

GLOBAL SAI STOCKTAKING REPORT 2020



SAI INDEPENDENCE

SAI independence remains at risk



20%

of SAls have shortcomings in their legal framework when it comes to termination of tenure for Heads of SAls.

For SAls to be effective, credible institutions that deliver on their mandate, they need to be independent from the audited entity (Executive) both in terms of de Jure and de facto SAI independence. Well-defined legal basis is a critical prerequisite for the effective functioning of SAls. It should cover the independence of the SAI versus the executive branch of the government and provide the SAI with sufficient operational powers to establish its role as the external auditor of the government.

Equally, SAI's should be able to deliver their mandate without interference and fear of repercussions.

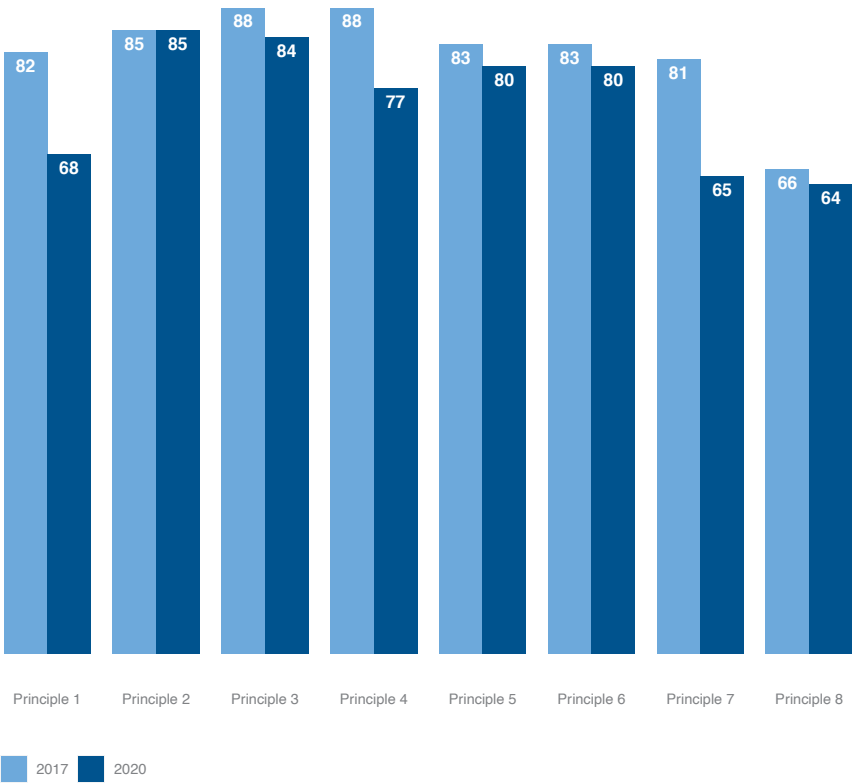
SAI independence often reflects country governance systems and can be either an enabler or an inhibitor for SAI performance. The SAI's legal framework is decided by other state powers, and is not directly under control of the SAI itself.

Around the world, SAI independence continues to be a challenge for many SAls. The Stocktake shows that overall, there is a continued, albeit slight, backslide in the levels of SAI independence since the 2017 report. In addition, new threats to SAI independence appear to be emerging.

2.1 GLOBAL SAI INDEPENDENCE DETERIORATES

INTOSAI's Mexico Declaration on independence, INTOSAI-P 10, outlines conditions for ensuring SAI independence through eight core principles.¹² Figure 7 indicates the changes from 2017 to 2020 against the eight principles, one by one and Figure 8 shows the 2020 scores across the INTOSAI regions.

FIGURE 7 COMPARISON OF SAI SCORES ON PRINCIPLES OF INDEPENDENCE IN 2017 AND 2020
Based on n=171 and n=178 SAls in the 2017 and 2020 surveys, respectively



Source: INTOSAI Global Survey 2020

The global trend shows a slight decline across seven of the eight principles since 2017.¹³ In addition, Principle 8 historically remains lowest among these principles, suggesting that globally SAls face greater challenges with their financial independence and administrative autonomy.

The Eight Principles are combined into a single aggregate 'independence index'.¹⁴ Regionally, it can be

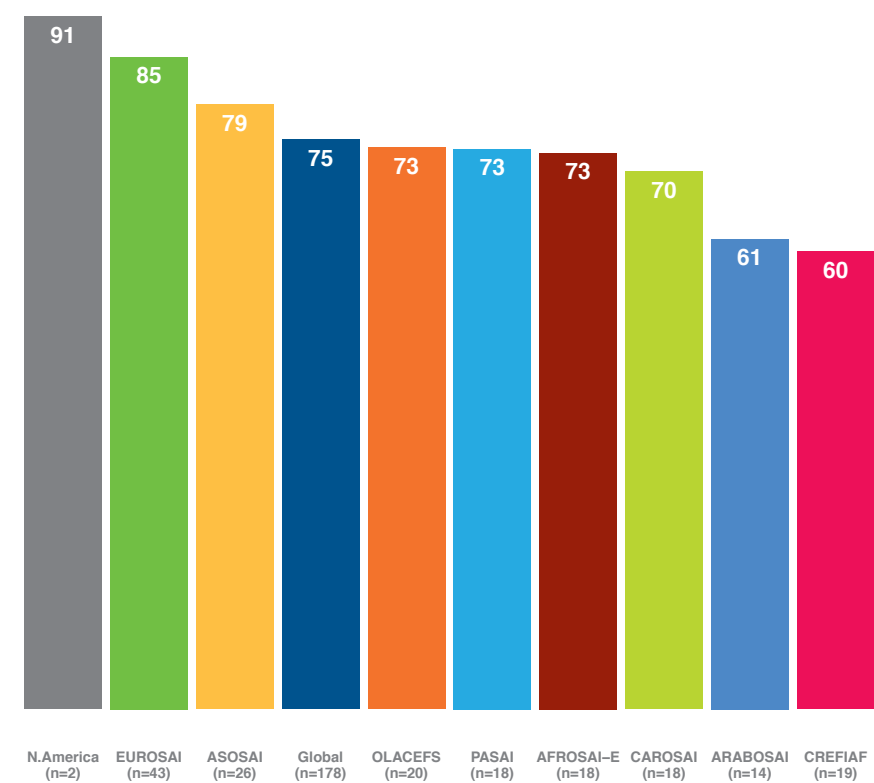
concluded that SAI independence levels are above the global average in three regions: EUROSAl, ASOSAl and North America. The SAls of ARABOSAl and CREFIAF appear to have least independence.

