

INTOSAI



*Principles of
transparency and
accountability*

**PRINCIPLES
AND GOOD
PRACTICES**

INTOSAI PROFESSIONAL STANDARDS COMMITTEE

PSC-SECRETARIAT

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Introduction

Purpose and objectives.

ISSAI 20 advances principles of transparency and accountability for SAIs in order to assist them in leading by example in their own governance and practices.

The Good Practices presented in this document are some examples of practices of SAIs relating to transparency and accountability. In order to be user-friendly, this document also recaptures ISSAI 20 principles in italics.

This is a living document. As SAIs practices evolve and new methods are developed, SAIs are encouraged to share their experiences.

Principles

Principle 1

SAIs perform their duties under a legal framework that provides for accountability and transparency.

- *SAIs should have guiding legislation and regulations in terms of which they can be held responsible and accountable.*
- *Such legislation and regulations generally cover (1) the audit authority, jurisdiction and responsibilities, (2) conditions surrounding appointment and dismissal of the head of SAI and members of collegial institutions, (3) the SAI's operating and financial management requirements, (4) timely publishing of audit reports, (5) the oversight of the SAI's activities, and (6) the balance between public access to information and confidentiality of audit evidence and other SAI information.*

Good practices

→ Most websites have a heading entitled "Legislation" or "Legal mandate", which details the legal framework under which the SAI operates and, in some instances, with direct links to the relevant documents.

→ At some SAIs, references in legislation to principles of transparency and accountability are detailed. Some SAI's refers to accountability and transparency rules that apply to their SAI's Auditor general.

→ A number of SAIs legislation provides for parliamentary or public access to SAIs documents. For one SAI, the legislation provides an exhaustive list of grounds on which information may be exempted.

→ Some SAIs take clues from the IMF's "Code of good practices on Transparency in monetary and financial policies" adopted in 1999

Principle 2:

SAIs make public their mandate, responsibilities, mission and strategy public

- *The SAIs make publicly available their mandate, their missions, organisation, strategy and relationships with various stakeholders, including legislative bodies and executive authorities.*

- *The conditions of appointment, reappointment, retirement and removal of the head of the SAI and members of collegial institutions are made public.*

- *SAIs are encouraged to make public basic information about their mandate, responsibilities, mission, strategy and activities in one of the official INTOSAI languages, in addition to their country languages.*

Good practices

→ The majority of SAIs publish details of their mandate, responsibilities, mission and strategy.

→ Some SAIs declare whether or not they have full discretion to decide on audits to be undertaken (e. g. when other bodies are in charge of audits for example on extrabudgetary funds and security sector).

→ One SAI has a series of "fact sheets" in order to help Parliamentarians and other stakeholders understand its work in very practical terms (for example: how the Office of the Auditor-General conducts a performance audit).

- Several SAI's information is available on their website along with information leaflets, about their tasks and operations, in two or more official INTOSAI languages.
- Some SAIs make information available in languages other than their own official language(s).

Principle 3:

SAIs adopt audit standards, processes and methods that are objective and transparent.

- *SAIs adopt standards and methodologies that comply with INTOSAI fundamental auditing principles elaborated under the International Standards of Supreme Audit Institutions.*
- *SAIs communicate what those standards and methodologies are and how they comply with them.*
- *SAIs communicate the scope of audit activities that they undertake under their mandate, and on the basis of their risk assessment and planning processes.*
- *SAIs communicate with the audited entity about the criteria on which they will base their opinions.*
- *SAIs keep the audited body informed about their audit objectives, methodology and findings.*
- *The SAIs audit findings are subject to procedures of comment and the recommendations to discussions and responses from the audited entity.*
- *SAIs have effective follow-up mechanisms and report on their recommendations to ensure that the audited entities properly address their observations and recommendations as well as those made by the Legislature (ISSAI 10 on Independence– principle 7).*
- *SAIs' follow-up procedures allow for the audited entity to provide information on corrective measures taken or why corrective actions were not taken.*
- *SAIs should implement an appropriate system of quality assurance over their audit activities and reporting and subject such system to periodic independent.*

Good practices

- All SAIs surveyed apply this principle. Nevertheless, in addition to the ISSAIs, some SAIs issued manuals, functional directives, tools and guides.
- With regard to precisely following up recommendations made by SAIs, three examples can be quoted :
- one SAI introduced in its periodic reporting to Parliament a "Status report" that provides an assessment of what the government had done to address recommendations from previously reported performance audits ;

- another SAI devotes the second part of its annual public report to "Follow-up given to SAI observations" and issues performance indicators measuring the number of recommendations followed.

