

# GLOBAL SAI STOCKTAKING REPORT 2020



# SAI CORE AUDIT SERVICES

Need for a more holistic approach to improve audit impact



74%

of SAs are familiar with the transition from the ISSAI framework to the INTOSAI Framework of Professional Pronouncements (IFPP)

This chapter focuses on the performance of SAs in conducting their core task of public sector auditing. The International Standards of Supreme Audit Institutions (ISSAIs) recognise three generic types of audit: financial audit (FA), compliance audit (CA) and performance audit (PA) and have recently (2019) consolidated a set of Professional Principles for Jurisdictional Control (P-50), carried out by SAs with a jurisdictional mandate.

The chapter provides details for each of the four audit disciplines on the following aspects of performance:

- Adoption and compliance with the ISSAIs
- Audit coverage and audit types carried out
- Publication and dissemination of audit results
- Follow-up and stakeholder relations

The findings are based on the responses to the Global Survey 2020. To overcome the inherent weakness in self-reporting on performance, the analysis also makes use of the findings of a sample of 42 SAI PMF reports. This data serves to triangulate the Global Survey results. Annex 2 provides further details on the methodology.

The majority of SAs have now adopted the ISSAIs - or national standards in line with the ISSAIs - which is an improvement from 2017. Audit practices that are in compliance with the ISSAIs, however, remain a challenge for many SAs. Audit coverage has dropped for financial and performance audits since 2014, and the data indicates a shift towards SAs undertaking more compliance audit. Compliance audit, however, is the audit discipline where SAs currently lag behind the most in terms of ISSAI

compliant audit practices. Many SAs still prefer to carry out combined audits covering the three types, and jurisdictional controls are often combined with other audit objectives.

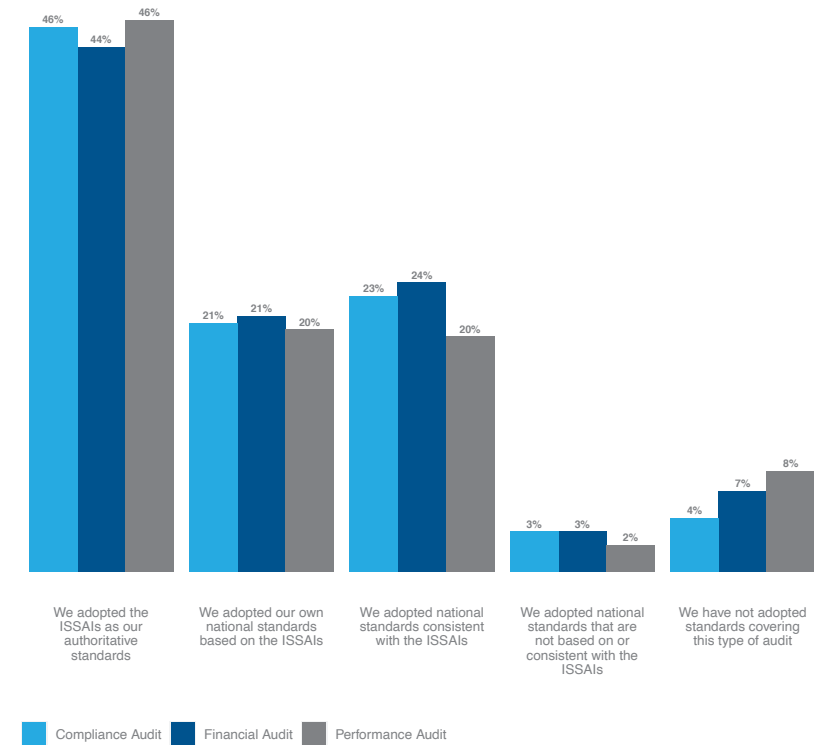
The timelines and publication of audit reports seems to have improved since the last Stocktake but many SAs are facing institutional challenges. The rate of Executives' implementation of audit recommendations is perceived by SAs to be highest for jurisdictional control.

Overall, one-third of SAs report not having internal systems for monitoring the implementation of observations and recommendations. The lack of follow-up and limited focus on stakeholder management and communication with the public suggests that this an area of improvement which could be better integrated in the audit process, and that a more holistic approach to the audit approach could help improve audit impact.

## 4.1 ADOPTION AND IMPLEMENTATION OF ISSAIs ARE SLOWLY INCREASING

### 4.1.1 DEVELOPING COUNTRIES MORE LIKELY TO ADOPT ISSAIs DIRECTLY AS AUDIT STANDARDS

FIGURE 31 ADOPTION OF FINANCIAL, PERFORMANCE AND COMPLIANCE AUDIT STANDARDS (ISSAIs)  
Percentage of all SAs with the relevant mandates endorsing each statement



Out of 178 responding SAs, 74% are familiar with the transition from the ISSAI framework to the INTOSAI Framework of Professional Pronouncements (IFPP). SAs from the CAROSAI, CREFIAF and PASAI regions are the least aware of this transition. This indicates that INTOSAI still has a job to do in terms of communicating and sensitising the SAI community on the IFPP.

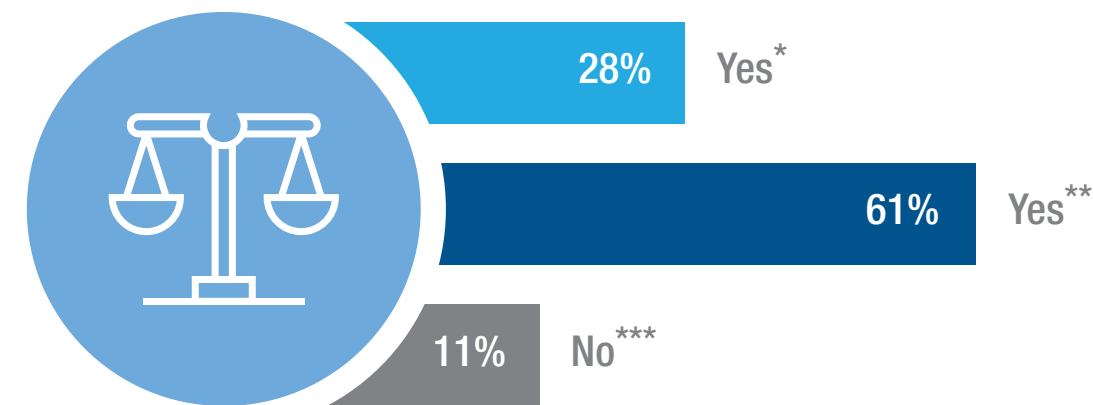
The total share of SAs that self-report adopting the ISSAIs (86%) is a marked increase from 65% in 2017. 86% of SAs who have the mandate to cover all audit streams report they have adopted the ISSAIs for financial, performance and compliance audit. 91% of SAs report to have adopted INTOSAI Principles (INTOSAI Ps) (covering fundamental and organisational principles).

For SAs with a jurisdictional mandate, adoption of INTOSAI-P 50 (which was only approved at INCOSAI XXIII in 2019) is also relevant. The recent approval of INTOSIA P-50 is reflected in the levels of SAs that have adopted standards/principles consistent with

P-50, at 28 % (see figure 58). 61% of SAs have yet not benchmarked their jurisdictional control standards against P-50, and 12 % report that they have not adopted or developed principles for its jurisdictional activities.



FIGURE 32 ADOPTION OF JURISDICTIONAL CONTROL STANDARDS  
Percent of SAs selecting each option from those who indicated that they have a mandate to conduct jurisdictional control activities



\* THESE ARE CONSISTENT WITH INTOSAI P–50 PRINCIPLES OF JURISDICTIONAL ACTIVITIES OF SAs.(N=10)  
\*\* BUT WE HAVE NOT CHECKED OUR STANDARDS FOR CONSISTENCY WITH INTOSAI P–50 YET. (N=22)  
\*\*\* (N=4)

Source: INTOSAI Global Survey 2020

According to the Global Survey 2020, SAs in LI countries are most likely to directly adopt the ISSAIs. In higher income countries, it is more common for SAs to have adopted their own national audit standards, which may or may not be consistent with ISSAIs. The difference in approach could be due to LI countries having fewer resources (professional capacities) available to expand and adapt ISSAIs to their national circumstances, or to the lack of national standards applicable to public auditing. Another explanation is that many SAs in HI countries already had national auditing standards before the ISSAIs were adopted at the XX INCOSAI in 2010.