The decline since 2017 is most prevalent in countries with lower levels of democracy and middle-income countries. When comparing only the countries who partook in the 2017

stocktake, the largest decline is seen in the Americas (OLACEFS, CAROSAl, and North America), but the decline is global. ARABOSAl is the only region that improved slightly.

12. To read the Mexico Declaration in full – click here.
13. Adequate legal framework (1), access to information (4) and follow-up (7) are the indicators with most significant drops.
14. The independence index ranges from '0' to '100' with '0' signalling no independence on all 8 principles across all SAls and '100' signalling full independence on all 8 principles across all SAls.

FIGURE 8: INDEPENDENCE INDEX PER REGION¹⁵



Source: INTOSAI Global Survey 2020

2.2 INADEQUACY OF LEGAL FRAMEWORK MAKES LOW-INCOME COUNTRIES MORE VULNERABLE TO INTERFERENCE

Principles 1-3 in the Mexico Declaration cover questions about appropriate legal frameworks that enables the SAI to do its work. The analysis shows that weaknesses in the legal framework are most prominent in LI countries, putting these SAIs at even greater risk of having inadequate independence to deliver effectively.

The Global Survey 2020 asked SAIs the extent to which they perceive that their legal framework provides appropriate conditions for independence (Principle 1).

68% of SAIs perceive the legislative framework to be adequate. Fewer SAIs in the LI, LMI and UMI categories consider that the legal framework provides the appropriate conditions for independence. Analysis shows that an inadequate legal framework is also linked both to lower level of functioning of government, and to lower levels of democracy.

The independence of Heads of SAIs should be reflected in the legal framework and apply to their appointment, reappointment, or removal from office (Principle 2).

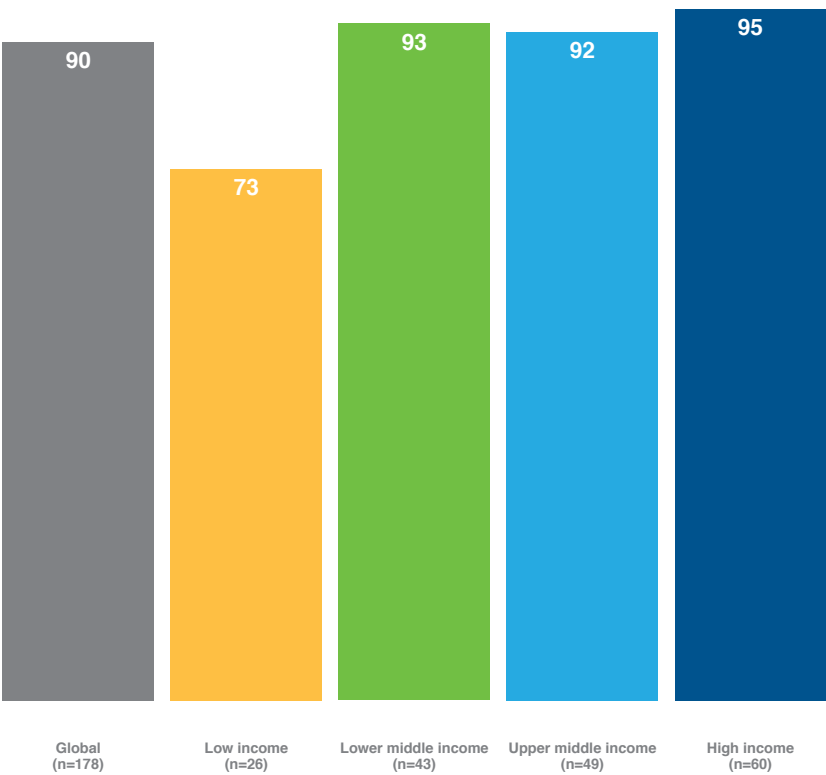
Legislation should ensure that such processes are carried out in a manner that guarantees their independence from the Executive. Nevertheless, for 20% of SAIs on a global average, shortcomings mean lower protection around termination of tenure.

Regionally, SAIs in CREFIAF and ARABOSAI face the most challenges. In terms of country income levels, LI countries seem particularly vulnerable with regards to the protection of Heads of SAIs. Adequate protection against dismissal is less common for SAIs that form part of the Executive.

