) ordering the SAI to carry out specific audits. This can have the effect of diminishing the SAI's right to say "no"²⁹ and its capacity to undertake audits in other areas).
- Politically driven external reviews of the SAI's auditing plans or methods (for example, by appointing an external reviewer to assess the relevance of the audit subjects chosen by the SAI, its audit methods, or the costs of individual audits).
- Politically engaged media, CSOs, or lobbying groups attacking the SAI publicly in order to undermine or destroy its reputation and credibility.
- Denying the SAI access to information for its audits, despite the SAI having unrestricted access to information under the legal framework. This commonly happens in areas of sensitive audit activity or where there is a high risk of corruption, such as information related to defence or security expenditure, or oil and extractive industry revenues. Such conduct has the potential to restrict the SAI's ability to audit in such areas and to carry out its mandate effectively.
- External parties then trying to influence inappropriately the results of audits, or questioning the SAI's political neutrality. This can also happen by the SAI being accused of "politicising" its work or of being biased.
- Stakeholders such as the Legislature, the Executive, or the Judiciary (including an anti-corruption agency) trying to influence, reject or question the results of the SAI's audits or investigations. This threat is heightened if the SAI does not have the capacity or resources to undertake high quality audits or investigations, leading to reputational risks for the SAI.

These types of threats are not uncommon, even in SAIs which have strong legal independence and reputations. It is always possible that an auditee, or someone with a political interest in the outcome of an audit, will attempt to undermine the credibility of the audit selection, restrict the SAI in its conduct of the audit by subtle ways such as delay and denial of access to information, or then influence or question the audit results. This has happened in many countries where, after publishing an audit report on a sensitive issue or a matter of political significance for the Executive, the SAIs is accused of "politicising" its work. The risk of this happening is heightened if the report attracts special media attention.

²⁹ See the discussion of this in Chapter II, under the heading of principle 3 of the Mexico Declaration.

In some cases, the negative response to an audit result may extend to a questioning of the SAI's capability or working methods. SAIs are of course accountable for their work, and stakeholders can rightly ask the question "who audits the auditor?". But mechanisms exist for a SAI to make itself accountable for its work and the use of the resources it is given, in a manner that is consistent with independence principles. They include the production of an annual accountability report (with financial statements audited by a suitably appointed and independent auditor, where the country's PFM system allows), and internally generated reviews using the SAI PMF or a peer review process with another SAI.

But a politically driven external review or audit of the SAI's activities, including its approach to planning and selection of audits and the use of its audit methodology, is of a different nature and could seriously undermine independence. A review should not be initiated by the Executive or any other audited entity, which has a vested interest in the work of the SAI. If such reviews are proposed or required in a context of criticism of the SAI's audits or performance, it can be helpful to limit the scope to matters such as the SAI's financial management, procurement activity, or investments, rather than exposing the SAI's audit results or methods to inappropriate external scrutiny.

Threats arising from denial of adequate resources

Limiting access to resources is the last, and in some countries the most significant, threat to independence in practical terms. The first section of this chapter has noted that independence in relation to funding and resources is the most challenging independence challenge for many SAIs. Those challenges can develop into distinct threats, for example through:

- Cuts being made to the SAI's budget, either in relation to funding proposed for specific tasks or more generally to retain low funding levels or staffing levels.
- The Executive withholding or delaying the release of the SAI's budgeted funds approved by the Legislature. This can happen even if the SAI has financial independence in relation to its budgeting process.
- The Executive, the Legislature or the Judiciary imposing new tasks on the SAI without allocating additional resources.

No SAI has an absolute or unquestioned entitlement to resources. Its budgets must be open to the same level of scrutiny as other public sector entities, and be subject to the same broad fiscal constraints. However, again there should be means of dealing with such factors in a manner that does not undermine independence.

The IDI's Global Survey (summarised discussed in the next section of this chapter) contains useful evidence of Executive-driven threats that SAIs can experience in relation to their budgets. The threat to independence from arbitrary or politically-driven budget reductions, denial of budget proposals, or delays in the release of approved funds can be greater for those SAIs which have their budgets controlled by the Executive and do not have autonomy to allocate resources to audits (for example

to carry out necessary visits to auditees across the country) or to recruit and retain professionally qualified staff.

III.3. Baseline data at the INTOSAI and Regional level:

The second section of this chapter provides an empirical basis for considering and responding to the challenges and threats to independence that have been discussed in the first section. The intention is to highlight the results of a few surveys that have been done to assess the level of Independence of SAIs in the INTOSAI community and to present a broad picture of the 8 pillars of SAI independence under the Mexico Declaration.

a. The IDI's Global Survey of 2014

In 2014 the IDI undertook a global survey of SAIs to ascertain their capacities and needs, and to provide baseline information on matters such as SAI performance, independence and professionalism. The survey had a response rate of 84% of the 177 SAIs that were approached to participate. The following is a summary of the results on the section of the survey report dealing with some of the aspects of SAI independence that are discussed in this guidance.

i. *The Financial Independence of SAIs*

A key element in the capability of a SAI to act independently is financial independence, which is the subject of principle 8 of the Mexico Declaration. The principle refers to the importance of the Legislature (or one of its commissions) being responsible for ensuring that the SAI has adequate resources, and the right to appeal to the Legislature if the resources provided are insufficient to fulfil its mandate.

The Global Survey found significant variations among SAIs having reasonable structures to facilitate the process of securing the resources they need to discharge their responsibilities. In addition, a number of SAIs reported that they had faced interference from the Executive in the course of the budget process. The key results were:

- **Budget Approval:** Overall 80% of the SAIs that responded to the survey confirmed that their budgets were approved by the Legislature. This varied little between income groups. However, there was considerable disparity between the INTOSAI regions. All the SAIs from the EUROSAI region that responded to the survey confirmed that their budgets were approved by their legislature. In contrast, 41% of ARABOSAI members and 53% of CREFIAF members who responded said that their budgets were approved by the Legislature. The budgets of the other SAIs were approved by the head of State or the Ministry of Finance, or alternatively were the subject of a chain of approvals encompassing both these and the Legislature.

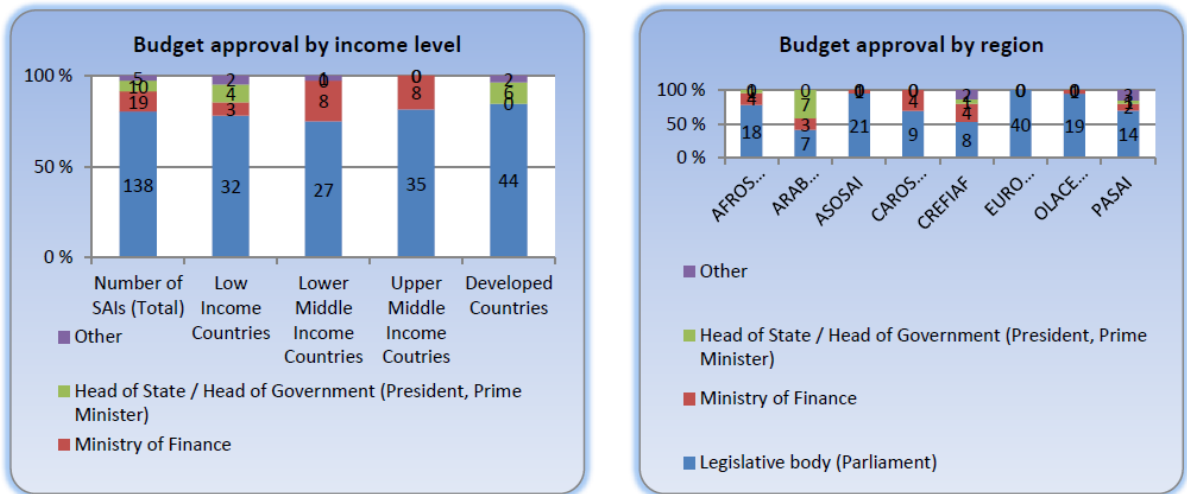


Figure 4: Percentage of SAI Budget Approving Authority per OECD-DAC list and per regions (N=172)

- The presentation of SAI budgets direct to the Legislature:** Results suggest that less than 40% of SAIs operate within a legal framework that enables them to present their budgets directly to their Legislatures. In contrast, just one of the fifteen CREFIAF members who responded said that it submitted its budget directly to its Legislature. EUROSAI members confirmed that 68% present their budgets directly to the Legislature.

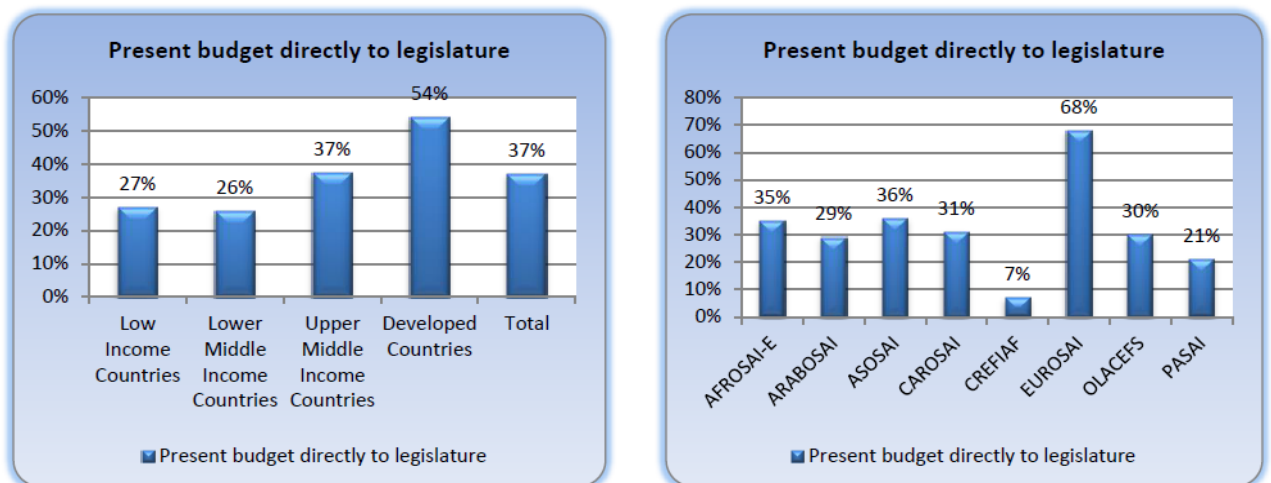


Figure 5: Percentage of SAIs where budget is presented directly to the legislature (Total, OECD-DAC and regions) N=169

- Right to appeal to the Legislature:** The independence constraints arising from the inability of SAIs to present their budgets direct to the Legislature may be somewhat mitigated by other safeguards, such as a right to appeal to the Legislature against an inadequate budget

allocation. Overall, just 55% of SAIs indicated that they have such a right. This response by income classification shows that relatively fewer SAIs from low income countries have the right. Wide regional variations were also noted. Out of the 39 EUROSAI members who responded, 32 confirmed they had the ability to appeal to their Legislature about inadequate budget allocations. In contrast, just two of the fifteen CREFIAF members and four of the thirteen CAROSAI members reported a right to appeal.