21. iCAT refers to the ISSAI Compliance Assessment tool a mapping exercise of SAI practices against ISSAIs.

4.1.2 ADOPTING ISSAIS VERSUS ISSAI-COMPLIANT AUDIT PRACTICES

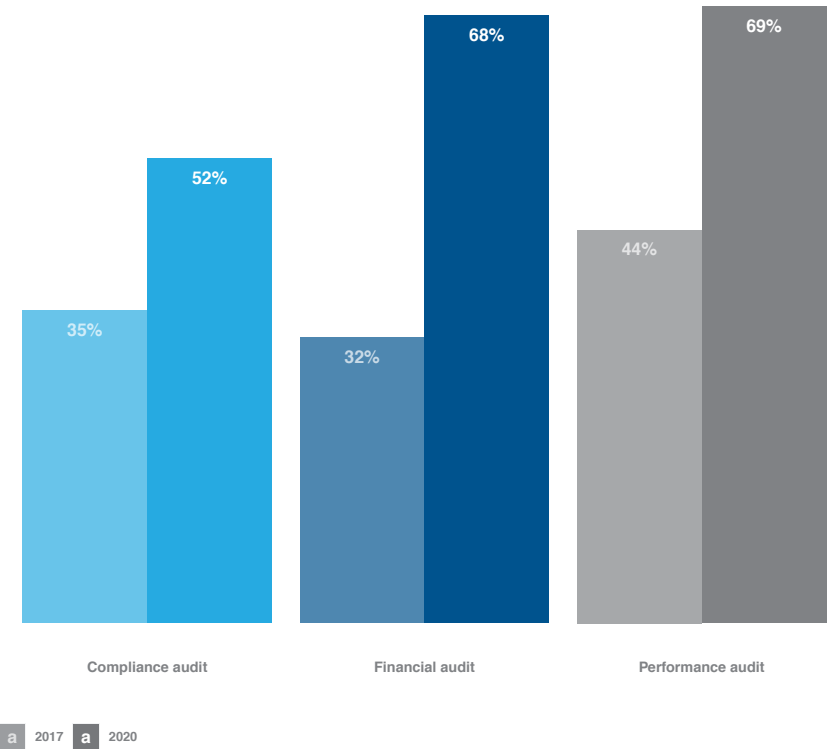
Formal adoption of the ISSAIs by a SAI does not mean that the SAI has ISSAI-compliant audit practices. While only 16% of SAs report that they are fully ISSAI compliant, half of the SAs perceive themselves as complying with most elements contained in the ISSAIs. The variations in reported compliance with ISSAIs do not seem to correlate strongly with regional origin and country income status. Of the 18 countries who said they are not in a position to rate their compliance, a majority are from HI countries. Presumably, these SAs have

either not adopted the ISSAIs or have not performed a SAI PMF or iCATs to assess their practices.<sup>21</sup> Meanwhile many SAs from developing countries have participated in IDI or region-led ISSAI implementation initiatives, which could explain why these SAs are able to assess levels of compliance with ISSAIs.

The Global Survey 2020 responses on implementation are corroborated by observations from SAI PMF data, but the numbers are slightly lower.

While the self-reported Global Survey data suggests that 68% of SAs report to comply “mostly” with the ISSAIs, the SAI PMF sample shows similar results in terms of ISSAI-compliant SAI audit manuals and standards, but significantly lower scores for ISSAI-compliant audit processes.

FIGURE 33 SAIS MEETING SAI PMF BENCHMARKS ON ISSAI COMPLIANT STANDARDS AND MANUALS



Source: INTOSAI Global Survey 2020

For audit manuals/standards, performance audit ranks highest with 69% of SAs meeting SAI PMF benchmarks.<sup>22</sup> For financial audit it is 68%, and 52% for compliance audit. This is a positive development compared to the last Stocktake.

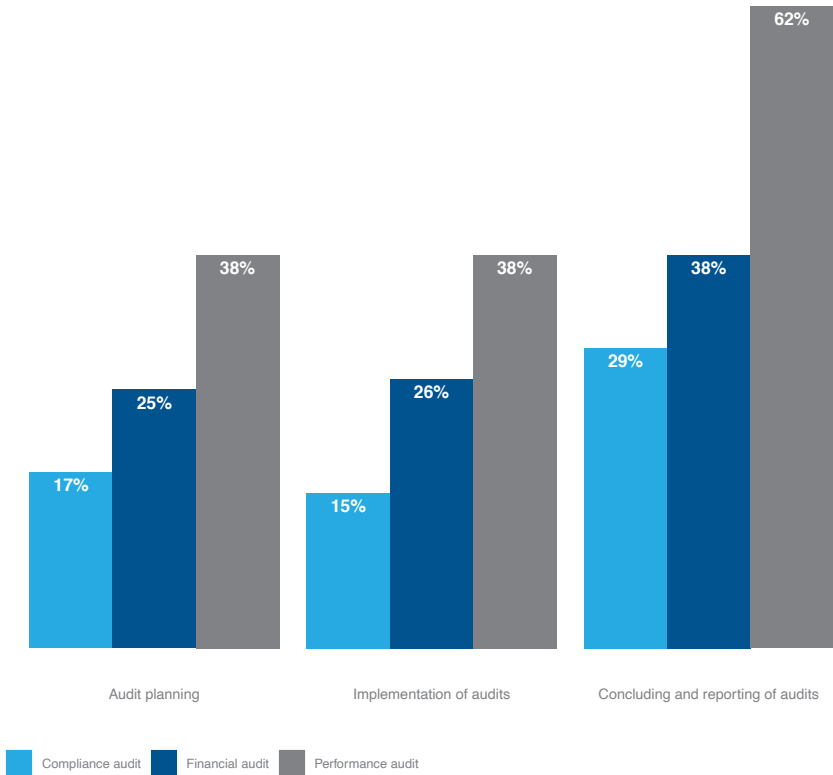
22. A score of 3 or more means that the SAI's manual and guidelines have in place most elements according to the relevant ISSAI standard.

For the audit process, SAI PMF results are summarised in figure 34. As is evident, the proportion of SAIs meeting the benchmark for each audit type, is lower than for ISSAI complaint audit manuals. On average, across the three audit types, less than a third of SAIs meet the SAI PMF criteria on audit planning benchmarks. It's notable that for both financial and performance audit the proportion of SAIs meeting benchmarks are the same for audit planning and conducting the audit

(referred to as implementation in SAI PMF). This suggests that weaknesses in planning the audit have a knock-on effect when conducting audits.<sup>23</sup> Performance audit have the highest share of SAIs meeting benchmark for planning and conducting the audit, with 38%. The share of SAIs meeting benchmarks on audit reporting is higher, but this could be due to several criteria for reporting being more focused on formalities of the report.

The main reason stated for non or partial compliance is the lack of capacity and resources to implement the requirements.

FIGURE 34 SAIS MEETING SAI PMF BENCHMARKS ON THE AUDIT PROCESS



Source: INTOSAI Global Survey 2020

23. Anecdotal evidence from SAI PMF assessors also indicates that if critical aspects are missing in the planning process, this is also reflected in the implementation.

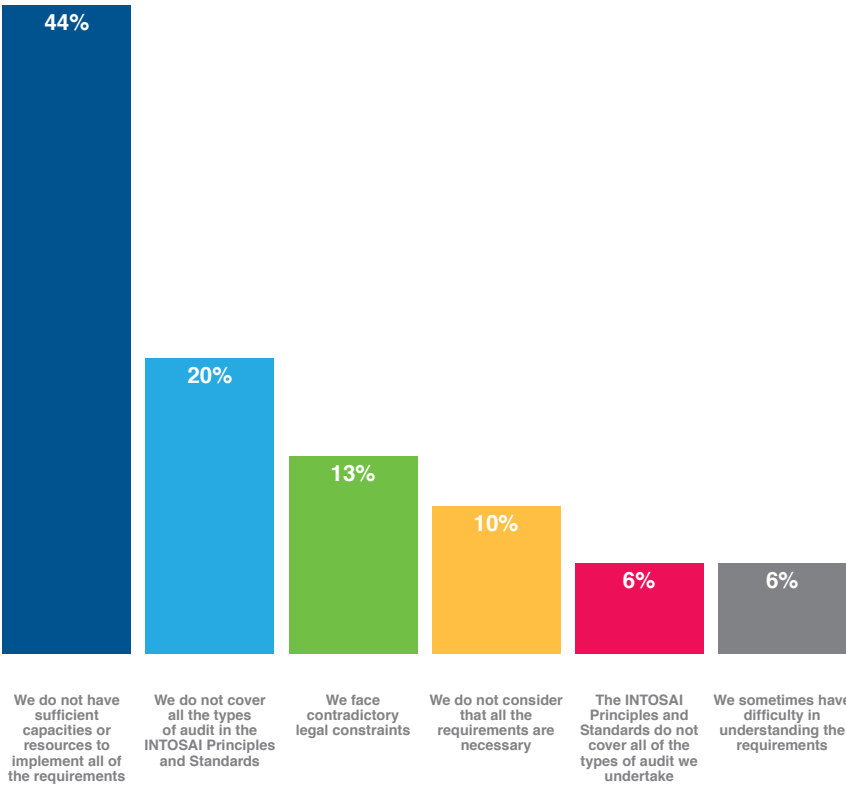
4.1.3 FACTORS THAT HAMPER ISSAI IMPLEMENTATION