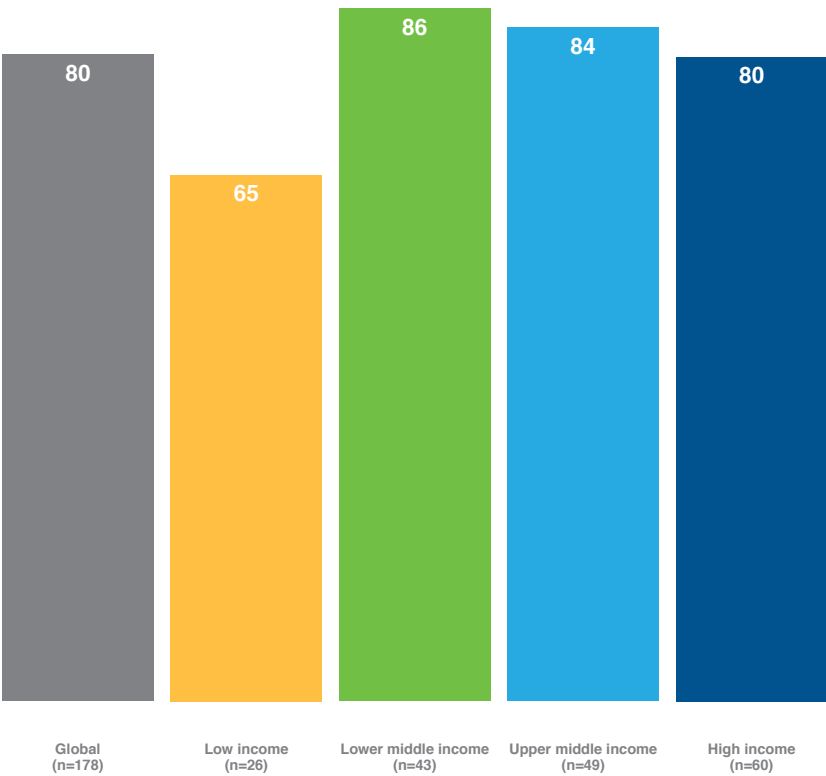
15. Annex 2 provides details on the methodology for the calculation of the independence index.

FIGURES 9 AND 10 HEAD OF SAI APPOINTMENT AND DISMISSAL ACCORDING TO COUNTRY INCOME CLASS

Appointment



Termination



Source: INTOSAI Global Survey 2020

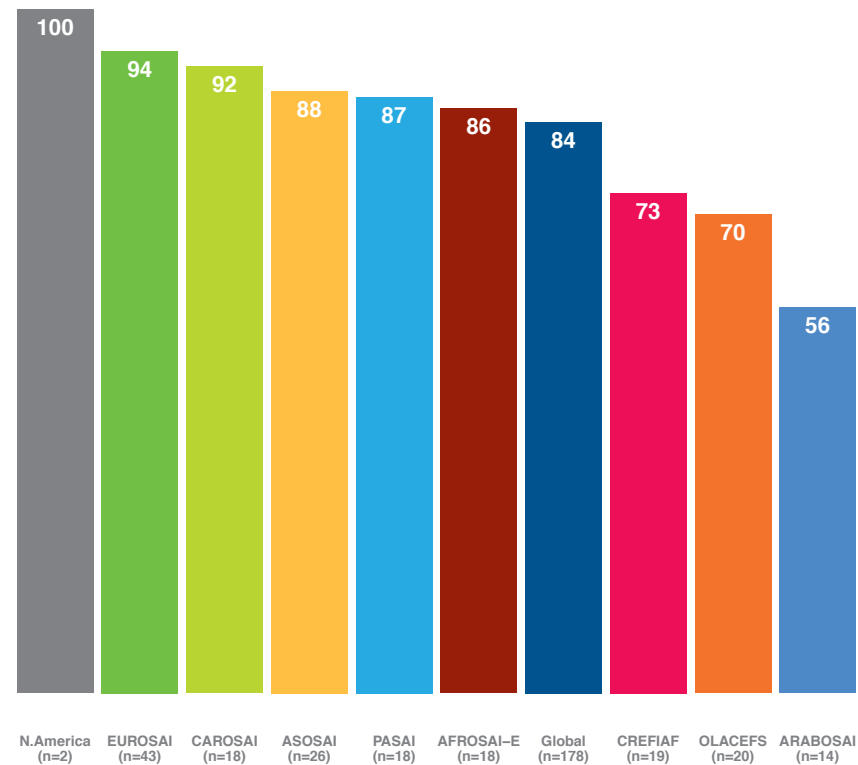
A sufficiently broad mandate (Principle 3) means that SAIs should be empowered to audit the use of public monies, collection of revenues owed to public entities, legality and regularity of public entities account, quality of financial management and reporting, and economy, efficiency

and effectiveness of public sector operations.

Nearly all SAIs (99%) confirmed that they are mandated to carry out financial, performance and compliance audits, while 23% are mandated to carry out jurisdictional controls.

In addition, a minority of SAIs are mandated to carry out other tasks, such as advisory services, public policy evaluation and pre-audit. The SAI's mandate to conduct regional or local audit is more limited in higher income countries.