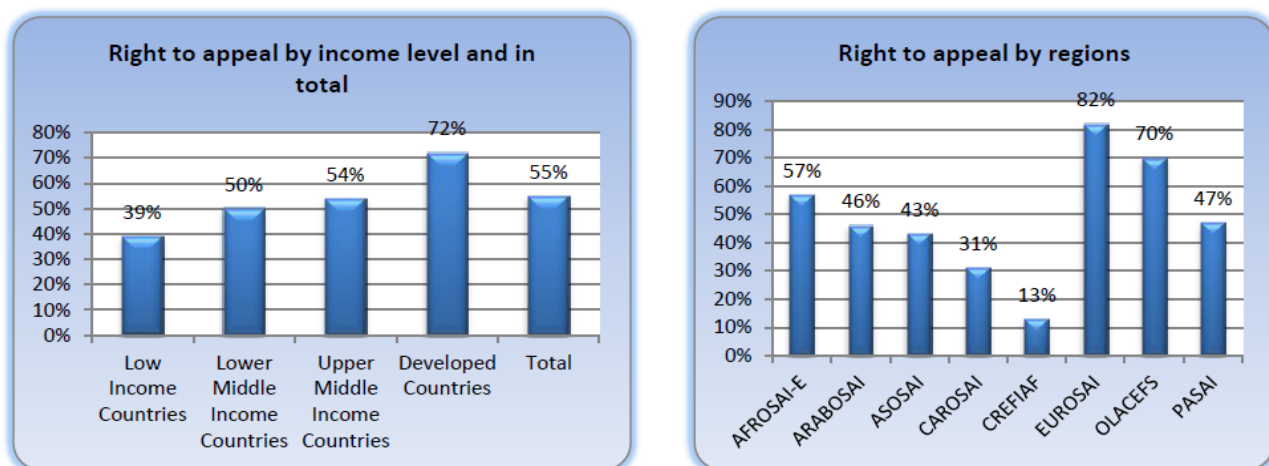


Figure 6: Percentage of SAIs having right to appeal against inadequate budget allocation (N=165)

- Executive interference in the SAI budget process:** The survey revealed a relatively high percentage of incidences of Executive interference in the budget process. 40% of SAIs reported that they had experienced interference in the process of formulating their budget. This manifested itself in different ways. Some respondents reported the budget of the SAI had been cut as part of a wider reduction in government expenditure, but without specific approval by the Legislature. In other instances, the Executive had unilaterally cut the SAI's budget allocation without any prior dialogue with the SAI. The SAIs who responded attributed these actions predominantly to the ministry of finance or its equivalent and, in some cases, to the head of the country's government.

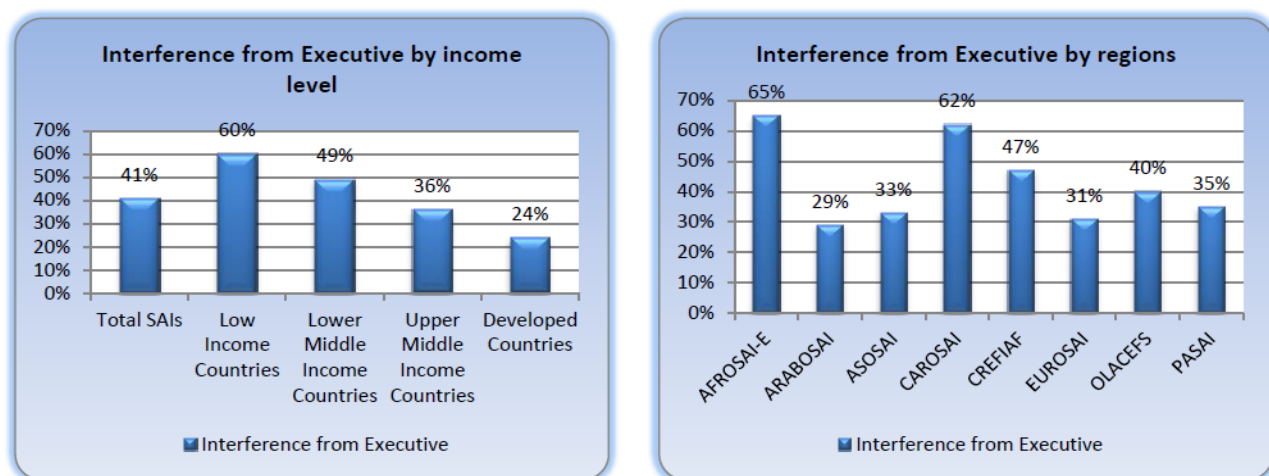


Figure 7: Percentage of cases of interference from executive (total, OECD-DAC, regions) (N=165)

ii. Independence of the Head of SAI

Principle 2 of the Mexico Declaration relates to the independence of the Head of SAI. It requires, specifically, that the Head of SAI should be "appointed, re-appointed or removed by a process that ensures their independence from the Executive". Against this background, the Open Budget Index 2006 (OBI) indicator 90 assesses the independence of Heads of SAI and asks whether a branch of government other than the Executive (such as the Legislature or the Judiciary) has to approve the removal from office of the Head. For the group of developing countries, there has been an overall increase from 71% in 2010 to 74% in 2012. For middle income countries, the figures are steady at around 80%. The group with the least independence is the low income group, where only 62% of countries have this important constitutional check in place. However, for this group the 2012 performance is a considerable improvement from the 2010 figure of 52%.

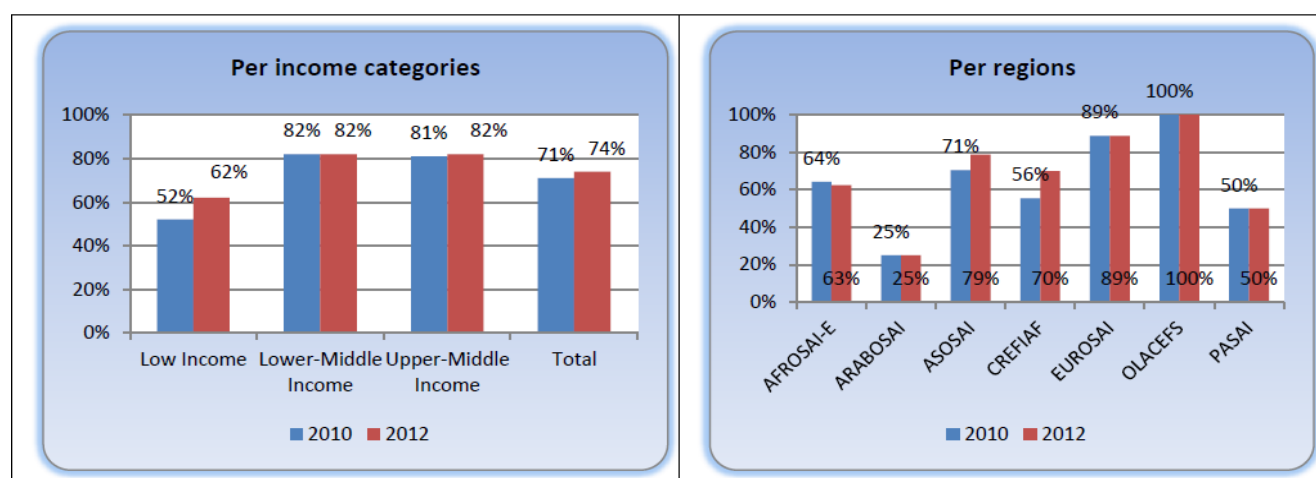


Figure 8: Percentage of Countries in which Non-Executive Consent is required to remove the Head of the SAI (N=73 and N=78). No data for CAROSAI

iii. The mandate and remit of SAIs

While a SAI may be given the legal mandate to undertake audits annually, principle 3 of the Mexico Declaration elaborates that it should also be from interference in its operational conduct of its mandate. The survey results showed somewhat different tendencies across the INTOSAI regions. OLACEFS shows an improvement from 2010 to 2012, which means that all SAIs included in this dataset now have full or considerable discretion to undertake audits as they wish. There was also an improvement in AFROSAI-E. While the percentage of SAIs which have considerable discretion in general is high, there are two regions where the trend appears to be negative, ASOSAI and CREFIAF.

Analysing the data by income classification, there is a slight improvement in upper-middle income countries, attributable to improvements in countries such as Tunisia, but otherwise no noticeable change.