- a third SAI, in the annual report on the state's account submitted to the Parliament, makes reference to the most important recommendations issued in all the audit reports of the year.

→ A number of SAIs:

- publish their audit methodology on their websites. This includes their performance and financial audit manuals as well as functional audit guides and tools.

- publish on their websites the list of planned performance audits.

- include in their published audit reports the response from the audited department.

- have periodic external reviews by peers to ensure that their quality management framework is suitably designed and operating effectively. SAIs also conduct practice reviews of their audits. The results of the peer reviews and summaries of the practice reviews are published on their websites, in their annual reports or on any printed form.

→ One SAI has carried out a systematic comparison to ensure that internal auditing guidelines appropriately reflect the ISSAI's. The SAI has made it a performance target to update the internal auditing guidance accordingly at the latest 12 month after many new ISSAI has been issued as "endorsement version".

Principle 4:

SAIs apply high standards of integrity and ethics for staff of all levels.

- *SAIs have ethical rules or codes, policies and practices that are aligned with ISSAI 30, Code of Ethics, elaborated under the International Standards of Supreme Audit Institutions.*

- *SAIs prevent internal conflicts of interest and corruption and ensure transparency and legality of their own operations.*

- *SAIs actively promote ethical behaviour throughout the organisation.*

- *The ethical requirements and obligations of auditors, magistrates (in the Court model), civil servants or others are made public.*

Good practices

- The SAI adopts a set of values and a code of ethics and professional behaviour that guide its work.
- The SAI is committed to economy, transparency and the highest ethical standards in financial administration. One SAI makes public on its website the travel and hospitality expenses of the head of SAI and senior management.
- At two SAIs the auditor, at the beginning of each audit, signs a declaration of absence of potential conflict of interest which can be assessed and addressed by senior management.
- Likewise, a number of SAIs have adopted an ethical charter for their magistrates and have created an ethics commission.
- Some SAIs have an obligation to withdraw their members from activities where they have a personal link.
- One SAI disclosed in its audit report a situation where a conflict of interest existed and the steps that were taken by the SAI to ensure that the senior employee had no involvement in or access to documents or activities related to the audit.
- In some cases the ethics obligations include taking the oath by the magistrate and registering of patrimonies declarations.

Principle 5:

SAIs ensure that these accountability and transparency principles are not compromised when they outsource their activities.

- *SAIs should ensure that contracts for outsourced activities do not compromise these accountability and transparency principles.*
- *Outsourcing of expertise and audit activities to external entities, public or private, falls within the responsibility of the SAI and is subject to ethical policies (especially conflict of interest) and policies to ensure integrity and independance.*

Good practices

- Contracting rules are precisely defined by some SAIs, including a declaration of potential conflict of interest by outsourced expertise.
- One SAI makes public on its website all contracts it has issued for values greater than \$10,000.

Principle 6:

SAIs manage their operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters.