The Global Survey responses suggest that challenges to ISSAI implementation are linked to three main areas: resource access, combination of audit types and quality management. From the 129 SAIs that have indicated that they do not fully comply with the ISSAIs, the main reason stated for non or partial compliance is the lack of capacity and resources to implement

the requirements. In practice this covers inadequacy of financial and human resources, as seen in other parts of this reports, as well as the weaknesses in the audit systems, such as lack of proper quality management systems. There is a correlation between quality management practices and resources

access, with data showing that SAIs who report to have insufficient resources are also less likely to have a system for monitoring the quality of audits, meaning that in turn, insufficient resources could affect a SAI's ability to build up the robust systems needed to promote high quality audits.

FIGURE 35 RANKING OF REASONS OF NON-COMPLIANCE WITH ISSAIS



Source: INTOSAI Global Survey 2020

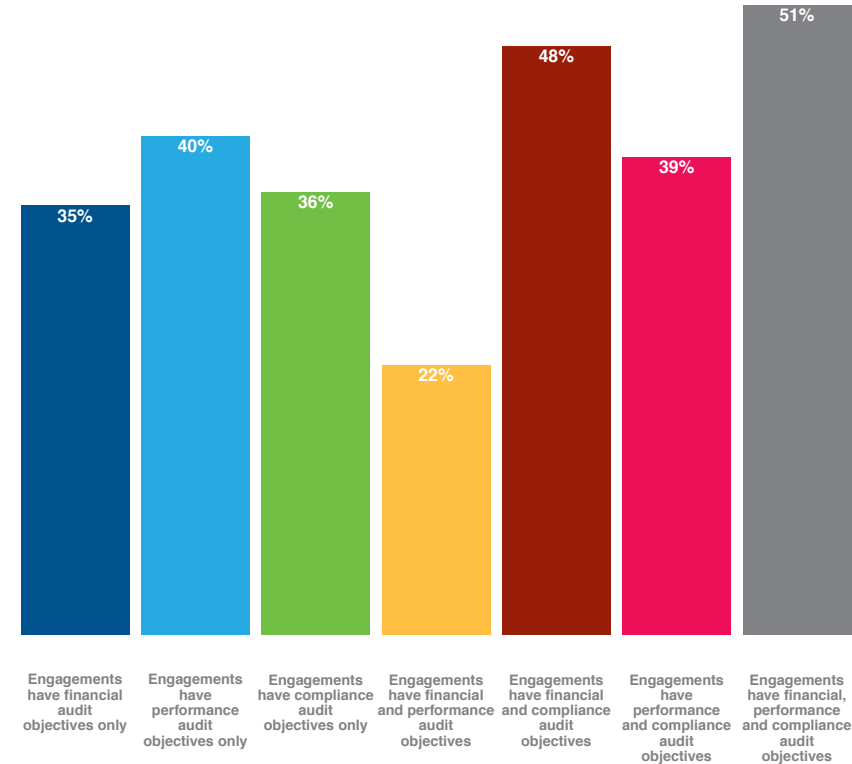
Secondly, one-fifth of SAIs report that they don't cover all audit types. This may be due to combinations of audit engagements (for instance combining financial and compliance audit) or organising audit activities in a way which doesn't follow any of the audit methodologies, and having other audit objectives (for instance providing limited assurance for financial audit or including compliance audit under other engagements). The way SAIs organise themselves, also affects how they define audit objectives. If the audit activities are not centred around the audit objectives according to the standards, it makes it difficult to attain these objectives.

Another issue is that combining audits often entails favouring the objectives of one audit stream, rather than equal emphasis. Results seem to suggest that for compliance audits, the audit type where ISSAI-compliant audit practices are lagging behind, is frequently carried out in combination with other audit types. Figure 36 presents the most common ways

SAIs are combining different audit streams in their audit engagements. In terms of so-called ‘combined audit’, a combination of financial, performance and compliance audits, is the most frequent way of organising the audit work. Other frequent combinations are ‘financial and compliance audit’ and ‘performance and compliance audit’. Only around 30% of SAIs appear to

make a strict separation between the three types of audit. While it seems that combining audit objectives affects levels of compliance, it does not mean that SAIs doing this cannot increase levels of compliance with ISSAI in with their current organisation of audits.

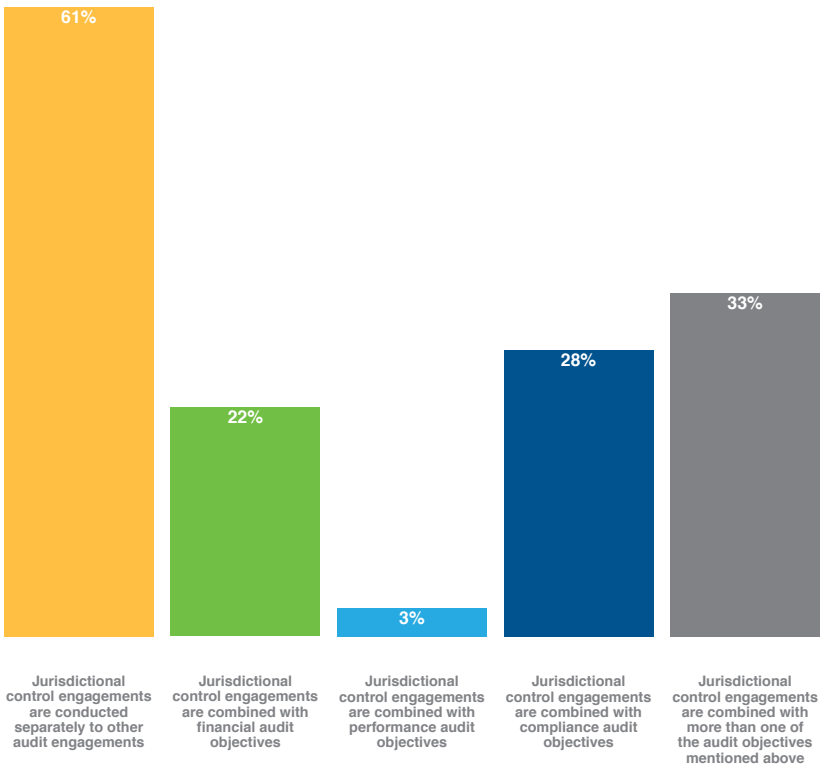
FIGURE 36 COMBINATION OF DIFFERENT AUDIT TYPES IN AUDIT ENGAGEMENTS  
Percentage of all SAIs indicating each option



Source: INTOSAI Global Survey 2020

In case of jurisdictional control mandates, the practice of combining jurisdictional control with other types of audits is less frequent. In 61% of SAIs with such a mandate, jurisdictional control engagements are conducted separately to other audit engagements. Except for those SAIs who report to combine jurisdictional control with other objectives, these SAIs do not report on organising their work according to the objectives of financial, compliance and performance audits. However, it is necessary to note that there is not a correlation between these SAIs and SAIs that report not to cover the audit types.