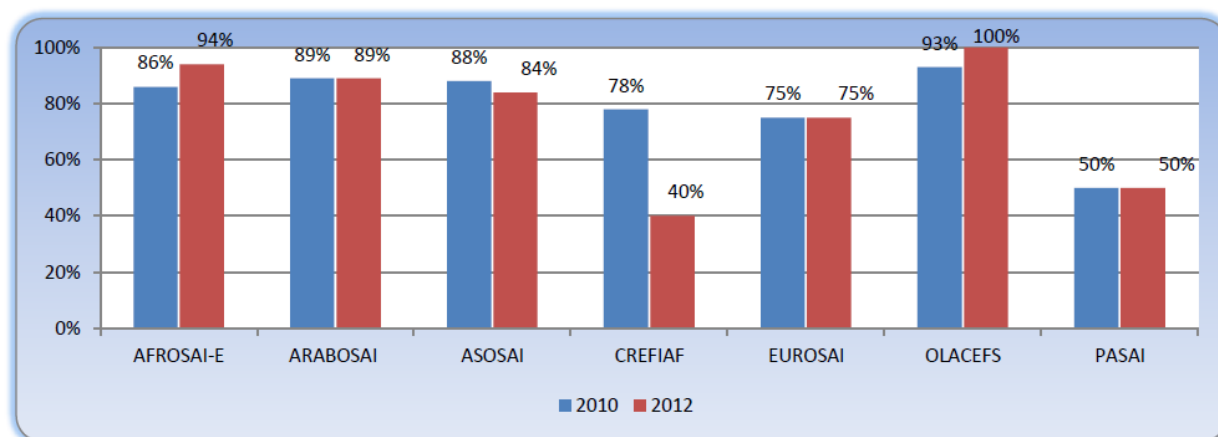


Figure 8: Percentage of Countries in INTOSAI regions where the SAI has Full or Significant Discretion in Law to Select Audits (N=78, no data for CAROSAI)

b. The Open Budget Survey 2015

The Open Budget Survey is an independent global comparable measure of budget transparency, participation, and oversight. The bulk of the questions in the Survey examine the amount of budget information that is made available to the public through eight key budget documents. Based on the answers to 109 questions, each country is given a score between 0 and 100 on the Open Budget Index (OBI) – a broad, comparable measure of budget transparency. Previous results have been widely used by individual country governments and CSOs, as well as by multi-stakeholder and sector-specific transparency and accountability initiatives, to improve the disclosure of budget information. The Survey also consists of 16 questions examining opportunities for public participation in budget processes, and 15 questions examining the strength of the two formal oversight institutions, the Legislature and the SAI.

The Survey uses four indicators to measure the strength of SAIs, thus considering whether the conditions necessary for effective oversight are present. The first two indicators consider independence from the Executive based on factors such as who has the power to remove the Head of SAI and determine its budget, as well as the level of discretion provided to the SAI under its legal framework to audit whatever it wishes. The Survey also examines whether SAIs have established an independent quality control system to assess the quality of their audit reports. Finally, the Survey considers whether the SAI has adequate resources to fulfil its mandate.

The Open Budget Survey 2015 found that the average strength of SAIs in survey countries was 65 out of 100. Specifically:

- Fifty-nine countries scored 61 or more, placing them in the “adequate” category. While SAIs in these countries generally enjoy independence from the Executive and have access to adequate resources to carry out their work, improving their quality assurance systems could further bolster the reliability of the reports they produce.
- Twenty-nine countries scored between 41 and 60, placing them in the “limited” category. The vast majority of these SAIs had not established an independent quality assurance system, or their systems had serious drawbacks that undermined their effectiveness.
- Further, SAIs in these countries often lack sufficient funding to enable them to meaningfully exercise their mandate.
- Fourteen countries surveyed scored 40 or less, placing them in the “weak” category. In these countries, important conditions for effective oversight are typically missing. They often lack full independence from the Executive and sufficient funding, and have failed to establish systems to ensure the quality of audits. Unsurprisingly, other aspects of the accountability framework, including transparency, the extent of public participation in the budget process, and the strength of the Legislature, are also typically deficient in these countries.

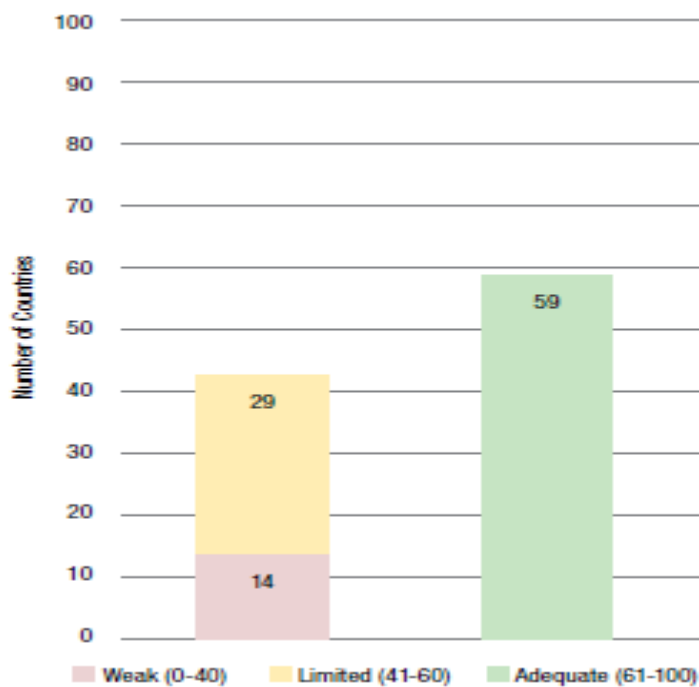


Figure 10: Countries grouped by Supreme Audit Institution strength. Source: International Budget Partnership (IBP)

PART 2: MOVING TOWARD GREATER SAI INDEPENDENCE



Introduction

Part 2 contains two chapters:

- Chapter IV first describes the key elements of, and how to develop, a strategy to strengthen a SAI's independence. Such a strategy should be developed following an assessment of its current state of independence, with reference to its particular circumstances and country context. The strategy may identify objectives for increased independence, in either a legal or a practical sense (or both). It should also sit within the SAI's broader strategic plan, or development action plan. Leadership, readiness, and an understanding of context are important pre-requisites, as with any strategic planning process.
- Chapter V then contains guidance on implementing an independence strategy. The guidance is in three parts: suggestions on advocacy, communication, and stakeholder education; guidance on constitutional or legislative strengthening projects; and information about the importance of preparing the SAI as an institution for a more independent existence.

Running through this Part are the themes of leadership by the SAI and the SAI Head, partnership with stakeholders both within and outside the public sector, support from citizens, and "buy-in" by the SAI's own staff. As with any strategic process, leadership and commitment from the top of the organisation are essential factors in its success. Also, the SAI cannot achieve independence on its own. This makes stakeholder commitment an essential factor.

Most SAIs can identify stakeholders who will understand its need for, and be willing to support it in enhancing, its independence in line with international standards and practices. They include its own staff, and natural allies such as Legislatures, development partners, and CSOs. Other stakeholders may be less familiar with the concepts explained in this guidance. They may need to be educated or convinced, through a process of advocacy and constructive engagement.

Such interactions are critical success factors, both when identifying independence objectives (during the strategy development phase) and working to achieve them (as part of the implementation). This sits within a broader context of stakeholder engagement and communication.

Chapter IV: Developing an independence strategy

Introduction

Part 1 has explained that independence for a SAI has both legal and practical dimensions.

Strengthening independence in the constitutional or legal sense can take time. To a large extent, changing or developing the legal framework may be outside the SAI's direct control. It may require ongoing engagement with the Executive to promote the need for change, and then working with the Legislature to achieve it.

But there are also many things a SAI can do to enhance its independence while working towards such longer-term objectives. Principle 1 of the Mexico Declaration refers to the SAI's legal framework and the de facto application provisions of the framework. A SAI can work within the existing legal framework to enhance its application. As discussed in Part 1, there is much that a SAI Head and senior managers may be able to do by:

- enhancing the SAI's operational strategies (such as seeking access to greater resources, and being prepared to be accountable for their use);
- continuing to develop the SAI as a professional institution (for example, by improving staff management and developing human resources systems to the extent the legal framework allows);
- developing the SAI's working practices (such as its use of the ISSAIs, auditing methodologies, IT systems, etc); and
- enhancing the SAI's key relationships, improving its reporting and communication practices, and continuing to develop systems to follow up on its audit recommendations.

A SAI seeking to strengthen its independence thus needs to prepare itself for a concentrated effort over many years, with realistic objectives and plans. Experience shows that:

Independence rarely happens to an SAI by accident. Independence needs to be planned for carefully and can take years of persistent work by many different partners. Like any project, it is important that the SAI is clear about what it wants to achieve, has a full appreciation of what the barriers and risks are, and can make a strong case to those who can help the SAI achieve the greater independence it is seeking. In planning how to obtain greater independence, it is important to set milestones and be clear about which SAI staff are responsible for which part of the campaign to achieve greater independence.³⁰

This chapter explains how a SAI can develop an independence strategy, and engage with key strategic partners and stakeholders when doing so.

Developing an independence strategy should involve a number of steps. This is no different from any process of strategic review and planning. This chapter identifies four key steps in developing a strategy:

³⁰ "Making Independence a Reality: Some Lessons from across the Commonwealth", Commonwealth Secretariat, March 2015, para 11.

- **Assessing the SAI's current state of independence**, with reference to its environment, its constitutional and statutory/legal framework, and the practices that enable it to be independent in a practical sense.
- **Undertaking a SWOT analysis** (encompassing strengths, weaknesses, opportunities, and threats), using as a basis the Mexico Declaration principles and any available assessment tools or benchmarks.
- **Identifying priorities**, through its own analysis and stakeholder engagement.
- **Formulating and writing a strategy document**, including key priorities and objectives (recognising that a strategy may encompass both constitutional/legal reform and other actions), a blueprint for strengthened independence, an analysis of threats to independence, and a plan for implementation through resourcing and ongoing stakeholder engagement.

These steps are set out in figure 10, and then discussed in turn.