- *SAIs employ sound management practices, including appropriate internal controls over its financial management and operations. This may include internal audits and other measures described in INTOSAI GOV 9100.*
- *SAIs' financial statements are made public and are subject to external independent audit or parliamentary review.*
- *SAIs assess and report on their operations and performance in all areas, such as financial audit, compliance audit, jurisdictional activities (SAIs constituted as Courts), performance audit, programme evaluation and conclusions regarding government activities.*
- *SAIs maintain and develop skills and competencies needed to perform the work to achieve their mission and meet their responsibilities.*
- *SAIs make public what their total budget is and report on the origin of their financial resources (parliamentary appropriation, general budget, ministry of finances, agencies, fees) and how those resources are used.*
- *SAIs measure and report on the efficiency and effectiveness with which they use their funds.*
- *SAIs may also use audit committees, made up of a majority of independent members, to review and provide input to their financial management and reporting processes.*
- *SAIs may use performance indicators to assess the value of audit work for Parliament, citizens and other stakeholders.*
- *SAIs follow up their public visibility, outcomes and impact through external feedback.*

Good practices

→ A number of SAIs provide many examples of their performance indicators.

→ Some SAIs have dedicated public reports on this topic.

→ Some performance indicators used:

- Number of performance reports (activity)
- Rate of SAIs audit plan execution
- Rate at which recommendations are implemented
- Financial/non-financial benefits resulting from SAI's recommendations implemented
- Number of testimonies/presentations before Parliament/Congress
- Timeliness of audit report finalisation

→ A number of SAIS use external feedback such as website consultations, stakeholders satisfaction surveys, media coverage.

→ A number of SAIs:

- have in place a mandatory training curriculum to ensure that staff have the appropriate skills and knowledge to conduct their audit work.

- have formal training arrangements with professional institutions.

- publish an annual performance report which includes a number of performance indicators and results, with one page that states the achievements for the year as well as areas for improvement. A summary table is presented in the report, stating the targets and the actual results for the year. Examples of performance indicators include the rate at which recommendations are implemented and number of parliamentary hearings and briefings. Other information in this report includes stakeholder (Parliamentarians, government departments and state corporations) satisfaction survey results, financial performance indicating cost of operations, compensation and benefits and audited financial statements.

→ Some SAIs have an Audit and Risk committee.

→ One SAI sets performance targets based on the result of external evaluation of a sample of reports. This SAIs reporting to parliament of complains and performance auditing results is evaluated by recognized academic experts. External communication specialists evaluate the quality of the presentation in the reports. The SAI reports on the performance targets in its annual report.

Principle 7:

SAIs report publicly on the results of their audits and on their conclusions regarding overall government activities.

- *SAIs make public their conclusions and recommendations resulting from the audits unless they are considered confidential by special laws and regulations.*
- *SAIs report on the follow up measures taken with respect to their recommendations (Suède) – integrated with modified wording.*
- *SAIs constituted as courts report on sanctions and penalties imposed on accounting officers or managers.*
- *SAIs also report publicly on overall audit outcomes, e.g. the government's overall budget implementation, financial condition and operations and, overall financial management progress and, if included in their legal framework, on professional capacity.*
- *SAIs maintain a strong relationship with relevant parliamentary committees to help them better understand the audit reports and conclusions and to take appropriate action.*

Good practices.

- SAI (either Courts or other models) report on the number of potential criminal offences revealed by their audits.
- Most SAIs reviewed acknowledge the necessity for publicly reporting on the results of their audits and for accessibility to other publications. A search of these publications can be conducted according to different criteria: years, agencies/institutions, topic, etc.
- Some SAIs offer summary reports. One SAI website offers "E-mail Updates" which, after subscription, allows access per email to the latest SAI publications.
- In most countries, the head of SAI presents the findings of their reports (all or selected ones) to the parliamentary committees and in some countries to the king or president.
- At one SAI, the head of SAI each year engages in person with groups of external stakeholders collectively (legislatures, executive tier of government, councillors and mayors) on his/her conclusions and the outcomes analysis arising from the audits. The same SAI also provides public accounts committees with orientation and training on financial management to enable them to better understand audit reports and enhance their probity of issues with auditees.

→ A number of SAIs provide letters to new members of parliamentary committees highlighting instances where the government had not taken action as recommended in prior audit reports. This is done subsequent to every election, recognising that there are many new members of Parliament.

→ The head of SAI holds both formal and informal meetings with the chairpersons and members of parliamentary committees and with deputy ministers of audited entities on a regular basis. These meetings offer the head of SAI an opportunity to explain the role and mandate of the SAI and get a better understanding of the needs of the various committees and the issues and risks facing audited entities.