FIGURE 37 COMBINATION OF ENGAGEMENT OBJECTIVES FOR JURISDICTIONAL CONTROL  
Percentage of SAIs with a mandate for jurisdictional control indicating each option

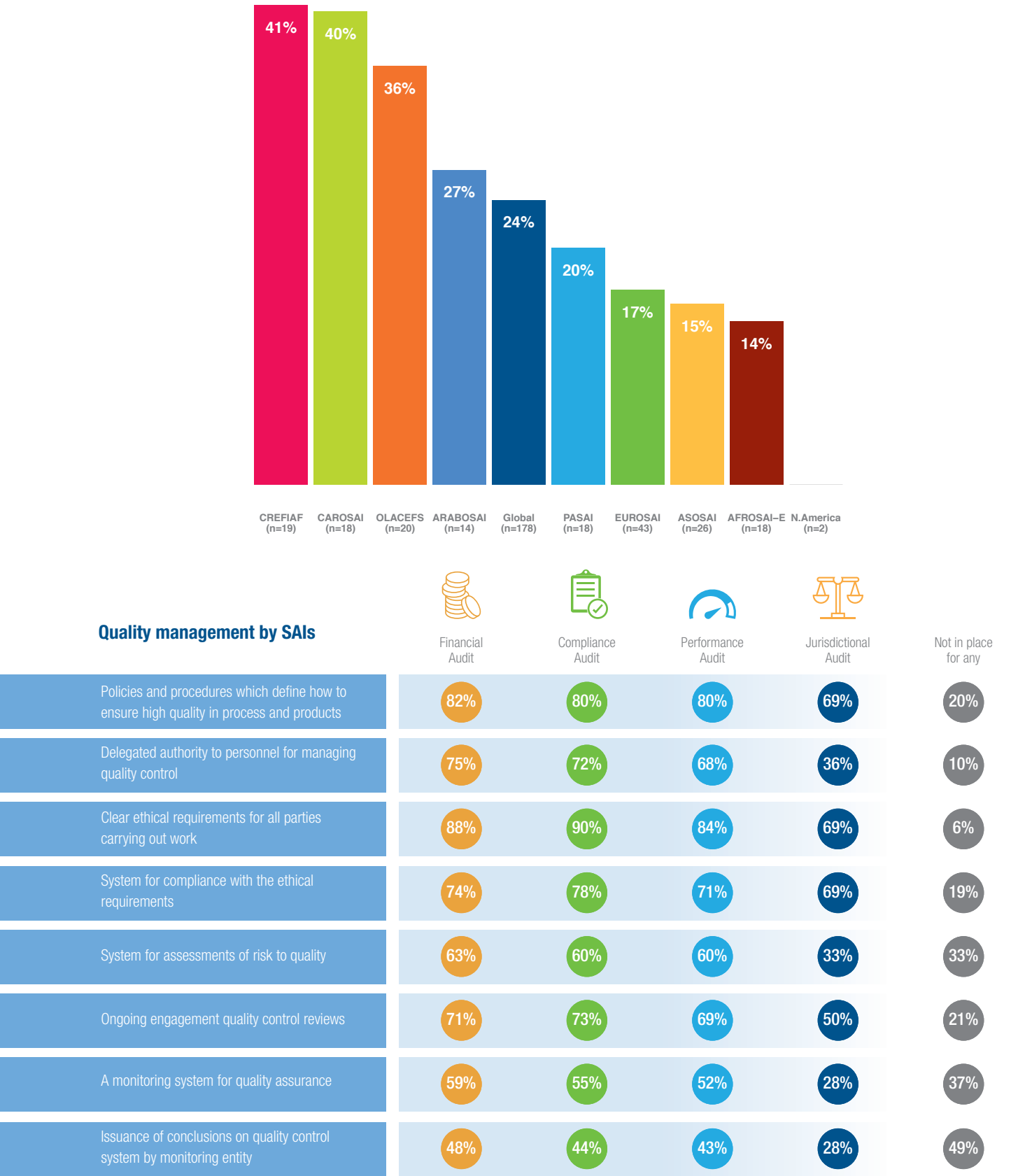


Source: INTOSAI Global Survey 2020

Finally, robust and strong SAI quality management systems can help promote ISSAI-compliant audit practices. The Global Survey data shows that, globally, one-quarter of SAIs do not have in place any of the features considered to make up a robust quality management system. At the audit engagement level, results show that one-third of SAIs operate without quality control reviews on engagements in financial audits (29%), compliance audit (27%) and performance audit (31%). More concerning is the fact that 37% of SAIs don't have a system in place for monitoring the quality of any of the audit streams.

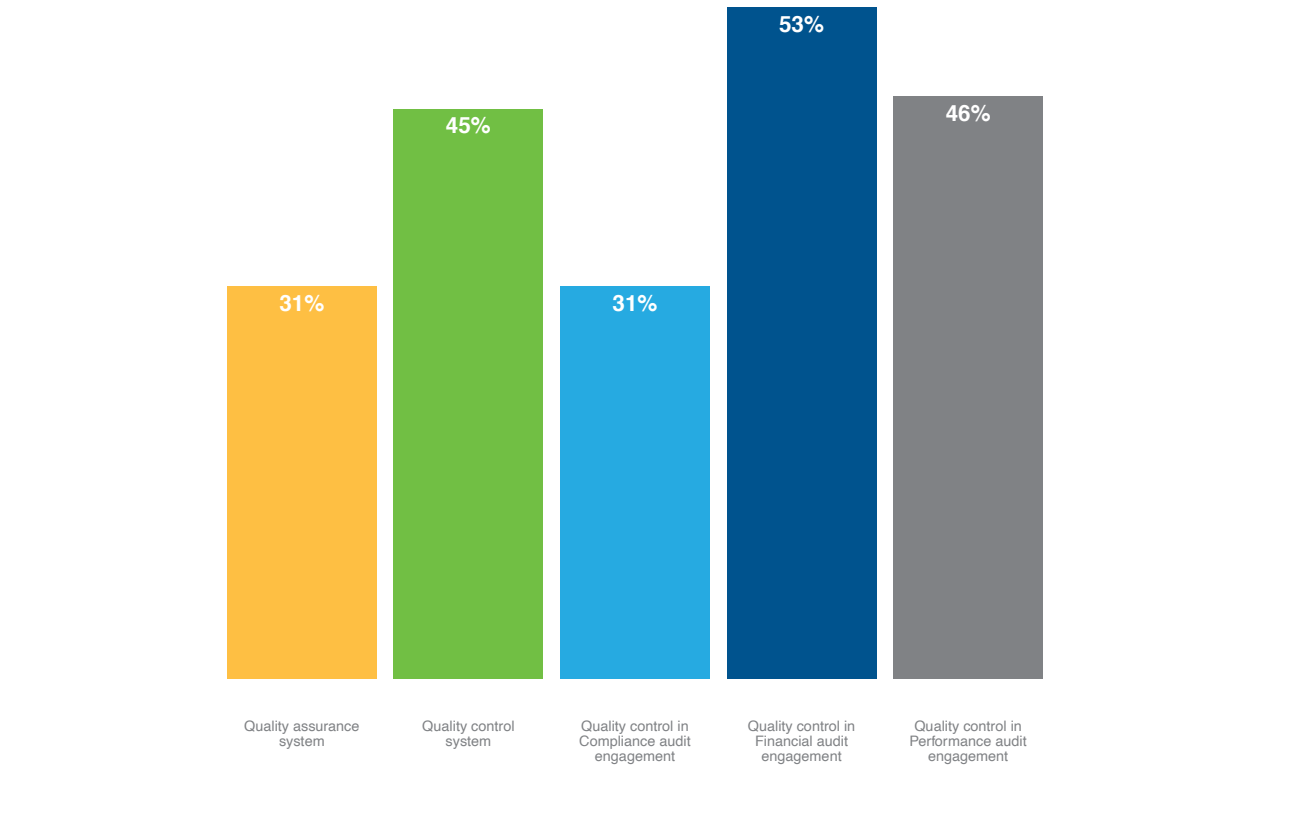
FIGURE 38 QUALITY MANAGEMENT – SAIS RESPONDING ‘NOT IN PLACE’ FOR ANY OF THE ASPECTS OF QUALITY MANAGEMENT BY REGIONS

Average percentage of SAIs who reported ‘not in place for any’ across the eight features listed earlier



The sample of SAI-PMF assessments confirms that systems monitoring of audit quality (referred to as quality assurance) are less robustly applied than quality control procedures. Figure 39 shows that less than half of SAIs have ISSAI-compliant quality management both at the organisational and audit engagement levels. Furthermore, the figure shows that at audit engagement level quality control is strongest in financial audit followed by performance audit and compliance audit.