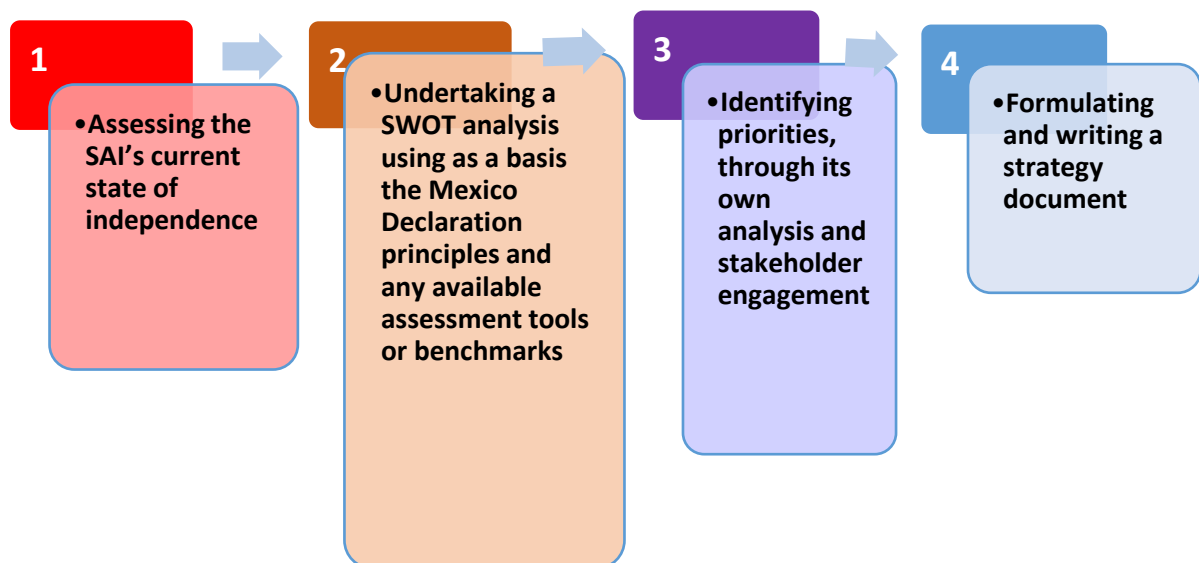


Figure 11: steps for developing SAI independence strategy

IV.1. Step One: Assessing the SAI's current state of independence

Assessing the current state of independence enables a SAI to identify current barriers to its independence, with the aim of addressing them through a combination of legal or practical changes.

The state of independence can be assessed in two stages, by understanding:

- the SAI's environment in a general sense; and
- the current state of independence with reference to that environment.

a. Understanding the SAI's environment

The SAI's environment can be understood as depicted in Figure 11. The diagram, and the discussion which follows, draws from the IDI's guidance on Stakeholder Engagement.³¹

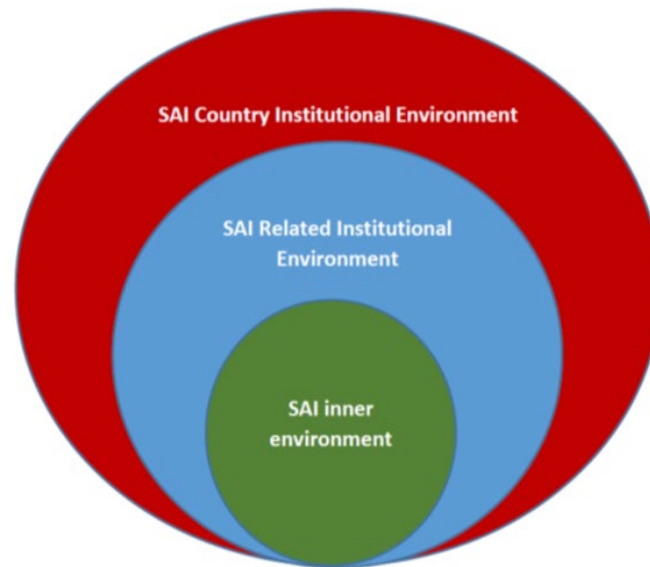


Figure 12: SAI Environment

In this diagram, the **SAI Inner Environment** (Green Circle) represents the environment within the SAI itself. This is an important pre-cursor to obtaining the “buy-in” of officers and staff for the independence strategy, and any change it may bring about (discussed further in Chapter V). The staff of the SAI are the SAI's best ambassadors for its independence in practice. Their understanding of, and commitment to, independence, as well as their ethical behaviour and conduct, are critical for the SAI to effectively execute its mandate and deliver value and benefits to citizens.

The **SAI Related Institutional Environment** (blue circle) represents the environment where the SAI interacts with those stakeholders that it can regard as *partners* with whom it has a natural relationship. The relationship could arise through the legal framework (for example, a legislated requirement to work together with other entities within the PFM system), or through practices that have emerged to enhance the effectiveness of the legal framework (for example, protocols developed with a committee of the legislature to enhance the SAI's reporting process), or a combination thereof. Examples of partners in this context therefore include audited entities, the legislature or its committees, the Ministry of Finance and other government ministries, judicial bodies or investigative agencies, other integrity institutions, and development partners or donors.

The **SAI Country Institutional Environment** (red circle) represents the environment of non-traditional actors with whom the SAI may never have been linked in the past, but are emerging as pivotal in the legitimisation of the SAI's work. Examples of these actors include the media, professional private associations, academia and federations of university students, embassies and other institutions of the foreign service, non-governmental organisations of civil society, religious

³¹ Reference to be added.

institutions and groups, minority groups, and the non-audited business sector (including chambers of commerce and other private sector entities and organisations).

The environmental context is important because independence is, in many senses, given effect through relationships. Different types of relationships require different types and levels of interaction. This is reflected in the Mexico Declaration, for example in principle 3 (which requires discretion in the discharge of the SAI's mandate – relevant to the Related Institutional Environment), and in principle 6 (which stresses the importance of the freedom to decide the timing of audit reports and to publish and disseminate them – relevant to the Country Institutional Environment).

As noted in Chapter III, relationships can also raise different forms of challenge and threat to a SAI's independence, in both a legal and a practical sense. Those challenges and threats can also be understood with reference to the SAI's Environment.

Mapping independence principles and challenges in this way against the SAI's environment can help to identify opportunities for independence to be strengthened, at the next steps of the process.

If the SAI has a stakeholder engagement strategy, it can be used to enhance those steps.

b. Assessing the current state of independence

The SAI can then assess its current state of independence with the benefit of the environmental analysis. A number of tools are available to do this.

Using the SAI PMF

As explained in chapter I, the SAI PMF is an assessment framework developed by the INTOSAI Working Group on the Value and Benefits of SAIs, which was endorsed by the Congress of INTOSAI in 2016. It is intended to be used to establish how well a SAI performs compared to international good practices, as well as to identify its strengths and weaknesses for further performance enhancement.

The SAI PMF has a broad coverage. Its domains include internal governance and ethics, audit quality and reporting, financial management, human resources and training, and communication and stakeholder management. It is also aligned with the Strategic Management Framework for SAIs.

Importantly, however, the framework includes a domain on SAI independence (Domain A). The assessment tool enables a SAI to assess independence under seven dimensions. These are closely aligned with the Mexico Declaration principles, but are presented in a different order:

- (1) an appropriate and effective constitutional framework;
- (2) financial independence and autonomy;
- (3) organisational independence and autonomy;
- (4) independence of the Head of the SAI and its officials;
- (5) a sufficiently broad mandate;
- (6) access to information; and
- (7) the SAI's right and obligation to report.

An assessment of Domain A can be undertaken either on a stand-alone basis or as an element of a full assessment.

More information about the SAI PMF is available on the IDI's website.³²

Assessment of legal independence

A SAI may need to undertake a more in-depth assessment of its legal framework, especially if it has identified a strong need to reform or enhance the legal framework.

Such an assessment can involve examining each of the Mexico Declaration principles, and the specific requirements they refer to, with specific reference to the legal framework. This can help to identify specific strengths and weaknesses, and where to focus attention on strengthening independence.

A methodology developed for the Audit Office of the State of Victoria, Australia provides a standard framework and common language for assessing independence in this way, designed to be used to promote legislative reforms. It uses the extent of Executive influence over the SAI as the primary benchmark, but requires a degree of judgement if the legislation is not clear.³³

Benchmarking with other SAIs

Besides these self-assessment tools, a SAI may be able to access studies undertaken by other SAIs across the INTOSAI community, either within the SAI's regional working group or at national level. Such reports can provide useful benchmarks, especially where the SAI can identify similar challenges and opportunities to those it faces.

Chapter III contains a summary of the IDI's 2014 Global Survey of SAIs and information from the 2015 Open Budget Survey. Other resources include:

- the AFROSAI-E independence toolkit;
- the EUROSAI survey on the independence of SAIs in the European region (2013);
- the 2009 and 2013 studies of the SAIs and offices of Australia and New Zealand, referred to above; and
- PASAI's transparency and accountability reports of 2011 and 2015, which include data on the independence of SAIs in the Pacific region.

A useful source of this information, and other materials on SAI independence, is the independence resource kit on PASAI's website.³⁴ Alternatively, region-specific resources are available through the other regional working groups or sub-groups, or among groups of SAIs of the same SAI model or operating under similar PFM systems.³⁵

³² <http://www.idi.no/en/sai-pmf/sai-performance-measurement-framework>

³³ <http://www.pasai.org/vago-methodology/>

It was used for comparative studies in 2009 and 2013 of the SAIs of Australia and New Zealand, and the state audit offices of Australia.

³⁴ See www.pasai.org.

³⁵ References to be added.

IV.2. Step two: the SWOT analysis

Following the assessment of the SAI’s environment and independence, a SWOT analysis can be used to assess the impact of its state of independence – including opportunities for strategic action.

This type of analysis is commonly used to identify strengths and weaknesses, and then the opportunities and threats facing an organisation in developing a strategic plan. It is readily adaptable for use in relation to a SAI’s independence.

Figure 13 shows the SWOT analysis tool, and how the SWOT can be applied using the eight pillars of SAI Independence under the Mexico Declaration.³⁶

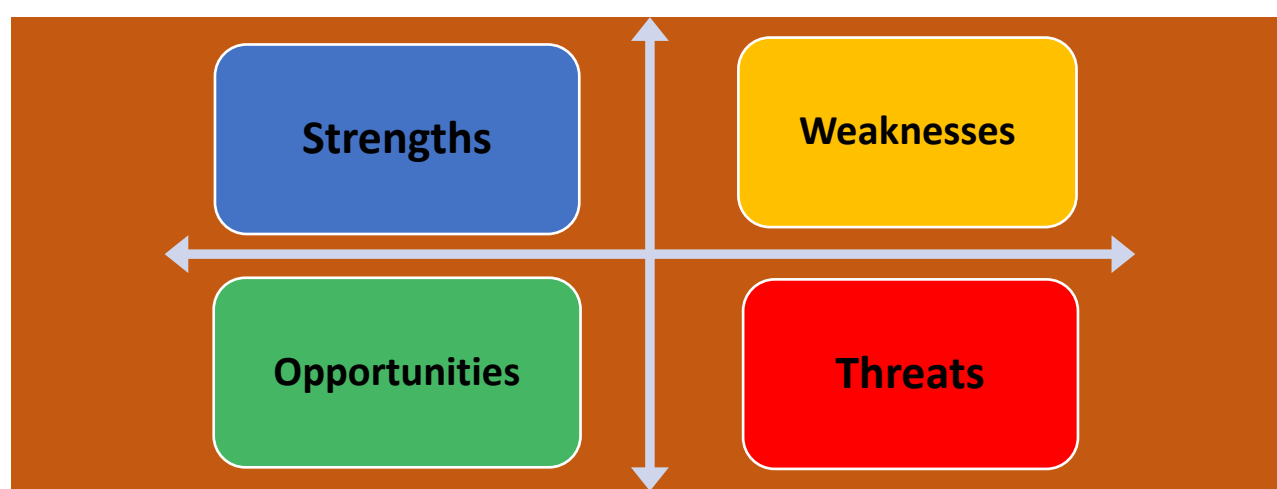


Figure 14: Example of a SWOT Analysis applied using the eight pillars of independence.