FIGURE 11 DISCRETION TO DISCHARGE SAI MANDATE
Principle 3



Source: INTOSAI Global Survey 2020

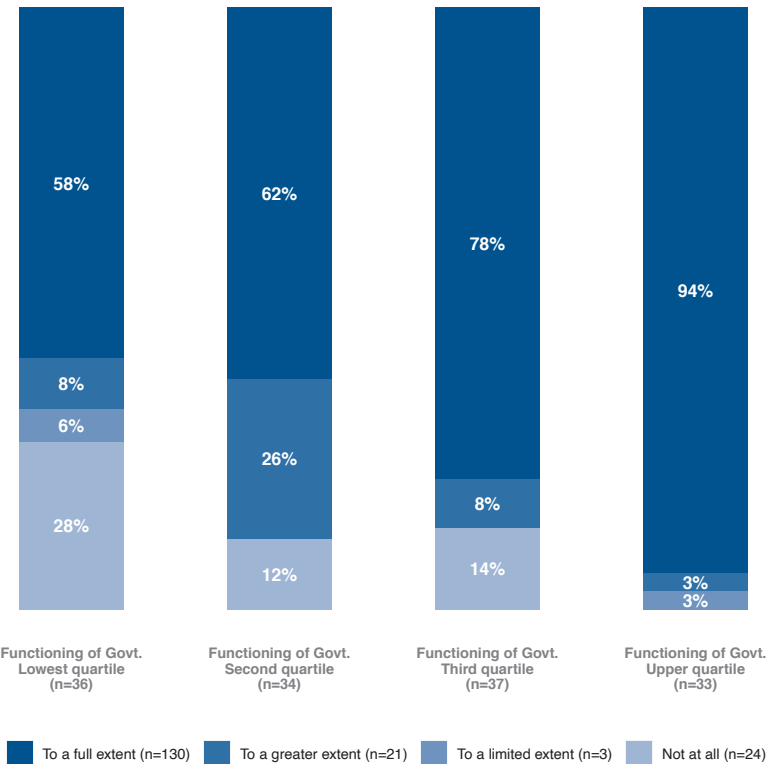
Full discretion in the discharge of its functions is reflected in the SAI's ability to plan, conduct and report its audits independently from the Executive and Legislature. Globally, around 84% of SAIs consider that they have this discretion. Independence according to this indicator appear lower in LI countries and especially in ARABOSAI, OLACEFS and CREFIAF. There are no

major differences between reported abilities to plan, conduct and report audits. Ability to discharge the mandate also seem to be related to the level of functioning of government, as measured by EIU Democracy index. As Figure 12 shows, a majority (94%) of SAIs grouped within the highest level of functioning of government report to be fully free from direction or interference

in selection of their audit programme and conducting and reporting on their audits. This suggests that countries with higher performing governments facilitate stronger systems, with clearer division between the roles of politicians, public administration and SAIs.

SAI INDEPENDENCE

FIGURE 12 FREEDOM OF INTERFERENCE IN SELECTION OF AUDIT PROGRAMME ACCORDING TO LEVELS OF FUNCTIONING OF GOVERNMENT



Source: INTOSAI Global Survey 2020

2.3 REDUCED ACCESS TO INFORMATION AND WEAKER FOLLOW-UP

Even when the SAI considers the legal conditions to be sufficiently independent, it can still face de facto challenges in exercising their independence, from collecting audit evidence to reporting. For instance, a majority of SAIs report that they are mostly free from direction and interference in carrying out audits, yet a review of the process against Principles 4 and 7 shows a more nuanced picture.

In the 2020 Global Survey, only 44% of SAIs said that they fully experienced timely, unconstrained, and free access

to all necessary documents and information for the proper discharge of their statutory responsibilities (Principle 4), a dramatic drop from the 70% who reported having full access in 2017. While 28% of SAIs mentioned that their access was only restricted in a limited way, 18% considered their access to information to be largely or fully restricted. Countries that score highly in terms of levels of democracy and functioning of government enjoy better SAI access to information. Regionally, SAIs from ARABOSAI and OLACEFS experience the most significant impediments to accessing information.

44%

of SAIs said that they fully experienced timely, unconstrained, and free access to all necessary documents and information

FIGURE 13 PERFORMANCE ON PRINCIPLE 4 PER INTOSAI REGIONS
Principle 4: Unrestricted access to information