FIGURE 39 GLOBAL SAI PERFORMANCE AGAINST SAI PMF QUALITY MANAGEMENT CRITERIA



Source: INTOSAI Global Survey 2020

Data suggests that quality control systems alone don’t lead to more ISSAI-compliant audits. Comparing SAIs’ performance in audit quality control with the performance in conducting the audit shows lower scores on conducting the audit (referred to in the SAI PMF as audit implementation) for all audit streams, than for engagement-level quality control. This suggests that quality control systems should be accompanied by quality monitoring practices for SAIs to address deficiencies more systematically.

Digitalisation of audit documentation

The results of 2020 global survey show that 51% of SAIs state that auditee information is recorded in a digital format to a full/greater extent. SAIs are lagging only slightly behind in this trend as 49% of SAIs apply digitalised audit documentation to a full/greater extent.

Not surprisingly, the more complex the technology, the less SAIs are using them in their audit practices. For example, advanced data analytics is still only used to a full/greater extent by 24% of SAIs.



4.2 DECLINE IN AUDIT COVERAGE OVER TIME

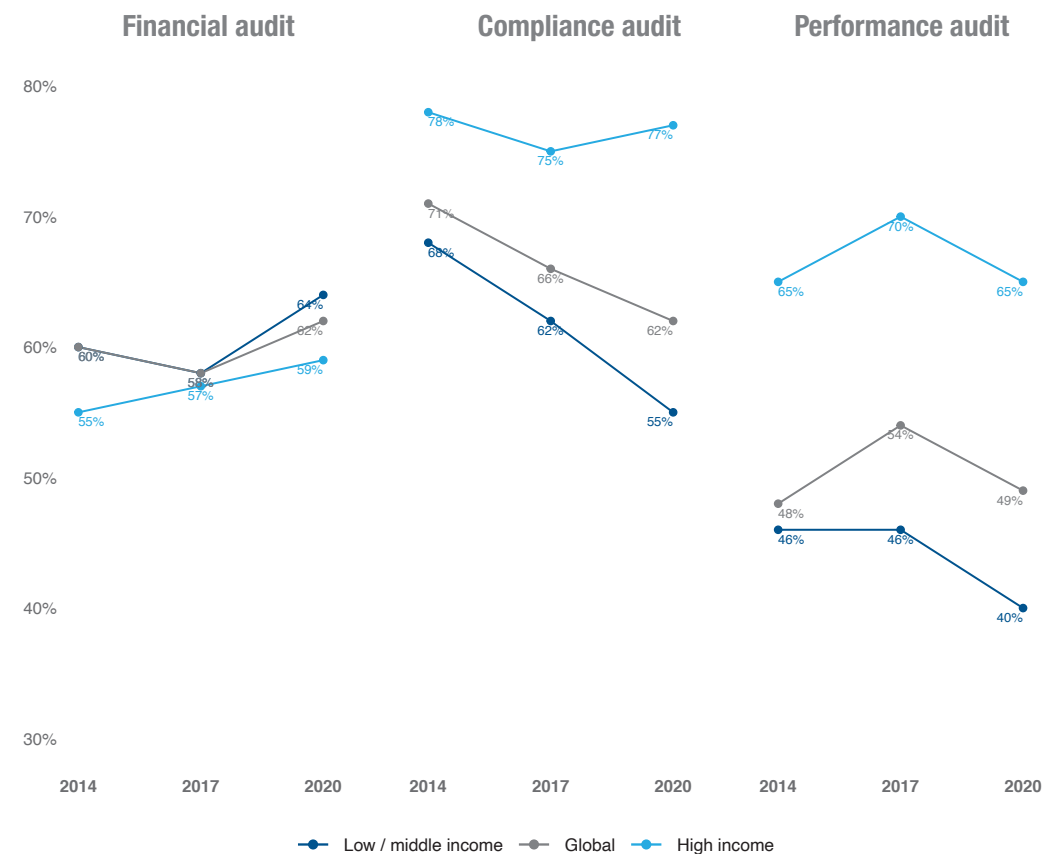
Audit coverage is an indicator of the degree to which the SAI meets its audit mandate. Audit coverage may reflect SAI prioritisation and work processes but may also be impacted by the access to resources and the scope of the audit mandate as stipulated in legislation.

In this section, SAI coverage is assessed against a set of specified benchmarks for financial, compliance and performance audit. These benchmark levels are consistent with the SAI PMF criteria on the audit coverage dimension and across the Global Surveys of 2014, 2017 and 2020.

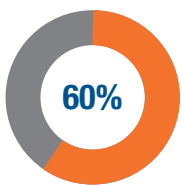
The results of the 2020 Global Survey show a declining trend in coverage from 2014 in financial and performance audits while compliance audit coverage is on the rise.

The results also show that developing countries lag significantly behind HI countries in financial and performance audit coverage, and the differences seem to increase. In compliance audit, developing countries appear to have higher audit coverage than HI countries. This may be correlated to the different challenges countries are facing in PFM with SAs focusing their efforts on the area they can add most value.

FIGURE 40 PERFORMANCE ON SAI AUDIT COVERAGE IN FA, CA AND PA

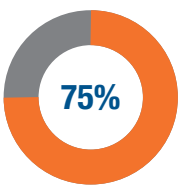


Benchmark Levels for Financial, Compliance and Performance Audit



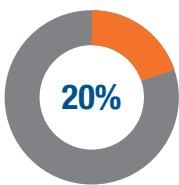
Financial audit

Our SAI applies a documented risk basis for selecting audits, and at least 60% (by value) of the audited entities within our mandate were subject to a compliance audit in the last audit year



Compliance audit

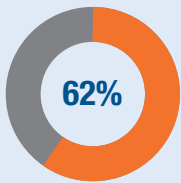
Our SAI audited at least 75% of the financial statements we received



Performance audit

Our SAI has issued at least 10 performance audits per year and/or 20% of our SAI's audit resources have been used for performance auditing

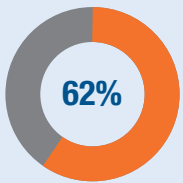
Financial audit coverage



Globally, 62% of the SAs meet the benchmark for **financial audit coverage** which is slightly below the 66% reported in 2017.

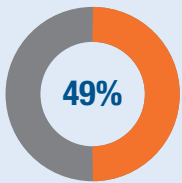
The coverage in developing countries fell from 68% in 2014 to 55% in 2020. The coverage was below the global average for SAs in CREFIAF (11%), OLACEFS (40%), and ARABOSAI (43%)

Compliance audit coverage



For **compliance audit coverage**, 62% of SAs globally meet the benchmark, an increase from the 58% reported in 2017. 64% of SAs from developing countries indicate that they meet the benchmark which is a 6 % increase from 2017. SAs in CAROSAI (35%), CREFIAF (42%) and PASAI (22%) most frequently fell short of the benchmark.

Performance audit coverage



For **performance audit coverage**, globally 49% report meeting the benchmark, which is slightly lower than in 2017. 40% of SAs from developing countries respond that they had met the benchmark, 6% lower than in 2017.

Meeting the benchmark for performance auditing appear more challenging for SAs in most regions than for financial and compliance audits. The average in AFROSAI-E (28%), CAROSAI (24%), CREFIAF (16%), OLACEFS (35%) and PASAI (44%) is below the global average.

Coverage is also affected by the extent of the scope of the mandate of the SAI, as well as SAI prioritisation. In practice, access to resources and size of staff will affect ability to meet the mandate, in terms of coverage.

Mandates of SAs differ in the degree to which they cover regional and local levels of government, in addition to the central or federal government which is covered by the mandate of all (100%) SAs. It can be observed that the mandate of SAs in HI countries is more likely to be limited to central government while more developing country SAs also are mandated to audit regional and municipal levels of government. This could be related to a higher degree of fiscal decentralisation in many HI countries.

Nearly all SAs (95%) are mandated to audit State-Owned Enterprises (SOEs), tax administrations and Ministries of Defence. This hardly varies across INTOSAI regions.