8 Pillars of Independence	Strengths	Weaknesses	Opportunities	Threats
The existence of an appropriate and effective constitutional /statutory/legal framework.				
The independence of the Head of SAI and members of collegial institutions.				
A sufficiently broad mandate and full discretion to discharge SAI functions.				

³⁶ It is not the place of this guidance to provide a full description of how to use the SWOT tool. However, it can be noted that “strengths” and “weaknesses” should be considered internal to the SAI (for example, its mandate, or its reporting powers, or its lack of resources), while the “opportunities” and “threats” are usually understood as externalities to the SAI (for example, an opportunity to advance a constitutional reform proposal or to advocate for change with a key stakeholder, or a potential reduction in independence through action taken against the SAI).

Unrestricted access to information.

The right and obligation to report on SAI work.

The freedom to decide the content and timing of audit reports and to publish and disseminate them.

The existence of effective follow-up mechanisms on SAI recommendations.

Financial, managerial and administrative autonomy.

Opportunities and threats are likely to be country-specific. For example, a country that is in transition from one party state to a democracy may bring with it large opportunities for the SAI to enhance its independence within the new system. The opposite may be so where power is becoming more centralised in the president or Executive, which could be perceived as a threat to the SAI's future independence.

As noted, independence can be a long term project. Also, the environment in which a SAI operates is not static, but can change in different ways. A SAI might therefore need to consider undertaking a SWOT analysis not once, but on repeated occasions. This can help in maintaining an independence strategy as a "living document" over a number of years (or for the duration of the Head of SAI's term of office).

IV.3. Step three: Identifying priorities

The third step in developing an independence strategy is to identify priorities for inclusion in the strategy, using the results of the SWOT analysis.

It may be unrealistic to expect that the SAI can achieve independence across all the matters contemplated by the Mexico Declaration and other ISSAIs all at once. Therefore, the SAI may need to prioritise those independence matters that are the most important to it, and target its effort on those matters. As noted in the introduction to this chapter, it is possible that much could be achieved by enhancing independence in the practical sense without the need for, or in anticipation of, a lengthy and uncertain process of reforming or enhancing the SAI's legal framework through constitutional or legal change.

A useful approach in this instance is:

- as a first step, to identify a "top 5" list of priorities that require reform or enhancement of the legal framework, ; and
- as a second step, to identify other gains that could be achieved without the need for legislative reform.

Each set of priorities (legal and practical) can then be placed into a list or matrix for inclusion in the strategy document.

Practical steps towards independence can take many forms. For example, a SAI may identify as a legislative priority the need for greater operational autonomy in relation to its staffing, which would require a change to a law which says that the SAI's staff are provided by the public service commission.³⁷ But, while that reform is pending or if it may prove complex to achieve, the SAI could identify means of enhancing its working relationship with the public service commission, in order to achieve greater practical recognition of its independence within the existing legal framework.

Another approach is to identify priorities that will help the SAI to consciously "earn" its independence. A SAI can strengthen its case for independence by ensuring that both its day-to-day conduct and its own transparency and accountability meet the highest standards. This will show decision makers that it is a credible organisation that justifies broader independence.

³⁷ See the discussions of this issue in chapter II (under principle 8 of the Mexico Declaration) and chapter III (in relation to challenges to a SAI's ability to operate autonomously).

Examples of practical steps of this type that a SAI could take include:

- Deciding to comply voluntarily with ISSAI 20 Principles of Transparency and Accountability. This will show that the SAI is willing to be a credible and accountable public sector institution, by ensuring that it makes its mandates and strategy public, adopts audit standards and methods that are objective and transparent.
- Voluntarily adopting the INTOSAI Code of Ethics (ISSAI 30). This will show that the SAI is willing to apply the highest standards of integrity and ethics for its staff at all levels. The SAI can also demonstrate internally it has met all the requirements for staff to remain and act with independence when carrying out audits. For example, disclosing and managing conflicts of interest when carrying out audit is a good example of how to demonstrate this degree of independence.
- Undertaking and publishing SAI PMF assessments.
- Reporting on the state of independence, including shortcomings, in the SAI's annual accountability report to the Legislature.

These steps should, of course, be in addition to the SAI demonstrating and documenting the results of its audits clearly and openly, and seeking to remain relevant but independent through its selection of audits.

Prioritising these types of actions in a practical sense may also help the speed of legislative change, by ensuring that the most important matters are identified for legal attention. But they may also identify things that can be achieved within the legal framework as it exists.

Engaging with key stakeholders to identify priorities

Stakeholder engagement is an essential aspect of developing a credible independence strategy. The extent to which stakeholder engagement is feasible, or realistic, will depend on the SAI's particular environment and the political system or culture within which it operates.

However, a process of engagement provides an opportunity to test ideas, and to obtain external validation of the priorities the SAI has identified. It can also help in assessing the risks associated with each priority.

The SAI should use its assessment of its environment (at step 1, above) to identify stakeholders which could usefully be involved in this process. If the SAI has a stakeholder management plan or strategy, it should be used to guide the engagement process.

Examples of stakeholders that can be engaged with, and the types of support they could be expected to provide, include:

- members and committees of the Legislature;
- the ministry of finance or its equivalent, and other organs of the Executive;
- if the SAI lacks managerial autonomy, the body that is responsible for its human resources;
- professional bodies and academics; and
- CSOs, NGOs, and donor or development organisations.

The SAI may also see benefit in a broader process of engagement with citizens, consistent with the principles of ISSAI 12.

Chapter V discusses ongoing stakeholder engagement during the implementation of the strategy.

IV.4. Step four: Formulating and preparing the strategy document

The final step of the process is to formulate the strategy for achieving the identified priorities, and prepare the strategy document.

This involves bringing together all the findings from the self-assessments completed, the SWOT analysis, and the prioritisation of key matters (including those prepared in any discussions with key stakeholders). It should also include an assessment of risks, and the development of an implementation plan. The ultimate objective is to map out a comprehensive strategy which sets out the SAI's strategic objectives and includes a pathway to achieving them.

a. Identifying strategic objectives

The strategic objectives should be developed from the priorities identified in step 3, placed into a strategic context. They should identify what the SAI wishes to achieve in relation to its independence, either as specific targets (for example, a constitutional reform guaranteeing the independence of the Head of SAI) or through strengthening of its existing independence (for example, by a program of staff training in ethics and integrity). The strategic objectives should be placed into the full time-frame of the strategy.

Some strategic objectives for independence will have links to the SAI's broader organisational strategic plan or its capacity development plan. For example, the SAI may identify as a strategic objective to enhance its independence by publishing its reports on the internet or through social media. But it might lack the capacity to do so. The objective should therefore be linked to the institutional plan to develop an enhanced website or social media presence. It is especially important to do this for strategic independence priorities which have resource implications for the SAI.

The strategic objectives, once identified in this way, then provide the basis for a detailed plan of action.

b. Identifying risks and threats

As with any strategic plan, it is important to be aware of the risks that, if they materialise, could undermine the achievement of the strategy. Chapter III has identified and discussed the types of threats to independence which may jeopardise a SAI's ongoing work.

It is important to identify these types of risks and threats, with reference to the SAI's specific context and environment, and write them into the strategy document along with plans for dealing with them should they arise.

PASAI's independence resource kit contains a checklist of independence risks and mitigations, which identifies similar threats to those discussed in chapter III.³⁸ That can provide a useful template for this part of the strategy, but it should be customised for the SAI's own context. The checklist should ideally then form part of the strategy itself, and can also be operationalised within the SAI – including the way it reports on risks and threats in its annual accountability reports.

c. Planning for success

It is important to have a plan for implementing the strategy. Implementation planning is essential to success, especially if the strategy will remain active over a long period of time. This should include:

- identifying additional skills the SAI will need (for example, in its communications with the media or CSOs); and
- having clear timetables that are aligned with external factors (for example, a forthcoming constitutional review)

Ongoing engagement with stakeholders, and education of government officials, legislators, and CSOs and/or NGOs about the strategy and its objectives can also make a strategy more effective and credible. The SAI as an institution should also prepare itself and its own staff for any changes that might result from achieving enhanced independence.

Chapter V contains practical guidance about these matters. However, the strategy should address them in a part dealing with implementation. It is essential to identify who in the organisation will be responsible for the strategy implementation (including monitoring, responding to changing circumstances including risks and threats, and periodic refreshment), the resources that will be made available to support it.

A successful strategy also requires leadership and “buy-in” from staff and stakeholders. This should be seen as a permeating factor throughout the process of developing an independence strategy and in its implementation.

Finally, as with any initiative of this nature it is important to plan to evaluate the results of the strategy and to report on its implementation to the SAI's key stakeholders and citizens. If the strategy is complex or long term, it is desirable to plan for periodic evaluations as well as a final evaluation based on the strategic objectives and external measures such as those of ISSAI 12.

The SAI should be prepared to report on progress in each annual accountability report to the Legislature.

A suggested format for an Independence Strategy

The format for the strategy is set out below.