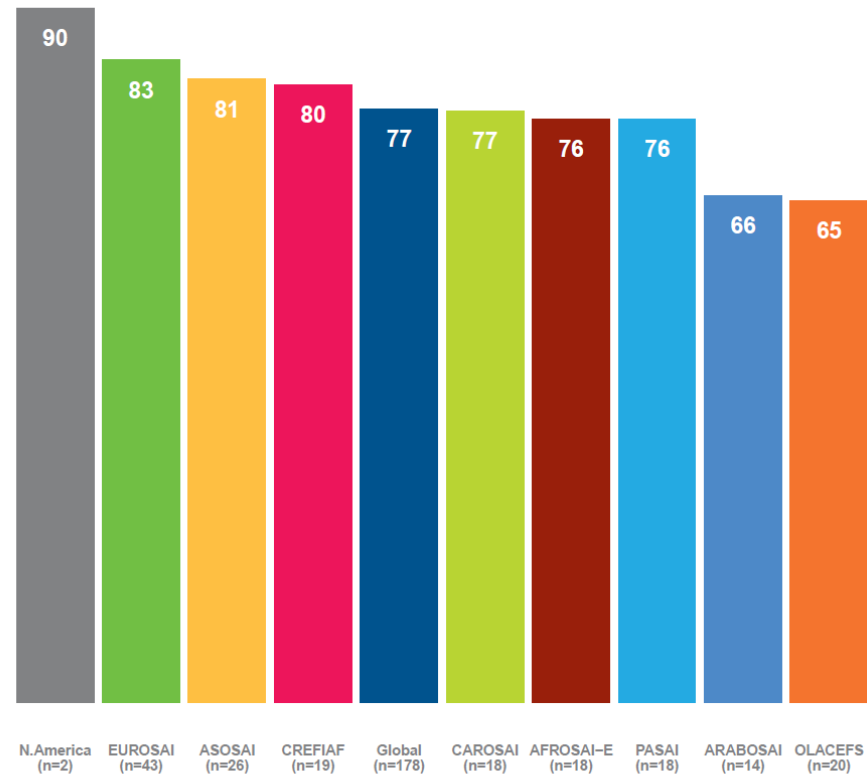
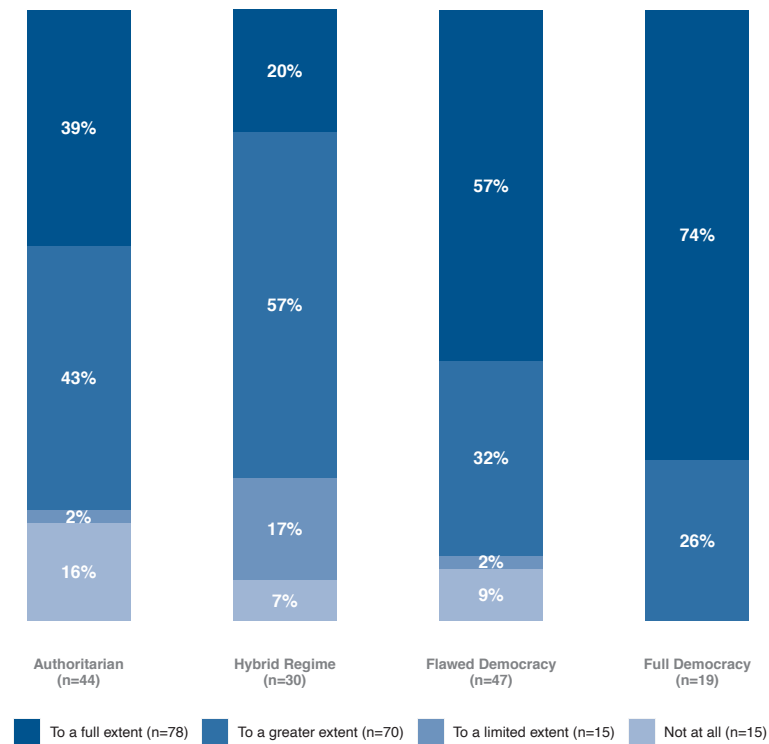


FIGURE 14 PERFORMANCE ON PRINCIPLE 4 PER LEVELS OF DEMOCRACY
Principle 4: Unrestricted access to information



The right and obligation to report on their work (Principle 5), and the freedom to decide the content and timing of audit reports and to publish and disseminate them (Principle 6) are both critical for SAIs to promote the transparency and accountability of governments. Overall, there's been a slight drop in the index score for these principles since 2017. Behind this drop we find an increase of the number of SAIs stating they have not been free from interference in line with Principles 5 and 6.

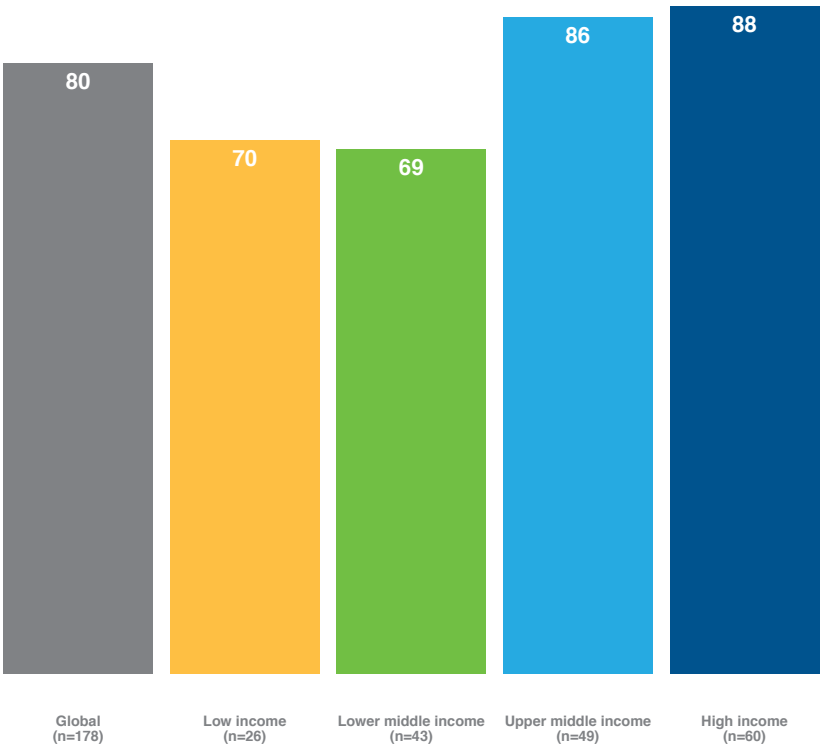
71% of SAIs confirm they experienced full independence in publishing and disseminating their audit reports, a small increase since 2017.