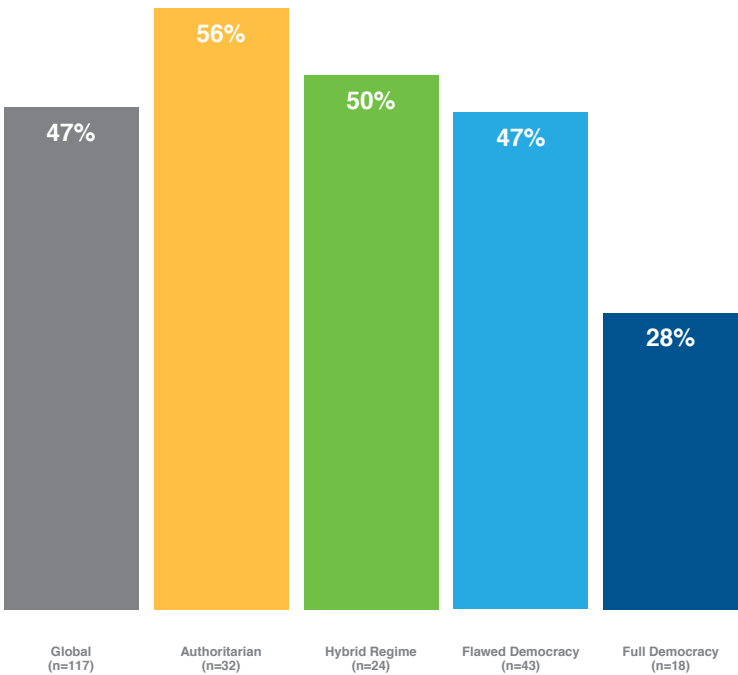
More variation is observed in the mandate to audit entities that are not part of government, such as political parties and Non-Government Organisations (NGOs). This variation does not seem to have a regional basis, but appears to be linked to the level of democracy. In countries that score highly on the democracy index, the SAI is less likely to be involved in the audit of political parties.

Another variation in mandate relates to the audit of donor funds. This is most commonly undertaken in middle income countries and may reflect a combination of higher-capacity SAs and the presence of donor-funded projects.

95%

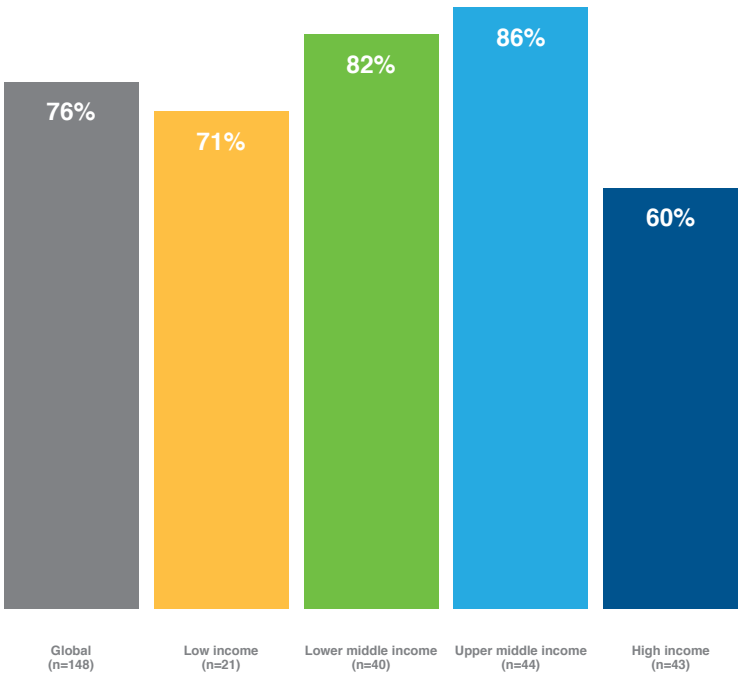
are mandated to audit State-Owned Enterprises (SOEs), tax administrations and Ministries of Defence

FIGURE 41 SAIS MANDATE TO AUDIT POLITICAL PARTIES ACCORDING LEVELS OF DEMOCRACY  
Political parties



Source: INTOSAI Global Survey 2020

FIGURE 42 SAIS MANDATE TO AUDIT DONOR FUNDS ACCORDING TO INCOME CLASSES  
Donor funds



Source: INTOSAI Global Survey 2020

4.3 SAIS' MANDATE IN PREVENTING CORRUPTION

As an integral part of the country's PFM system, SAIs have a deterrent and preventive role in the fight against corruption, by investigating and uncovering the misuse of funds. However, while SAIs may have become more responsive to the challenges of corruption, there is great variation in how far SAIs can go to address issues related to fraud and corruption.

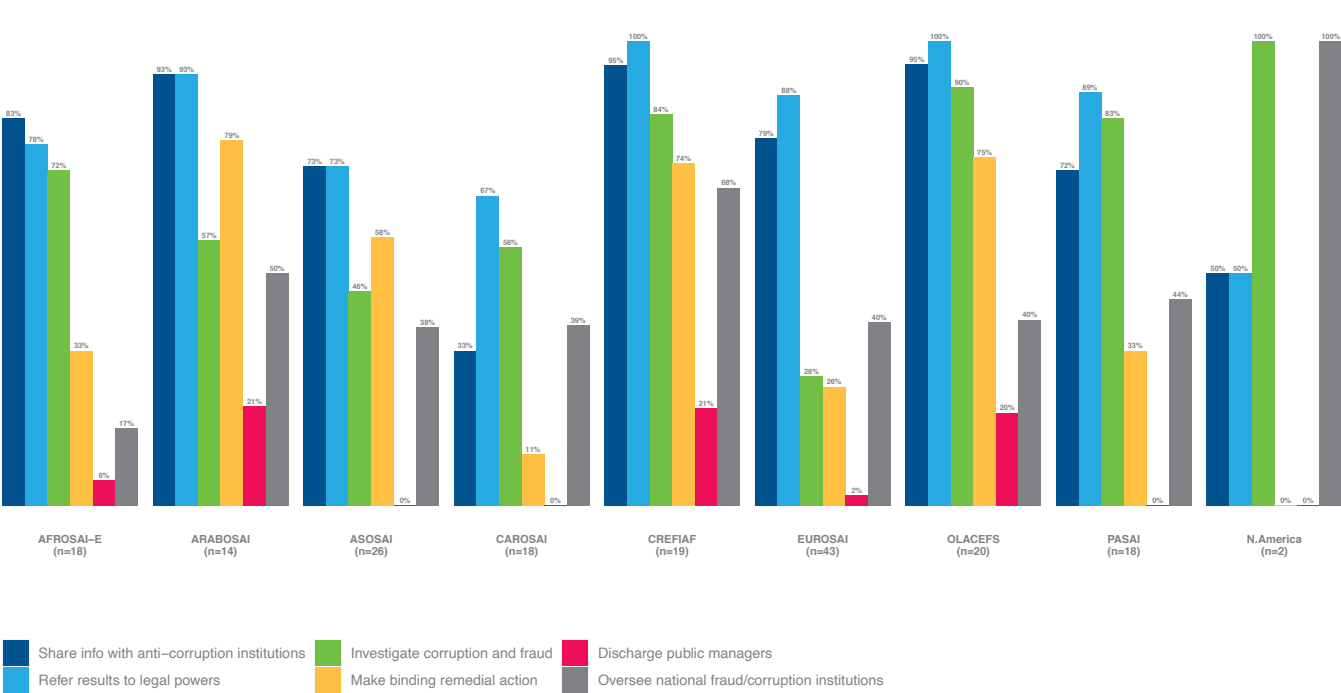
Most SAIs (85%) can refer potential cases of corruption to the appropriate entity with prosecutive legal powers. 78% of SAIs have the mandate to share information with specialised anti-corruption institutions, which replicates

the responses to the Global Survey 2017. The majority of SAIs (60%) have the mandate to investigate corruption and fraud issues by themselves - an increase of 5% compared to the 2017 figures. Nearly half of SAIs (45%) are mandated to issue binding remedial actions, and 42% of SAIs exercise oversight of national institutions whose own mandate is to investigate corruption and fraud issues. The latter constitutes a 3% increase compared to 2017. A very small number of SAIs (7%) have a mandate to discharge public managers from financial liability for public accounts.

60%

have the mandate to investigate corruption and fraud issues by themselves.