³⁸<https://static1.squarespace.com/static/57019a6db6aa607cbb909ab2/t/57993debe58c6248509303a5/1469660651609/7.2+Mitigation+Strategies.pdf>

A STRATEGY FOR ACHIEVING INDEPENDENCE

Summary: The Strategic Objectives for Independence

- Leadership statement – head of SAI
- Overall vision of independence
- Strategic objectives – legal and practical
- The outcome in terms of ISSAI-12: value and benefits of SAIs
- Summary of key elements of the strategic approach, including timetable
- Monitoring, evaluation and reporting

Part 1: Background

The importance of independence for the SAI

- Independence – Why is it important and what is it? (refer Chapter 1 of this guide)
- The purpose of the strategy and what it aims to achieve
- The methodology and approach used in developing the strategy

About the SAI

- Description of the SAI, its current legal and institutional framework, and organisational structure
- Description of the environment that the SAI operates in
- Identification of the SAI's key stakeholders

Part 2: The current state of independence, and opportunities for change

The Eight Principles of Independence

- The SAI's independence assessed against the 8 principles of the Mexico Declaration (refer Chapter 2 of this guide)
- Areas of strength and weakness

Constitutional or legislative enhancements

- Identification of what changes are needed to enhance independence
- Specific reforms that are practically achievable
- Timeframes and processes

Practical enhancements of independence

- Practices, relationships, etc (both internal and external) which can enhance the SAI's independence in a practical sense
- Timeframes and processes

Part 3: Strategy and action plan

Strategic Objectives

- Objectives and outcomes (with reference to ISSAI-12 and other materials – see Chapter 1 of this guide)
- Strategies with actions required, timetables, and who is responsible
- Key stakeholders, and a plan for ongoing engagement to achieve buy-in and support

Threats and risks

- Factors or behaviours that could limit the achievement of the strategies (refer Chapter 3 of this guide)
- Mitigations

Implementation

- Resource Plan – personnel and other resources
- Budget
- Monitoring and evaluation – monitoring and evaluation of the implementation of the Strategy
- Reporting – internal and external

Chapter V: Implementing an Independence strategy

Introduction

The focus of this chapter is on implementing an independence strategy, and preparing the SAI as an organisation for a stronger approach to its independence in its various forms.

The chapter recognises that implementing an independence strategy can involve at least four distinct forms of activity:

- The need for advocacy, communication, and stakeholder education, either at specific stages or as an ongoing activity. Section V.1 includes guidance on how to make the fundamental case for greater independence in its broadest sense.
- The need for the SAI to be fully engaged with any project to strengthen the legal framework; and to understand the legal processes involved. Section V.2 explores these questions in depth, and offers guidance about how the SAI should position itself in relation to a legislative process.
- The opportunity to enhance the SAI's independence in practice. Section V.3 discusses ways of promoting independence through the SAI's institutional development, and its external relationships.
- The need to prepare the SAI as an institution for a more independent existence, as it is achieved in either a legal or a more practical sense. Section V.4 contains guidance on these aspects, including the need for organisational readiness and support from the SAI's staff.

Figure 16 sets out these steps in diagram form:



Figure 16: Implementing an independence strategy

This guidance is presented in a generic format, but will need to be considered with reference to the SAI's own environment and the type of SAI model to which it belongs.

It is also helpful to reiterate the points made in the Introduction to Part 2 about the themes of leadership, partnership, support, and "buy-in". Ongoing leadership and commitment from the top of the organisation are essential factors in the implementation of any strategy.

V.1. Advocating for strengthened independence

A SAI cannot achieve independence on its own. It needs allies and partners on the independence journey. Stakeholder commitment to the concept of SAI independence, and an understanding of where it comes from and why it is important, are therefore essential factors in implementing an independence strategy.

But independence can be a highly sensitive issue for many SAIs and their governments. It therefore requires great care. The SAI needs to be prepared to advance the case for independence on an informed, considered basis.

A key message is, therefore, "never stop engaging". Independence and interaction are not mutually exclusive concepts. A SAI can also learn from stakeholders about the concepts of independence as others see them. This can be beneficial in developing the case for change.

a. Identifying external stakeholders and developing partnerships

Stakeholder engagement has been discussed at length in Chapter IV. In this chapter, it is discussed in the context of strategy implementation. Stakeholders include those who can be counted on to support the SAI's initiatives in an ongoing sense. But it may also include those who may have less understanding of what SAI independence means, or why it is important, and who may need to be convinced of the SAI's case.

Stakeholders can be found both outside and inside the public sector. Non-public sector stakeholders can include:

- the accounting profession and its advocacy groups;
- the academic community; and
- CSOs, the news media, and those which can benefit from independent scrutiny of public finances and the use of public resources.

The SAI should also consider how it can engage, and where possible develop understandings and agreed points of principle, with other significant players in the public sector. This requires careful consideration and a planned approach.

SAIs are public institutions, but a SAI may already be independent from the Executive to a greater or lesser extent. The SAI needs to conduct itself in a manner consistent with that independence. It must be prepared to state the case for independence fearlessly and objectively. But it should avoid becoming involved in politically-driven debates.

The case for independence may not be fully understood, or supported, by everyone. Some stakeholders may see increased independence as either unnecessary or having unacceptable consequences. For example:

- The ministry of finance (or equivalent organisation) has a responsibility for the overall PFM system, and for ensuring that the national budget is prepared in a fiscally responsible manner. Some officials may see a removal of the SAI's budget from its direct control (in accordance with principle 8 of the Mexico Declaration³⁹) as potentially undermining that responsibility. In making its case for financial independence, the SAI needs to be able to give confidence that such consequences can be avoided, for example through procedural safeguards and overall fiscal controls. It can also state its case by reference to the results of its audits, such as improved fiscal controls.
- If the SAI is seeking greater operational autonomy, the Executive or another public sector organisation will be currently responsible for the civil or public service or the staff of the Judiciary, including the recruitment and oversight of the SAI's personnel. Its officials may see operational autonomy for the Head of SAI as something that undermines their responsibilities, or that sets an undesirable precedent for other institutions that may also seek such autonomy. The SAI needs to be able to give confidence that it will act responsibly as an employer of staff, and take due account of issues that could have a wider impact (for example, in relation to public sector rates of remuneration).
- Significant audited entities may also be concerned by enhancements to the SAI's independence. For example, officials of government ministries may not have a full understanding of what is meant by auditor independence in the professional sense, and may benefit from explanation. In another situation, entities such as state-owned enterprises may be facing the prospect of coming under the SAI's mandate for the first time, or having an increased exposure to its audits (such as performance audits). This also requires engagement to obtain acceptance and understanding.

There are also those in key positions who may just need to be convinced of the soundness of the case for independence in legal, financial, or operational or administrative terms. They may include:

- The country's political leaders, whose support can be critical in the general sense, but also in overcoming objections from within the government system.
- The ministry of justice, or other agencies responsible for constitutional law and policy, law reform, and/or drafting.
- For SAIs following the court or judicial model, the Supreme Court and bodies such as the union or syndicate of magistrates.
- Legislators, in particular those who are members of the financial or economic oversight committee or a committee responsible for law reform, but do not have a full understanding of the concepts of SAI independence in relation to (for example) its mandate, audit selection responsibility, reporting, and follow-up of recommendations.

The SAI can draw upon the knowledge of persons and groups external to the country. They include:

³⁹ As discussed in chapters II and III.

- INTOSAI and the SAI's regional working group, which may be able to provide valuable resources and support (including advice on strategies, model clauses, etc).
- Other SAIs, especially those which have been through the process of reform and may be able to offer examples and precedents from their own legislation, or SAI Heads who play an influential role in the INTOSAI community.

Development partners and donors are another important source of support and knowledge. SAIs and the donor community⁴⁰:

share common goals of ensuring accountability, transparency, good governance, and sound utilisation of public funds in partner countries.

Some SAIs have development partners working directly with them to develop their capacity, including to strengthen their legal capacity and independence. The partner's support will be invaluable when the SAI is both developing and making its case for strengthened independence to the Executive or the Legislature.

In other instances, a SAI could usefully engage with donors with which it does not have a direct relationship, for example those working with other agencies in the PFM system (such as the ministry of finance or the Legislature). Such donors may have an influential role in policy dialogue at country level, but at the same time may be less aware of the concepts of SAI independence, or may not be as supportive as those working directly with the SAI. This may require a more careful approach, including some education about the benefits of independence. Other donors may understand the role of the SAI more strongly. They could be encouraged to promote the need for a stronger and more independent SAI as part of the controls within a strengthened PFM system.

Donors can also lead by example in asking the SAI to audit donor-funded projects. This can increase the credibility of the SAI.

b. Making the case

When approaching an advocacy task, most SAIs will have some understanding of the principles of independence through their own work and international cooperation activities. A SAI can draw on the materials in Part I of this guidance, explaining:

- the nature and importance of independence (chapter I);
- how it should be understood in the international context, in particular the Mexico Declaration), and the difficult issues and choices that can arise under each principle; and
- the challenges and threats to independence that can commonly arise (chapter III).

Chapter IV has also identified how a SAI can assess its current state of independence against the international principles, and which stakeholders that a SAI can engage with when developing its independence strategy.

In making the case for reform in its most fundamental sense, the SAI can develop an overall case to present to those who lack understanding or may be sceptical of the rationale for SAI – even to

⁴⁰ INTOSAI Donor Cooperation MOU dated 20 October 2009, Preamble clause 1.

answer questions like “what is this term ‘supreme audit institution’, and what is ‘SAI independence’ all about?”

The case can be encapsulated in a manner such as this⁴¹:

- There is growing international recognition of the importance of a SAI that is independent from the Executive, as encapsulated in the General Assembly resolutions (which have status in international law).
- The professional concepts of auditor independence, in particular the proposition that the executive government as the SAI’s primary audit “client” should not be able to determine the SAI’s programmes of work or control the SAI’s resources, is reflected globally in the approach to financial auditing, in both the private and the public sectors.
- There are quantifiable benefits of an independent SAI, sitting as a key agency in the country’s governance, which are encapsulated in standards such as ISSAI 12. The benefits include better audit reports, more transparent reporting on government performance, improved public access to information about the use of public resources, and in some cases quantifiable savings for the country.
- Under best practice internationally, the SAI should:
 - be a separate organisation, and not a government ministry;
 - have a budget that is reviewed and approved by the Legislature, based on the SAI’s work programme of audits.
 - be able to engage its own staff, separate from the civil or public service; and
 - have full financial and operational accountability – including a requirement to produce an annual accountability report (including with its own financial statements, which should be independently audited, where the PFM system permits) – and also be able to make use of assessment tools such as the SAI PMF.