The freedom to publish and disseminate reports is more restricted in LI countries, and in countries with lower levels of democracy and lower functioning of government.

13% of SAIs worldwide state that they had no power at all in deciding on reporting, publication and dissemination of their reports, while 16% report that their ability to freely publish reports was restricted.

FIGURE 15 PERFORMANCE ON PRINCIPLES 5 AND 6 – REPORTING AND PUBLICATION

The right and obligation to report on their work, and the freedom to decide the content and timing of audit reports, and to publish and disseminate them.

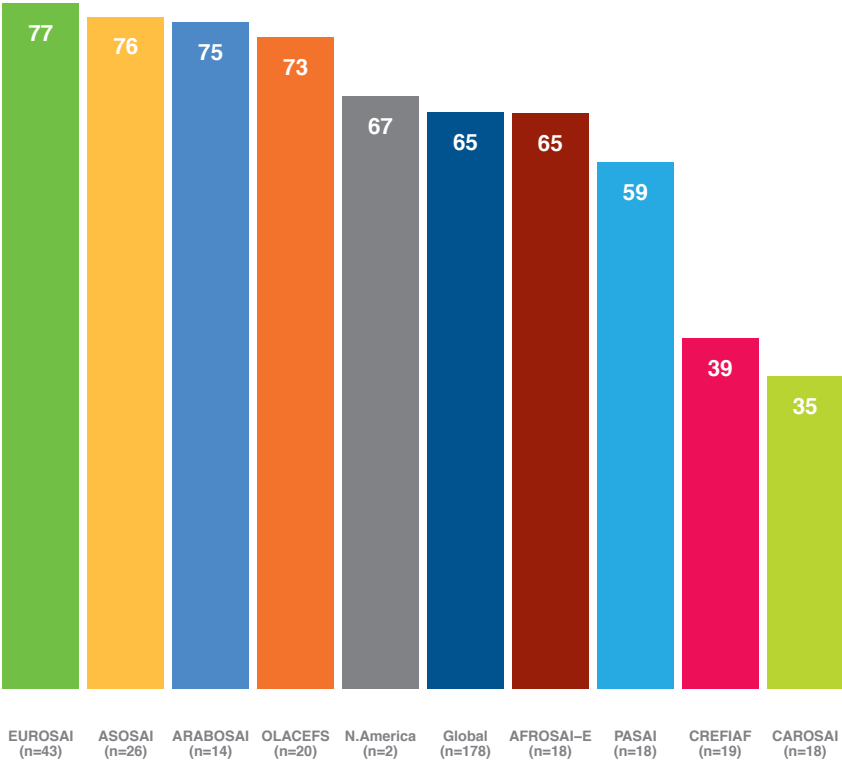


To ensure that the audited entities properly address and implement the SAI's observations and recommendations, SAIs should have a follow-up system to track the implementation of their own recommendations as well as those made by the Legislature, one of its commissions, or the auditee's governing board. The Global Survey

2020 shows that, globally, 65% of SAIs have in place such a follow-up system - a significant drop from 81% in 2017. There are substantial regional differences. Chapter 5 presents results according to audit streams. For involvement of legislature in follow-up there also is a decrease in the share of SAIs that involve Legislature regularly.



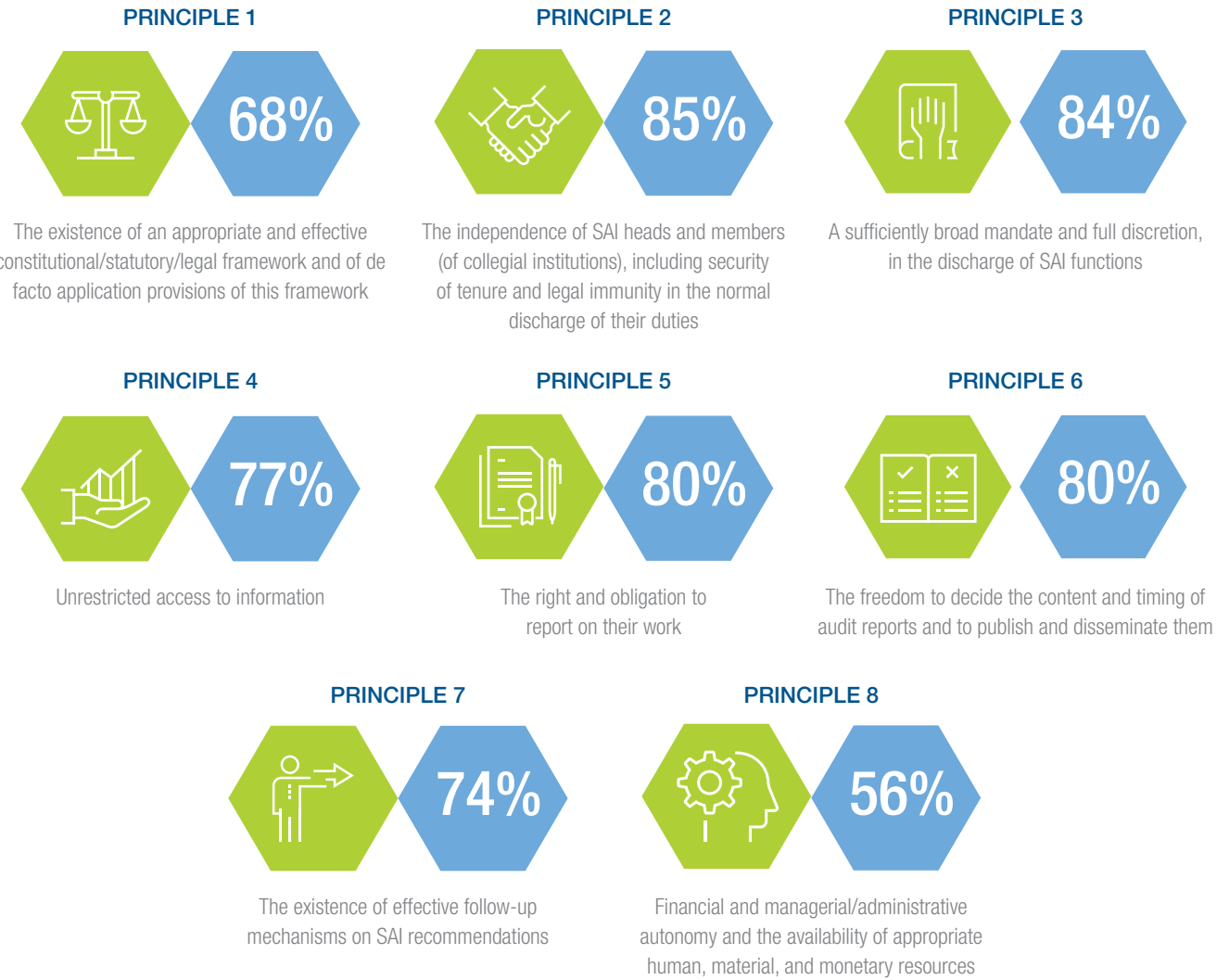
FIGURE 16 PERFORMANCE ON PRINCIPLE 7 – AUDIT FOLLOW-UP ACCORDING TO REGIONS
The existence of effective follow-up mechanisms on SAI recommendations