FIGURE 43 SAIS MANDATE TO FIGHT CORRUPTION ACCORDING TO REGIONS  
Percent of SAIs indicating that they have each of the following mandates

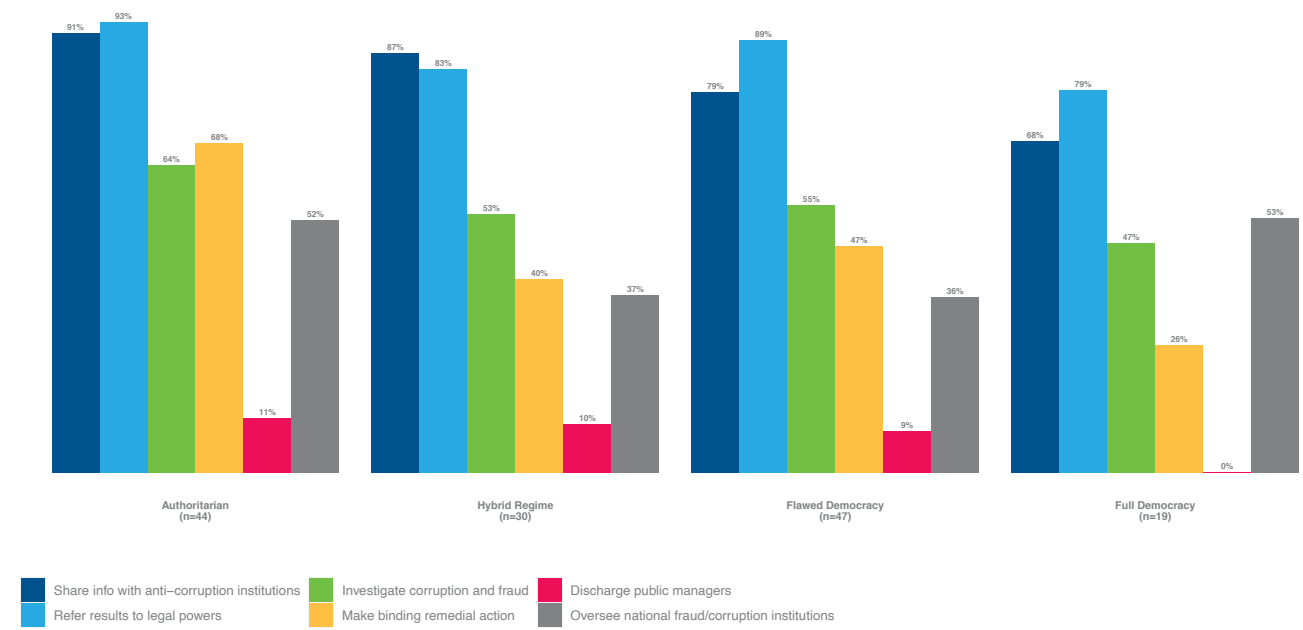


Source: INTOSAI Global Survey 2020



The mandate to fight corruption correlates with country income status and democracy levels. Figure 44 shows that SAI’s mandate to investigate corruption and fraud is stronger in countries with lower levels of democracy. In full democracies, the SAs are less likely to be mandated to issue binding remedial actions.

FIGURE 44 MANDATE TO ADDRESS CORRUPTION LINKED TO LEVEL OF DEMOCRACY  
Percent of SAs indicating that they have each of the following mandates

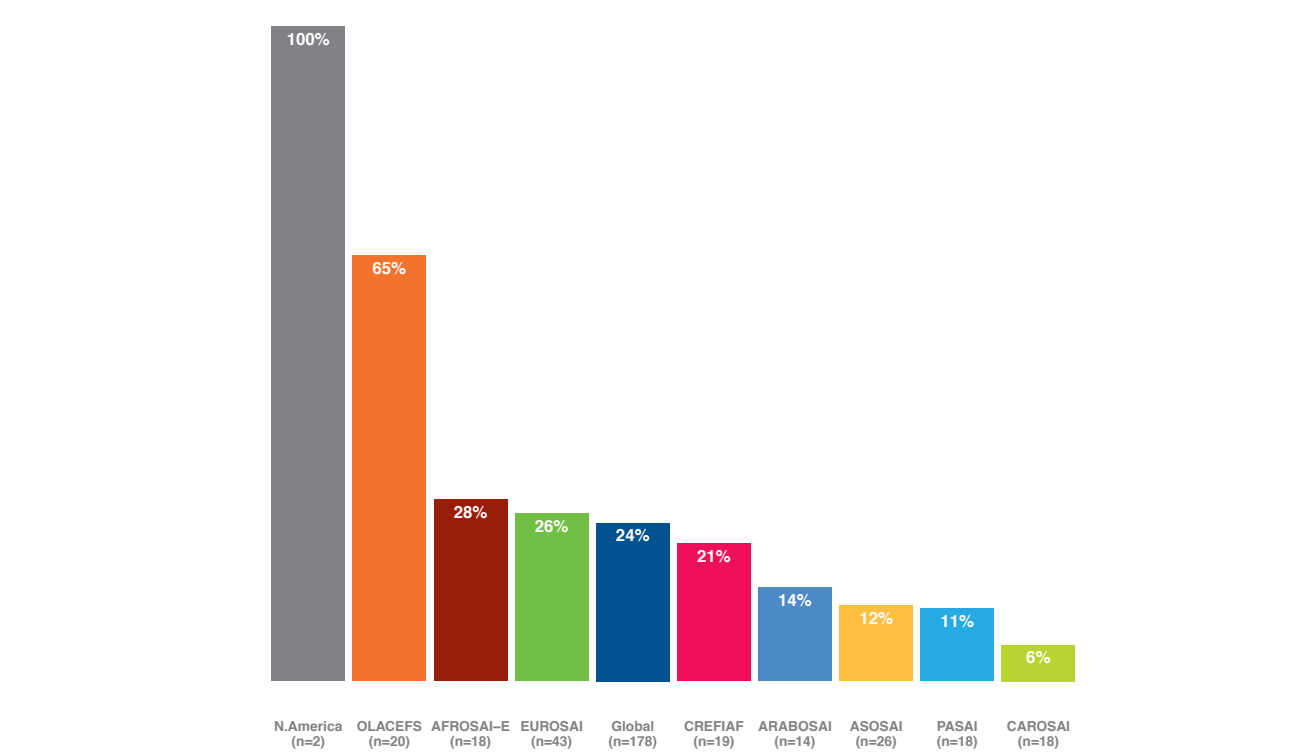


Source: INTOSAI Global Survey 2020

4.4 SAI INVOLVEMENT IN GENDER AUDITS

In a SAI context, a gender audit can be defined as an audit which aims to contribute to gender equality and empowerment of women and girls. In the past three years, 24% of SAs globally have undertaken gender audits. The share is highest for SAs in OLACEFS (65% of SAs have undertaken gender audits) followed by AFROSAI-E (with 28%). It’s worth noting that in LI countries only 15% has carried out gender audits.

FIGURE 45 THEMATIC AUDITS ON GENDER  
Percent of SAs undertaking this type of audit over 2017–2019



Source: INTOSAI Global Survey 2020

Analysis suggests that the high percentage of gender audits conducted in OLACEFS results from member SAs’ engagement in a cooperative audit on “auditing governments’ preparedness for the implementation of Sustainable Development Goal 5 on gender equality.” Apart from these SDG-5 audits, globally 16% of SAs have carried out other gender audits.



SAI CORE AUDIT SERVICES

4.5 IMPROVEMENTS IN TIMELY REPORTING AND PUBLICATION

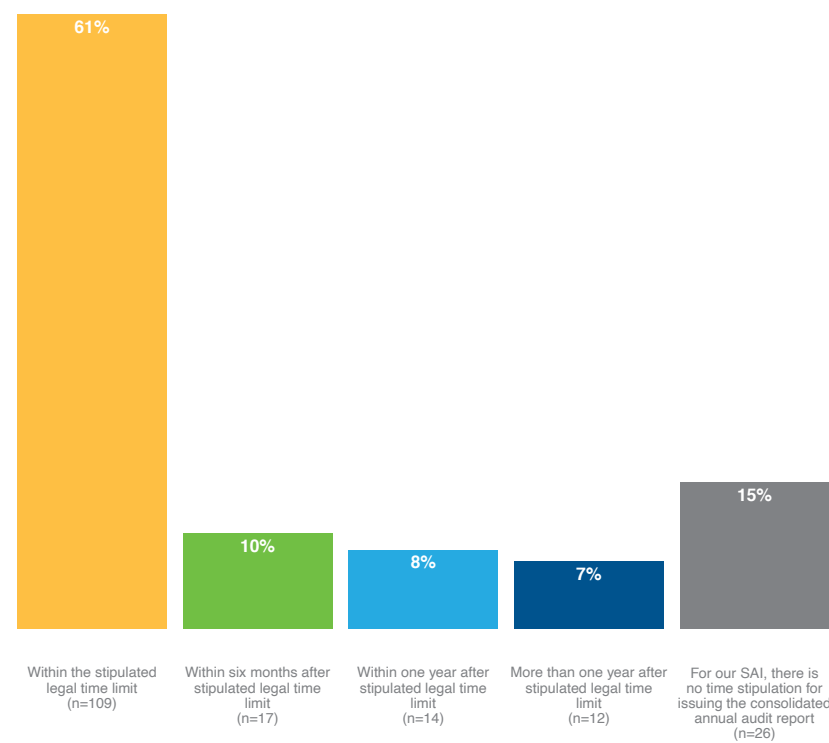
Following the audit process, results are presented in audit reports to the audited entity and other relevant stakeholders. The impact of the audit, however, depends on the use of the results, so audit reports should be of high quality, delivered at a relevant time, and SAs should make efforts to get their messages across.