One SAI provided parliamentarians with a guide entitled “Examining Public Spending” to assist them in reviewing the government budget. The guide attempts to demystify the process and includes recommended questions that parliamentarians can ask departments and agencies.

→ Some SAIs have a mandate to comment on draft budget.

→ Some SAIs comment on the very large infrastructure projects.

→ A number of SAIs communicate with anti-corruption governmental institutions

Principle 8:

SAIs communicate timely and widely on their activities and audit results through the media, websites and by other means.

- *SAIs communicate openly with the media or other interested parties on their operations and audit results and are visible in the public arena.*

- *SAIs encourage public and academic interest in their most important conclusions.*

- *Abstracts of audit reports and court judgements are available in one of the official INTOSAI languages, in addition to the country languages.*

- *SAIs initiate and conduct audits and issue the relevant reports in a timely manner. Transparency and accountability will be enhanced if the audit work and related information provided are not obsolete.*

- *SAI reports are available and understandable to the wide public through various means (e.g. summaries, graphics, video presentations, press releases).*

Good practices

- SAI reports are available on their websites.
- SAIs hold press conferences after the release of the audit report to explain the content thereof.
- SAIs adopt a proactive attitude towards civil society. A number of SAIs engage communication specialists to review their reports to ensure that they are written in plain and understandable language.
- One SAI offers a media centre portal to journalists and others seeking information about the SAI, as well as news releases, statements, speeches and relevant background information as available.
- One SAI presents a similar heading. For each SAI's publication, press releases, speeches, summaries and articles are available.
- One SAI has a dedicated media spokesperson who is accessible to the media. In addition, the SAI holds regular sessions with the key media houses to assist them to understand audit reports so that they publish their articles accurately and within the right context.
- The head of one SAI regularly meets with a journalist at the press conference following the publication of the audit report for one-on-one interviews. The head of SAI also meets with parliamentarians to explain the budget for the SAI and to discuss its report on plans and priorities, its performance report and its management practices.

Principle 9:

SAIs make use of external and independent advice to enhance the quality and credibility of their work.

- *SAIs comply with the International Standards of Supreme Audit Institutions and strive for continued learning by using guidance or expertise from external parties.*
- *SAIs may call on an external independent assessment for their operations and their implementation of the standards. For this objective they may use peer review.*
- *SAIs may use external experts to provide independent, expert advice, including on technical matters relating to audits.*
- *SAIs publicly report the results of peer reviews and independent external assessments.*
- *SAIs may benefit from joint or parallel audits.*
- *By enhancing the quality of their work, SAIs could contribute to the improvement of professional capacity in financial management.*

Good practices

- A number of SAIs have been subject to peer reviews and the results have been posted on their websites.
- SAIs receive advice from a number of committees with external members. These members are experts with relevant experience, such as leading representatives from environmental groups, the academic community, former public civil servants and private sector accounting firms.
- SAIs use expert assessment (in areas including technical matters relating to audits) or academic feedback, benchmarking: information systems and actuarial calculations.
- Several SAIs participate in joint audits for environmental issues.
- Another SAI subjects its regularity audits to independent technical assessment by the national Independent Regulatory Board for Auditors, and its performance audits to assessments by an international SAI peer review team.
- A number of SAIs conduct collaborative audits with SAIs of a different jurisdiction where there is a sharing of audit objectives, criteria and audit programs. Audit offices report individually to their respective legislatures. Examples of these collaborative audits include aboriginal issues, such as services for children on reserves and in the health sector on performance indicators.
- One SAI established an independent panel to review environmental and sustainable development practices and to recommend ways to potentially strengthen such practices.
- One SAI uses external consultant to carry out “total quality management” or “customer” reviews involving interviews with top level executives and key contacts in the audited ministries and public entities and other stakeholders.
- Some SAIs maintain link with universities in order to enhance the quality of their work.
- Some SAIs maintain formal mechanisms through which the public can communicate specific complaints and suggestions regarding the audits.