Source: INTOSAI Global Survey 2020

THE EIGHT PRINCIPLES OF SAI INDEPENDENCE

INTOSAI MEXICO DECLARATION



2.4 FINANCIAL AND ADMINISTRATIVE AUTONOMY REMAIN A MAJOR CHALLENGE

The degree of reported independence remains lowest on Principle 8 - financial and managerial/administrative independence - with a global average rating of 64%. SAIs in ARABOSAI and CREFIAT are most challenged. The score reflects a combination of scores on financial and administrative autonomy.

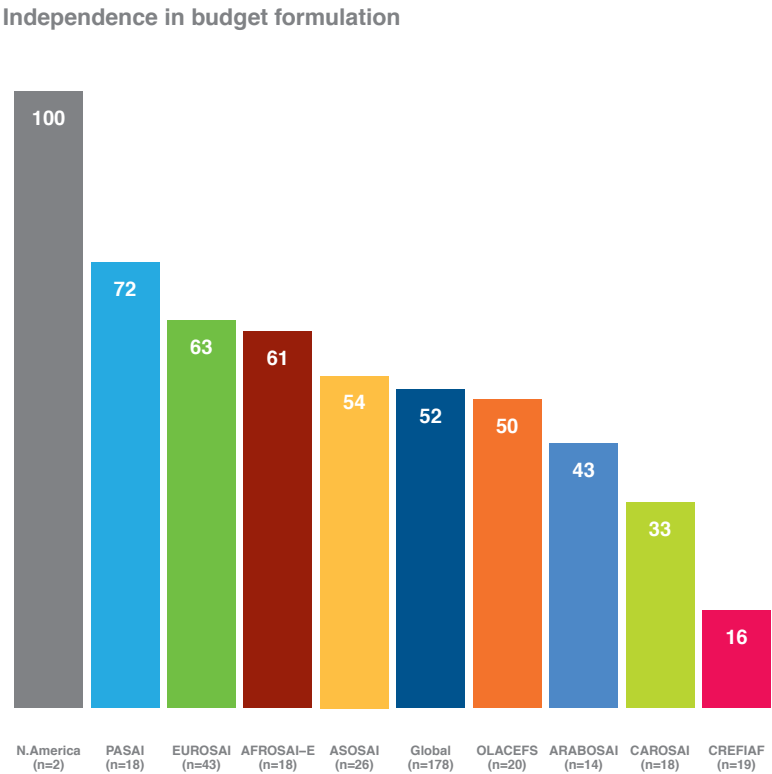
Challenges that SAIs face vary greatly in extent and in characteristics, sometimes being related to country system features.

While 60% of SAIs report that they didn't experience major interferences in the execution of their budgets, 40% state that they did.

86% of SAIs had control of their offices' administrative organisation (60% fully and 26% to a greater extent). However, these responses don't rule out variations of interference, such as delayed transfers of budget allocations or management of staff, which may not be perceived as such, if they are a regular occurrence.