Legislators can be convinced of the benefits of an independent SAI that reports to, and is resourced by, the Legislature. This can be explained in the sense that:

- Accountability is an important goal of a PFM system. Both the Legislature and the SAI have a role to play in achieving accountability at different points of the budgeting, financial reporting, and auditing cycle.
- The Legislature and the SAI work to similar ends, but by different methods. A coordinated approach can improve the effectiveness of each, and the overall effectiveness of the accountability process.
- The principles of SAI independence provide a useful framework for exploring points of cooperation between the SAI and the Legislature, and for jointly focused effort in the accountability process.
- Resourcing and development of capacity are important on both sides of the relationship, especially because of the growing complexity of financial reporting, auditing, and public financial management.

Building on these propositions, a holistic approach to the SAI’s planning, budgeting, and accountability can recognise that⁴²:

⁴¹ Refer to the more extended discussion of these points in chapter I.

- The Legislature can be given an opportunity to discuss the SAI’s work programme during its development, and that the SAI may accommodate requests for specific audits (subject to the principle that the Head of SAI is responsible for determining the programme and has the power to say “no”).
- The SAI’s annual funding can then be considered with reference to the cost of delivering the work programme as determined, from which the Legislature will benefit through the SAI’s delivery of its independent reports.
- The SAI can then be accountable to the Legislature for its use of the resources provided, through an annual accountability report on its operations (with audited financial statements, where the country system permits).

It is a useful idea to develop a standard set of propositions or speaking notes, which can be used by the Head of SAI or other staff when interacting with these stakeholders. It can also be useful to present these types of arguments in booklet form, or on the SAI’s website, for public education and support. Experience shows that it is important to present the case for increased independence in terms of what benefits it will have for different stakeholders, with international context such as the General Assembly resolutions as points of background, rather than the other way round.

V.2. Involvement in constitutional or legislative change

Changing the Constitution or the law can be a complex process. It has dimensions of both policy and law, and requires political decisions. The country system will determine how familiar the SAI is with the legal process, and how much it can expect to be directly involved in a project to develop or reform its own enabling legal framework. Heads of SAI and staff may have different levels of familiarity, or comfort, with the process.

This section is intended to help SAIs and their personnel to navigate their way through a legislative process. It addresses three aspects of the process:

- what aspects of the SAI’s independence should be included in the legal framework, and how this affects the type of reform that may be envisaged;
- how a reform may be initiated, and then progressed to the point of introduction to the Legislature for consideration and enactment; and
- what role the SAI may expect to have in the process.

This should provide a basis for ongoing advocacy and engagement with key decision-makers.

a. What aspects of the SAI’s independence should be in the legal framework?

A constitutional or legislative reform process may involve a zero-based reform. This will be the case when the SAI is newly-established, or when the SAI’s governing law is very old or outdated and needs a complete overhaul.

⁴² Refer to the more extended discussion of these points in chapter II, under the heading of principles 3 and 8 of the Mexico Declaration.

Alternatively, the SAI's existing constitutional and/or legislative framework may be fundamentally sound, but be in need of updating to strengthen the SAI's independence in accordance with current international standards and practices.

Chapter II has discussed the nature of a SAI's legal framework, and the minimum requirements for what it should contain.⁴³ It is important that the framework address both the SAI as an institution and the status and protections for the SAI's Head.

b. How a constitutional or legislative reform is to be achieved

Any independence strategy must recognise, fundamentally, that the power to change the Constitution or the law does not rest with the SAI. In most countries, the institution (or branch of government) responsible for approving such change is the Legislature (whether described as a parliament, congress, or assembly, or by other name). How proposals for a new or amended law are introduced to the Legislature, and what role the SAI has in the process, will vary from one system of government to another.

For example:

- Under some government systems, the SAI or the Head of SAI can directly propose reform of its governing legislation, which can then be introduced to the Legislature and debated by legislators with the possibility of public input through legislative systems.
- Under other systems (in particular, the Westminster system) the SAI depends on the Executive to make policy decisions adopting the need for change, and either introduce or promote the introduction of proposals to the Legislature for debate.

Other processes can assist the development or reform of the SAI's independence. For example⁴⁴:

- Constitutional reforms are important processes. They may not occur often, but they can provide a significant opportunity for a SAI to demonstrate a need for change. A constitutional reform process may involve independent constitutional panels, or constitutional conventions enabling public input. In making its contribution, the SAI can draw on the increasing body of international resources supporting the case for constitutional status and independence. Academic support can also be valuable in achieving acceptance of the need for the SAI to have constitutional recognition.
- Where a constitutional change specifically relates to the SAI, a symposium or international conference can be a useful means of bringing to attention the need for reform and gaining acceptance by the Executive or legislators.
- Countries that have law reform commissions can seek to have the need for SAI legislative reform referred to the commission for independent study and formulation of proposals, with opportunities for SAI and possibly also public input.
- The Legislature itself may also decide to take up the proposal for reform, for example through its committee responsible for budget oversight and consideration of the public accounts.

⁴³ See the discussion under the heading of principle 1 of the Mexico Declaration.

⁴⁴ References to be added to the "success stories at a later stage.]

The benefit of these approaches is to allow independent scrutiny of the SAI's existing situation and proposed legal changes. This can be done with reference to international standards, the General Assembly resolutions, and academic research. The resulting proposals will have standing and their own authority, alongside the standing of the Head of SAI as an advocate for its own interests.

This can also have an important strategic outcome for the SAI. For example, the results of a convention or symposium can be used to convince political leaders and other opinion leaders of the benefits of a reform. This can be used to override entrenched objections and interests (for example, those of government officials who, as explained earlier, may have a natural resistance to change).

c. The SAI's role in a reform process

The SAI and the Head of SAI should obviously be key participants in any process to develop or reform the SAI's legal framework. That can benefit the SAI's own interests, but is also important in the broader public interest. The SAI is best placed of anyone to bring the full international perspective justifying its own independence, with reference to principle (including the Mexico Declaration) and the benefits of independence (including ISSAI 12).

How this contribution is made depends on the particular system of government, and the SAI's place in it. For example, if the SAI is institutionally separate from the Executive, it may be unable to participate directly in the process of policy making and law reform. Indeed, the SAI's independence from the Executive may make it inappropriate to do so. The greater the independence, in other words, the more the SAI may be removed from the process and depend on others to drive it.

In other countries, the SAI may be in a position to participate directly, for example by preparing reform proposals for the Executive, the Judiciary, or the Legislature, or participating in government policy teams or working parties (either directly or with observer status to preserve independence).

In any circumstances, this requires careful consideration and "positioning" of the SAI with reference to the political, policy, and legislative processes. As a general principle, it is preferable to work as far as possible inside the system, seeking to influence the government or judicial officials responsible for developing policies and drafting the proposed law, while maintaining independence as necessary. If legislative proposals require approval by the President, Ministers, or senior officials of the Judiciary, it is important for the SAI to engage with their officials at an appropriate stage and, if possible, to have the Head of SAI's views included in any policy paper that will be considered.

The alternative of working entirely outside the system is less optimal. It can place the SAI in the position of having to make public statements to advocate for reform of its own enabling laws, or to make public submissions to the Legislature on a draft law once it has been introduced for consideration. This can raise perceptions that the SAI is speaking against the government, and place the Head of SAI in a sensitive position. However, if the SAI does find itself in this position, it is important to work constructively and continue to use international standards as the basis for the ongoing advocacy.

In an extreme situation, being outside the system may mean that the SAI finds itself excluded entirely from the process of developing the parameters or policies for the new law, or from being able to see and comment on drafts of the law before they are presented to the Legislature and made

public. This should be avoided at all costs. It may require advocacy with Ministers or with legislators, to ensure that the SAI is involved in the process to the greatest possible extent that the country system allows.

Finally, law reform processes can take a long time from inception to final enactment. The introduction to Part 2 describes gaining independence as a “journey”. A journey may take many years, or involve many iterations of a proposed new law. There are many examples of legislative reform projects which have at first appeared to gain government support, but have then been put on the “back burner” due to other government or legislative priorities. Dealing with these types of setbacks and disappointments can require patience and persistence. This reinforces the need for an agreed approach to the SAI’s involvement.

V.3. Practical enhancements of independence

Even where a constitutional or legislative reform process may be prolonged or difficult, there are other ways a SAI can enhance its independence in practice. This can happen throughout the implementation of the independence strategy, or at particular stages. Many of these have been discussed in chapter IV, in relation to the development of an independence strategy. However, the following points can be useful in the ongoing implementation of the strategy.

a. Growing independence institutionally

A strong institutional approach to independence can be fostered through:

- Understanding the Strategic Management Framework for SAIs⁴⁵, and applying it in a way which keeps independence “front of mind”. Central to this is the importance of strong ethical standards, and their implementation throughout the organisation and at all levels of staff.
- Providing training to all staff on independence, and what it means in its various dimensions (including in respect of international principle, as well as through professional and ethical standards).
- Developing internal resources on independence, and making these available on the SAI’s website and to stakeholders.

As noted in chapter IV, these initiatives may need to be integrated with the SAI’s broader strategic planning and institutional development. They also go in tandem with the professionalisation of the SAI’s auditing practices (especially as the level 4 ISSAIs come to be used and applied) and of its staff.

For example, professionally qualified staff may be subject to a professional code of ethics which requires threats to independence to be identified and addressed by avoiding conflicts of interest or situations such as self-audit. These requirements can be integrated with the SAI’s own institutional requirements (such as the Code of Ethics). This will help to strengthen its independence in a practical sense.

b. Growing independence through the SAI’s external relationships

⁴⁵ See chapter I, page 24.

Independence can also be promoted through the SAI's external relationships. This can happen, both at the auditing interface (whether with the ministry of finance or with individual ministries and entities of the Executive) and with the Legislature.

