



National Audit Office

Making SAIs count

Suggestions for DFID Country Offices

Introduction

Strong, independent supreme audit institutions (SAIs) able to produce timely audits of how governments spend tax payers' money are a core element of modern democracies. The public release of financial audit reports provides reassurance to citizens that governments are using their taxes efficiently and properly and are serious about fighting corruption. Well targeted value-for-money or performance audits can help improve the effectiveness of welfare programmes in education and health and reduce waste. Audits of programmes which affect business, for example the management of Value Added Tax or the regulations affecting business registrations, can build investor confidence, reduce the overhead costs to business and contribute to economic development.

In recent years, governments, via such bodies as the UN General Assembly and the Commonwealth Heads of Government Meeting, have passed resolutions re-emphasising the important role SAIs play and committing themselves to strengthening their independence.

The reality, however, is that many SAIs lack the independence, resources, powers, skills, will and political support needed to hold governments to account and to produce timely, high quality, hard-hitting audits.

The UK government has made a strong commitment to strengthening transparency, openness and accountability, and supporting SAIs and Parliamentary Public Accounts Committees is consistent with these commitments.

DFID and other donors have devoted, and continue to devote, substantial resources to building the capacity of SAIs and supporting wider initiatives within the SAI community. DFID is co-chair of the INTOSAI-Donor Cooperation and has provided funding to help support the INTOSAI-Donor Secretariat. It has also supported the INTOSAI Capacity Building Committee, in particular to encourage closer regional co-operation on such issues as the audit of tax authorities and encouraging SAIs to develop modern human resource management systems.

However, providing direct project funding to build the capacity of SAIs on its own is unlikely in many cases to be enough. If the political context in which the SAI is operating is unsupportive or if the SAI itself lacks champions who perceive the need for change then different approaches are needed.

This PFM programme information note provides a series of suggestions for ways in which DFID overseas missions can take a more holistic approach to making SAIs count and encourages DFID staff to develop wide ranging partnerships with SAIs and other key stakeholders, including parliaments, civil society and business.

Implementing the suggestions made in this note requires political and cultural sensitivity – but managed sensitively they can provide a powerful adjunct to direct institutional capacity building efforts.

Heads of Country Offices and Ambassadors

Heads of Country Offices and Ambassadors are in pivotal positions to advocate for improvements in the work of Supreme Audit Institutions, through their formal and informal contact with senior figures in government and parliament.

Alone, or in conjunction with other donor agencies, they can:

- raise with senior government and parliamentary figures the importance of SAIs and, where warranted, **urge them to comply with the UN resolutions on SAI independence** – stressing in particular the importance of independence from the executive in the system for determining the SAI's budget, as well as raising concerns if the budget appears insufficient, or if cut in year by the executive without independent approval;
- **raise with senior business figures the importance of strong and independent SAIs** and the contribution they can make to improving business confidence in government and encourage them to advocate for improvements;
- **offer to convene, and support, high level panels** of government officials, parliamentarians, senior SAI personnel, civil society, and the media to promote and discuss issues of accountability, transparency and openness and help draw up action plans;
- demonstrate support for the SAI by **meeting with the Head of the SAI** and senior SAI personnel to discuss the results of their annual audits and ways the donor community can support their efforts;
- **meet with the parliamentary financial oversight committee or Public Accounts Committee**, the Speakers and other senior parliamentarians, to reinforce messages on the importance of a strong and independent SAI and to discuss what the donor community can do to support the work of the PAC;
- **use conditionality selectively** to encourage good practices – for example the production of financial statements and the completion and publication of financial audits within 6 months of the end of the financial year;
- express concerns if there is a **major independence breach**, such as the Head of SAI being removed without following due process; and
- **use social media** to blog and tweet around adverse reports on openness, corruption, and failure to deliver audits on time.

DFID policy advisers, programme staff and financial controllers

DFID policy advisers, programme staff and financial controllers are engaged in many different ways in trying to improve the management of public programmes and ensure that UK taxpayers' monies are properly used. An effective SAI can make this role easier. Alone, or in conjunction with the policy advisers, programme staff and financial controllers of other donor agencies, they can:

- make sure they are familiar **with what the SAI is saying about their policy or programme area**;
- **meet with SAI staff** to understand what the audits are saying about risk and control weaknesses in the different government programmes;
- **invite the Head of the SAI and senior staff to present their annual audit report** to a meeting of donors and/or a meeting of the PFM reform coordination structure involving donors and government;
- arrange to **meet with senior government ministry officials to discuss the results of the SAI audits**, understand what the Ministry is planning to do to overcome any weaknesses identified in the audit reports, and offer training and advisory support if necessary to help ministries strengthen their financial management and improve performance;
- seek **SAI input into DFID's fiduciary risk** and management processes;
- **meet with civil society organisations** active in the particular policy arena to ensure they are familiar with the results of the SAI's audits and to discuss ways in which they can use the SAI's findings to advocate for improvement and to disseminate SAI findings in accessible forms;
- explore options when supporting particular ministries to **include specialist support for the SAI**. For example, if there is a donor funded programme to support road building or reform of the tax authority – a part of the budget could be set aside to ensure that the SAI has the expertise to audit funding spent on the programme or raised by taxation;
- **meet with sector specific parliamentary select or policy committees** to discuss relevant parts of the SAI's audit report and action needed; and
- when seeking to use the partner SAI to **audit DFID funded projects**, DFID financial staff might engage with the SAI at several points in the audit cycle to ensure the quality of the resulting audit.