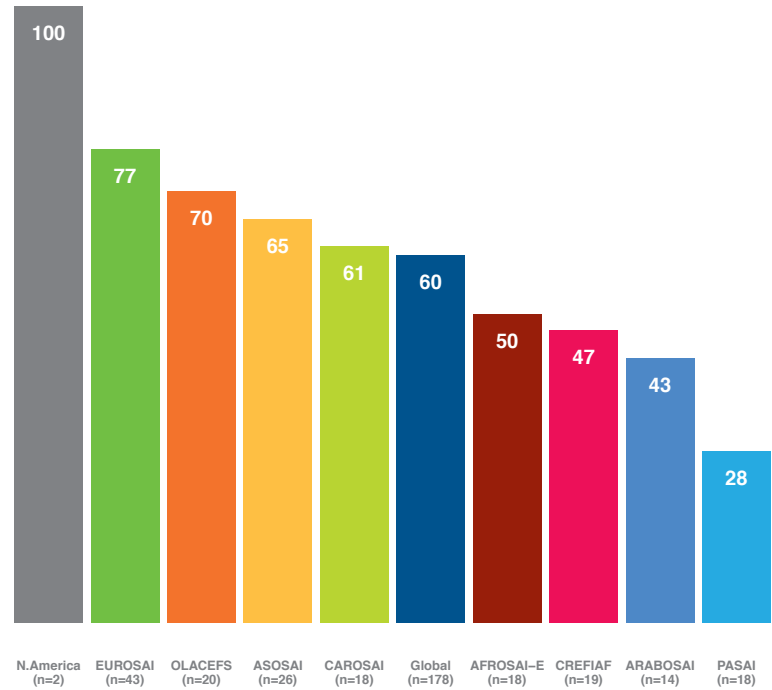


FIGURE 17 PERFORMANCE ON PRINCIPLE 8 – FINANCIAL AND ADMINISTRATIVE AUTONOMY ACCORDING TO REGIONS



Source: INTOSAI Global Survey 2020

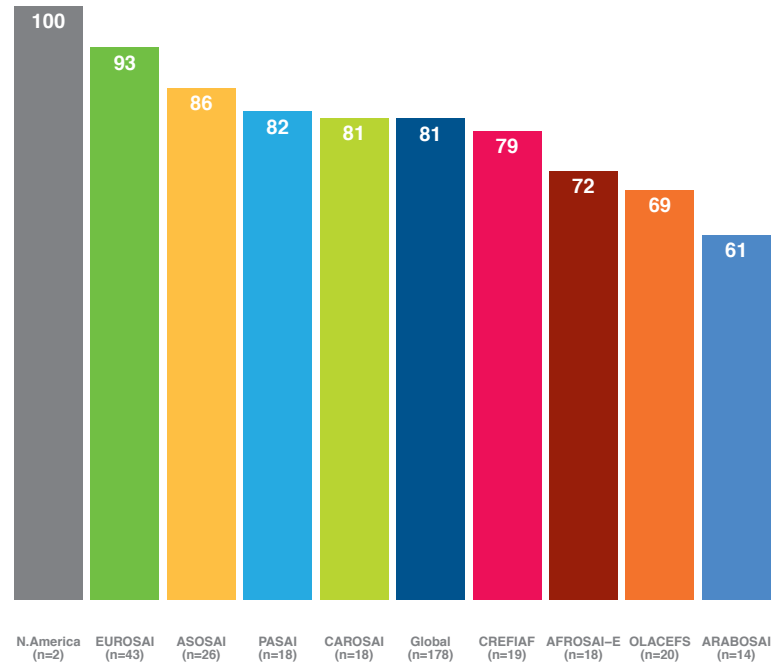
Independence from Executive interference in budget execution



Source: INTOSAI Global Survey 2020

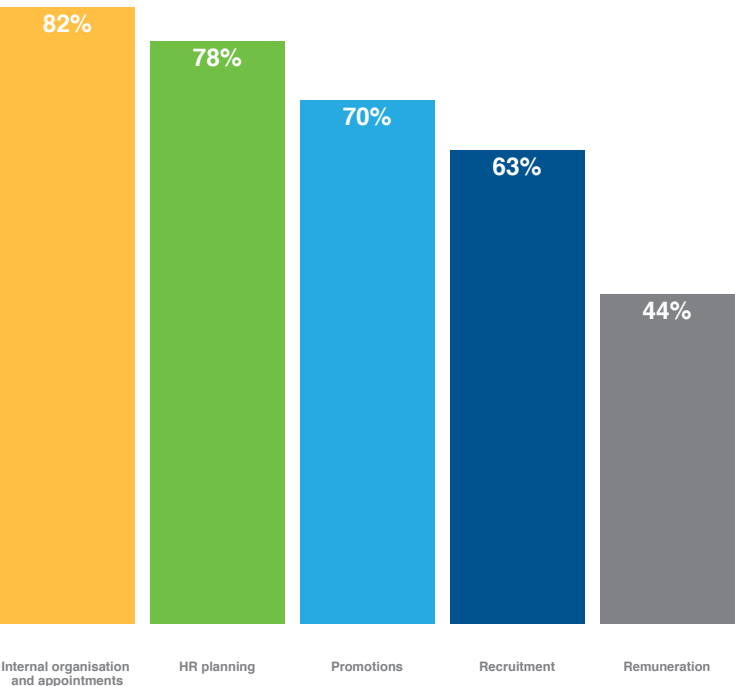
SAI INDEPENDENCE

Having control over the administrative and organisational management of our office



Source: INTOSAI Global Survey 2020

FIGURE 18 SAI ADMINISTRATIVE AUTHORITIES RELATED TO HR
% of all 178 SAIs indicating they have full control for each option



As Figure 18 suggests, of the administrative authorities related to human resource management measured, full control over internal organisation and appointments is the highest (82%). Full control of SAIs is reported to be lowest for recruitment (63%) and remuneration (44%).

63%
of SAI have full control of recruitment of staff.

Source: INTOSAI Global Survey 2020