As mentioned earlier, documented statements and protocols can be valuable in achieving an understanding of the SAI's sense of independence by those it deals with. This can be achieved even when the SAI has to operate under a sub-optimal legal framework.

Examples may include⁴⁶:

- Protocols agreed with the committee of the Legislature responsible for receiving and scrutinising the SAI's reports. These may include understandings about when and how the SAI will publish its reports (to the extent the law permits), the arrangements for the Head of SAI and staff to provide information to the committee, and combined approaches to the review and follow-up of audit recommendations.
- Protocols agreed with the ministry of finance about the annual government budgeting process, especially where the SAI's budget is developed as part of that process and without an opportunity for legislative scrutiny. These could include, for example, recognition that the SAI is responsible for developing and determining its own work programme priorities, which should not be questioned by ministry of finance officials even while they remain responsible for reviewing the budget proposal.

Resources may be available through the INTOSAI regional working group to develop such understandings.

V.4. Responding to emerging challenges and threats

Chapter III has identified the types of challenges and threats that can arise in relation to a SAI's independence, whether in a legal or a practical sense. Chapter IV has stressed the need to monitor the implementation of the strategy, using an active risk management approach.

But threats to independence cannot always be foreseen. Sometimes they can arise from "left field", for example in response to a report by the SAI which finds disfavour with political leaders.

Dealing with such threats requires knowledge, leadership, and communication. If the SAI is aware of the international principles of independence, that knowledge can be used to respond to threats, for example, to curtail the SAI's resources or to change the law to limit its mandate or reporting powers. As in a situation of promoting change, defending the SAI's independence may require engagement with political leaders but also active communication with other stakeholders and the public. These are matters for judgement and leadership by the Head of SAI. Having a pre-existing strategy for enhancing the SAI's independence provides a source of knowledge and a context for dealing with a specific threat.

Access to legal advice is an important element of responding to any threat to curtail the SAI's independence in a legal sense. The Head of SAI should also be prepared to draw on collegial support from within the global or regional SAI community.

⁴⁶ See the discussions in chapter II, under the heading of principles 7 and 8 of the Mexico Declaration, and the discussion of the similar challenges and threats in chapter III.

V.5. Ensuring organisational readiness

Organisational readiness is a key element in any independence project. With increased independence comes greater responsibility, and sometimes increased cost. In particular:

- The SAI may need new systems to give effect to its independence. This has implications for its resourcing and staff capability.
- Chapter IV has emphasised the importance of leadership and role allocation in relation to an independence strategy. Staff “buy-in” to the strategy, and its objectives, is essential.

These factors are now discussed in turn.

a. Giving effect to new forms of independence

Independence gains can come in many forms. For example:

- A commitment to adopt independence standards in the professional sense has implications for the SAI’s operational manuals, ethical documents, and staff training requirements.
- An independent budgeting process requires new systems for developing budget proposals. This is especially so if the budget is to be linked to work programming and require audit activity to be fully costed. Financial performance will then need to be monitored, and where applicable reflected in the SAI’s annual financial statements. Its performance will then need to be captured in the SAI’s annual accountability report.
- Operational autonomy may require a completely new system for human resources management, including the development of staff competencies, recruitment procedures, and performance management systems.
- An enhanced approach to reporting of audit recommendations could have implications for the SAI’s external communication systems, including its website capability.

The budgetary implications of these enhancements may need to be discussed with the body responsible for approving the SAI’s funding.

Gains in independence should then be monitored, using assessment tools of the type discussed in chapter IV (including SAI PMF assessments at particular intervals).

b. Leadership and staff management

All the SAI’s staff should be aware of, and understand, the SAI’s objectives for enhancing its independence. This includes understanding how change may affect staff personally. Particular need for reassurance may arise if the SAI is to become responsible for staff employment and performance.

For example:

- Staff of a Court model may be currently employed by the Judiciary, and regard themselves as independent judicial officers. Coming under the authority of the SAI as an employer may be unsettling, and require measures to preserve judicial status.

- Staff who are currently civil or public servants may be anxious about a loss of entitlements (such as superannuation rights) when they move under the employment of the SAI. This again requires reassurance, and may also need to be addressed in transitional measures in the new law.

Managing these types of concerns and expectations is a leadership responsibility. Staff will naturally look to the Head of SAI for information and reassurance. Communications and staff training are therefore essential elements of this preparation. Failing to manage this effectively could result in a loss of staff “buy in” to the gains that have been achieved.

List of figures and tables

Figure 1: Journey towards greater SAI independence

Figure 2: SAI Strategic Management Framework

Figure 3: components of fiscal transparency. Source IMF

Figure 4: Percentage of SAI Budget Approving Authority per OECD-DAC list and per regions

Figure 5: Percentage of SAIs where budget is presented directly to the legislature

Figure 6: Percentage of SAIs having right to appeal against inadequate budget allocation

Figure 7: Percentage of cases of interference from executive

Figure 8: Percentage of Countries in which Non-Executive Consent is required to remove the Head of the SAI

Figure 9: Percentage of Countries in INTOSAI regions where the SAI has Full or Significant Discretion in Law to Select Audits

Figure 10: Countries grouped by Supreme Audit Institution strength

Figure 11: steps for developing Sai independence strategy

Figure 12: SAI Environment

Figure 13: SAI PMF

Figure 14: Example of a SWOT Analysis applied using the eight pillars of independence.

Figure 15: Suggested Format of an Independence Strategy

Figure 16: Implementing an independence strategy

Table 1: Threats to Independence and Mitigation Strategies (Source: PASAI independence resource kit)

List of Key Documents Related to SAI Independence

1. United Nations General Assembly Resolutions A/66/209
http://www.intosai.org/fileadmin/downloads/downloads/0_news/2012/UN_Resolution_A_66_209_E.pdf
2. United Nations General Assembly Resolutions A/66/209
<http://www.un.org/en/ga/69/resolutions.shtml>
3. Sustainable Development Goals (SDGs)
<https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>
4. INTOSAI Standards (ISSAI 1, 10, 11, 12 and 20)
<http://www.intosai.org/issai-executive-summaries/4-auditing-guidelines/general-auditing-guidelines.html>
5. 3rd International conference on Financing for development: 2015 Final Declarations
<http://www.un.org/esa/ffd/ffd3/>
6. Commonwealth Heads of Government Meeting; November 2013
http://thecommonwealth.org/sites/default/files/events/documents/CHOGM%202013%20Cmmunique_0.pdf
7. Paris Declaration of SAIs with jurisdictional functions of Forum of SAIs with jurisdictional functions
<https://www.ccomptes.fr/content/download/87975/2100818/version/2/fileW20151113-Paris-Declaration-SAIs.PDF>
8. Making SAI Independence a reality
http://www.intosai.org/fileadmin/downloads/downloads/4_documents/Commonwealth_Making_SAI_independence_a_reality.pdf
9. IFAC Code of Ethics
<https://www.ifac.org/system/files/publications/files/ifac-code-of-ethics-for.pdf>
10. The Institute of Internal Auditors (IIT) Standards
<http://www.theiia.org/guidance/standards-and-guidance/ippf/standards/?search=standards>
11. PASAI Independence Kit
<http://www.pasai.org/sai-pmf-tool/>

12. SAI Performance Measurement Framework (SAI PMF)
<http://www.idi.no/artikkel.aspx?MIId1=102&AId=704>
13. INTOSAI Symposium on SAI Independence; 2004
<https://publicadministration.un.org/publications/content/PDFs/E-Library%20Archives/2004%20Report%20of%20the%20Symposium%20on%20the%20Independence%20of%20Supreme%20Audit%20Institutions.pdf>
14. VAGO Report
<http://www.audit.vic.gov.au/>
15. Open Budget Survey
<http://survey.internationalbudget.org/>
16. Legislative Audit: Saving Public Interest:
<http://www.oag.mb.ca/wp-content/uploads/2011/06/Legislative-Audit.pdf>
17. EUROSAI Seminar - SAI Independence
<http://www.eurosai.org/en/training/training-events-and-outputs/Seminar-on-Independence>
18. EUROSAI Survey- Survey on the Independence of SAIs
http://www.eurosai.org/handle/404?exporturi=/export/sites/eurosai/.content/documents/training/training-events/InSem2014/3.-Survey-on-the-Independence-of-SAIs_final.pdf
19. EUROSAI Statement – Reinforcing the Independence of SAIs
<http://www.eurosai2011.tcontas.pt/Pages/statement-of-independence.aspx>
20. OECD – Good Practice in Supporting SAIs
<https://www.oecd.org/dac/effectiveness/Final%20SAI%20Good%20Practice%20Note.pdf>
21. Effective Institution Platform- SAI and Stakeholder Engagement Practices
https://www.effectiveinstitutions.org/media/Stocktake_Report_on_Supreme_Audit_Institutions_and_Citizen_Engagement_.pdf
22. CMI Report- The Accountability Function of SAIs in Malawi, Uganda and Tanzania
<https://www.cmi.no/publications/file/2000-the-accountability-function-of-supreme-audit.pdf>
23. Making SAIs Count- Suggestion for DFID Country Office, National Audit Office UK

http://www.intosaicbc.org/wp-content/uploads/2015/08/10617-001-Guidance-for-DFID-missions_final.pdf

24. Working with SAIs- DFID

<http://www.gsdr.org/document-library/working-with-supreme-audit-institutions/>

25. IDI Global SAI Stock Taking Report 2014

<http://www.idi.no/artikkel.aspx?MId1=140&AId=1157>

26. INTOSAI Sub-Committee on SAI Independence- Result of Case study

http://www.google.fr/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKEwiNm4jx96_QAhUDCCwKHU8fCukQFggBMAA&url=http%3A%2F%2Fwww.psc-intosai.org%2Fmedia%2F16495%2Fitem-12_issai_11a.doc&usg=AFQjCNF4Lc8yAk1MX2vOFkLDAmfgzKP6SQ&bvm=bv.139138859,d.bGg

27. Open Budget Survey 2015- International Budget Partnership

<http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>

28. Public Sector Accounting and Auditing in South Asia – World Bank

<http://documents.worldbank.org/curated/en/785901468113081109/Public-sector-accounting-and-auditing-in-South-Asia-a-comparison-to-international-standards>