DFID governance, economic and sector advisors

DFID governance, economic and sector advisors are key contact points with SAIs. They need to be aware of major developments in the SAI community internationally, ensure that they understand the strengths and weaknesses of their local SAI, know what past capacity building support has been provided, or is planned, and have a medium-term strategy in place for supporting and working with the SAI. Alone, or in conjunction with the governance, economic and sector advisors of other donor agencies, they can:

- convene regular meetings of donor agencies to better **understand the landscape in which the SAI is operating** and to develop an agreed strategy and coordination mechanism for working with the SAI;
- encourage donors who want their **projects audited by the SAIs** to properly assess whether the SAI has the necessary skills and resources;
- meet regularly with the SAI to understand its capacity building needs and/or to **monitor progress with existing strengthening activities**;
- encourage the SAI to commission a **SAI Performance Measurement Framework assessment** to develop a proper understanding of its current position –and encourage the SAI to place the results in the public domain;
- **fund well planned capacity building projects**, ensuring that the design is scrutinised by experts;¹
- **consider the scope to fund local private sector accounting firms to provide on going training and support to the SAI**;
- **strengthen** key audit areas in SAIs – for example the capacity to **audit taxation and revenue authorities**;
- provide **dedicated training and support so that the SAI can audit donor funds** – where there are concerns about the SAI’s capability – provide external quality assurance support and advice while the SAI is conducting these audits;
- where the SAI produces useful audits and other outputs, **arrange for press releases** supporting this work;
- **meet regularly with key stakeholders** to understand how the SAI is perceived and explore ways of working together to increase the independence and professionalization of the SAI. More specifically with:
 - **government** to encourage them to take forward the recommendations of the SAI and to offer assistance if needed;
 - **parliament** to ensure they understand what to do with SAI reports and to explore ways of strengthening oversight committees;
 - **civil society** to ensure they understand the role of SAIs and how to use their audits but also so they can advocate for strong and effective SAIs;
 - **business** so they understand the important role SAIs can play in economic development;
 - the **accounting profession** to encourage efforts to professionalise the skill base of SAIs; and
 - **anti-corruption agencies** to encourage close cooperation among the main agencies involved in improving public financial management and reducing opportunities for fraud and corruption;
- **maximise the value of other international experts visiting a country** by arranging for visitors to give lectures or run workshops with the SAI – for example on taxation, procurement, health sector management;
- **liaise with the regional networks of SAIs** to maximise the opportunities for peer to peer learning within the SAI community;
- explore ways of **strengthening the local media** and ensuring that they are able to provide objective coverage of SAI reports;
- ensure that **the DFID Mission as a whole has a joined up approach** to engaging with and supporting the SAI and PAC; and
- ensure that reference to working with the SAI is **included in the country office plans** and the country office anti-corruption strategy.

¹ IDI’s SAI capacity building experts are available to undertake a desk based peer review of projects at the design phase, contact INTOSAI.Donor.Secretariat@idi.no

Key sources of further information:

Key publications

DFID has over the years produced some excellent overviews of SAIs. While slightly dated they are still useful introductions to the SAI landscape:

DFID How to Series: **Working with SAIs**

<http://siteresources.worldbank.org/EXTFINANCIALMGMT/Resources/313217-1196229169083/4441154-1196273114377/4444384-1196273135391/HowtoNoteWorkingwithSupremeAuditInstitutions.pdf>

The OECD, with DFID funding, published a guide for donors on how to support SAIs: **Good Practices in Supporting Supreme Audit Institutions**

www.oecd.org/dac/effectiveness/pfm

The INTOSAI (International Organisation of Supreme Audit Institutions) Development Initiative (IDI) has produced a training programme for donors based on this guide which can be run for donor staff in individual countries or regions – contact: INTOSAI.Donor.Secretariat@idi.no

If you would like to explore any of the ideas in this note further, please contact:

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Key websites

www.intosai.org

INTOSAI is the umbrella organisation for SAIs. This website provides an overview of major global activities involving SAIs, the INTOSAI Mexico declaration on SAI independence, contact emails and addresses for all SAIs, a list of key working groups (including the Working Group on the Audit of Extractive Industries), and links to the International Auditing Standards for Supreme Audit Institutions (ISSAIs).

www.idi.no

The INTOSAI Development Initiative (IDI) coordinates INTOSAI's links to the donors, and delivers global and regional capacity development initiatives for the benefit of SAI, as well as country level projects in a small number of fragile states. They maintain a database on all capacity building projects: www.saidevelopment.org

They are also developing the SAI Performance Measurement Framework (PMF) to measure and monitor results of SAI capacity development initiatives and have produced a YouTube video: www.youtube.com/watch?v=vO_eXez64b8

www.intosaicbc.org

The INTOSAI Capacity Building Committee aims to promote and support SAI capacity building efforts. The site provides updates on global activities in support of SAIs and contains the series of good practice guides on such areas as HR management in SAIs, professionalisation of SAIs and Managing ICT in SAIs.

www.nao.org.uk

The UK National Audit Office website contains a wealth of examples of audit reports and examples of what is possible with an outward facing, modern SAI.