Timely audit reports ensure relevant conclusions and recommendations. Responses to the Global Survey 2020 shows that a majority of SAs (61%) have submitted their consolidated annual audit report to legislature within the time stipulated by the law (see Figure 46). Compared to 2017, this is a slight increase.

61%

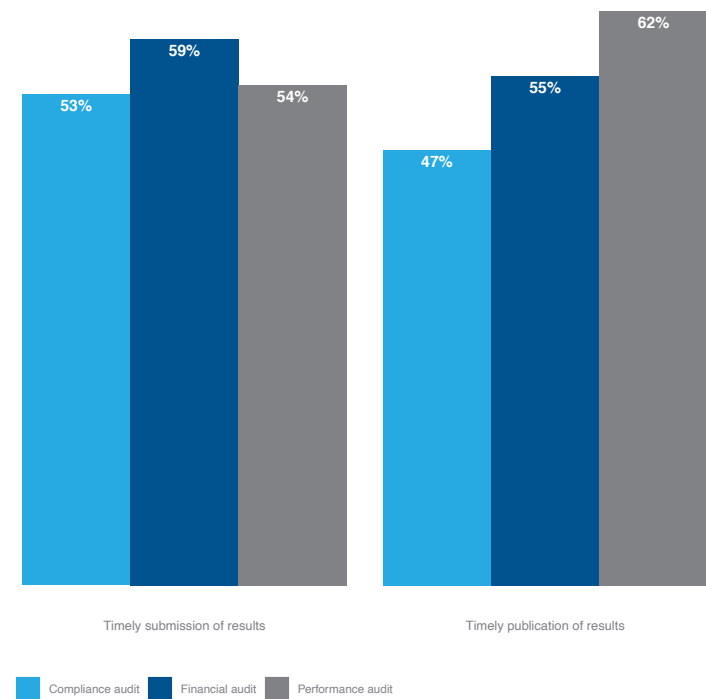
of SAs have submitted their consolidated annual audit report to legislature within the time stipulated.

FIGURE 46 TIMELY SUBMISSION OF CONSOLIDATED ANNUAL AUDIT REPORT BY SAIS  
Percentage of all SAIs indicating each option



The SAI PMF sample corroborates results on timeliness. The results clearly shows that timely submission of the consolidated annual audit report by SAIs appears to be strongly correlated with the country income status, suggesting the link with the resources available to SAIs.

FIGURE 47 PERFORMANCE OF SAIS IN MEETING SAI PMF CRITERIA TIMELY SUBMISSION OF AUDIT RESULTS AND PUBLICATION



4.6 SAIS PUBLISH MORE AUDIT REPORTS

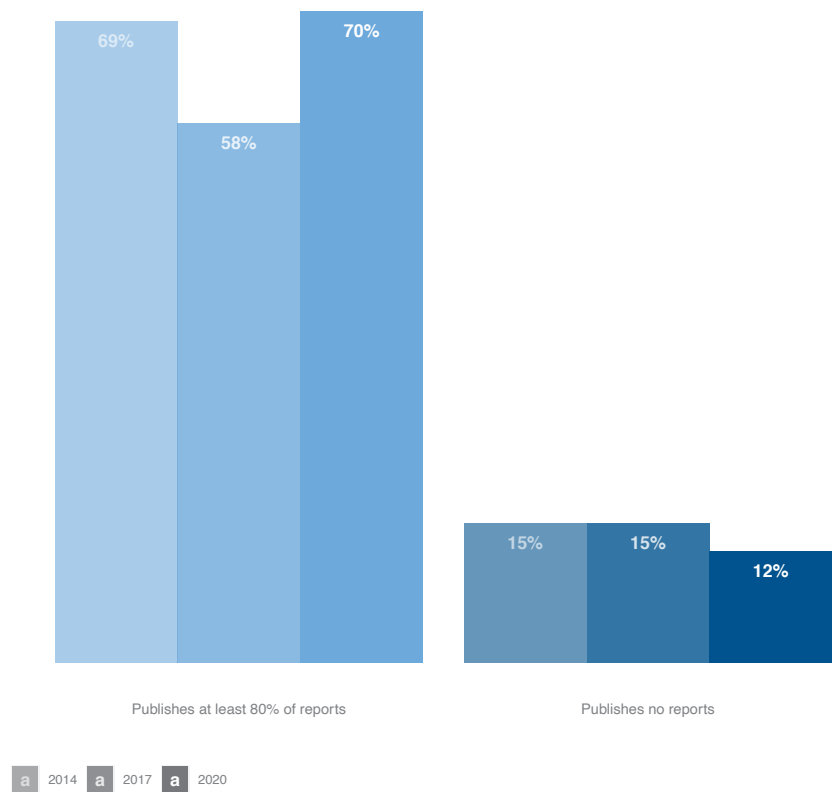
SAI have an important role in empowering the public to hold governments accountable and responsive through objective information and timely access to audit reports. Commonly, the legal framework of SAIs stipulate their rights and obligations to report on their work and, specifically, SAIs' discretionary

power to decide on the timing of publication and dissemination of their audit reports.

The responses to the Global Survey 2020 show that 70% of SAIs publish at least 80% of their audit reports. This is a reassuring result after the fall from 69% in 2014 to 58% in 2017.

Globally, 12% of SAIs have not published any audit reports during the last three years, slightly lower than 15% in 2017. SAIs in CREFIAF has the highest share of SAIs that have not published any reports during 2017-2019 (47%).

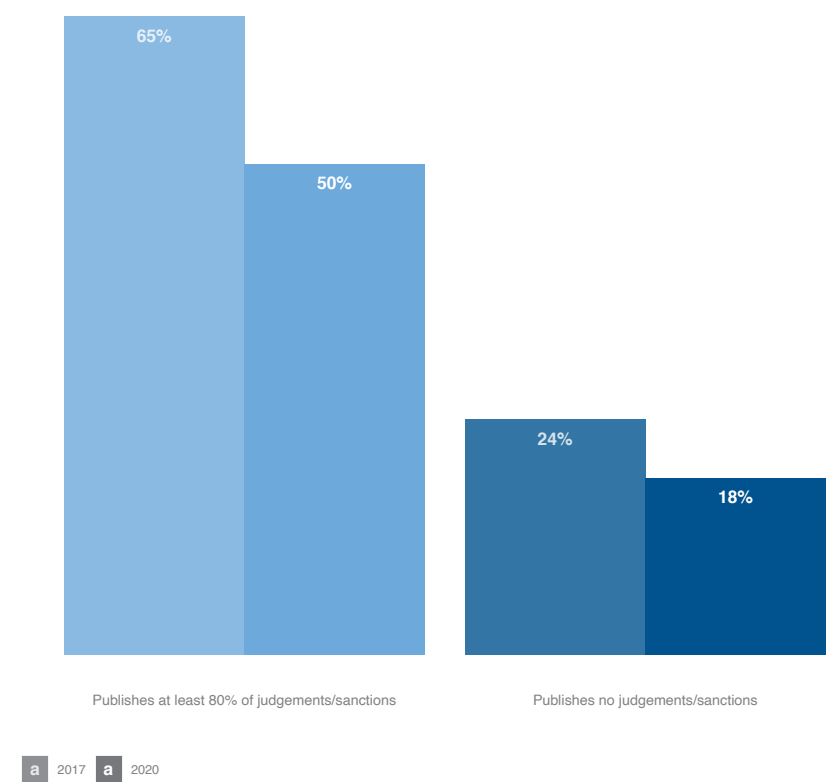
FIGURE 48 PERCENTAGE OF SAIS PUBLISHING AT LEAST 80% OF THEIR AUDIT REPORTS IN 2014-2020 (INCLUDING THE DECISIONS FROM JURISDICTIONAL CONTROL ACTIVITIES).



Source: INTOSAI Global Survey 2020

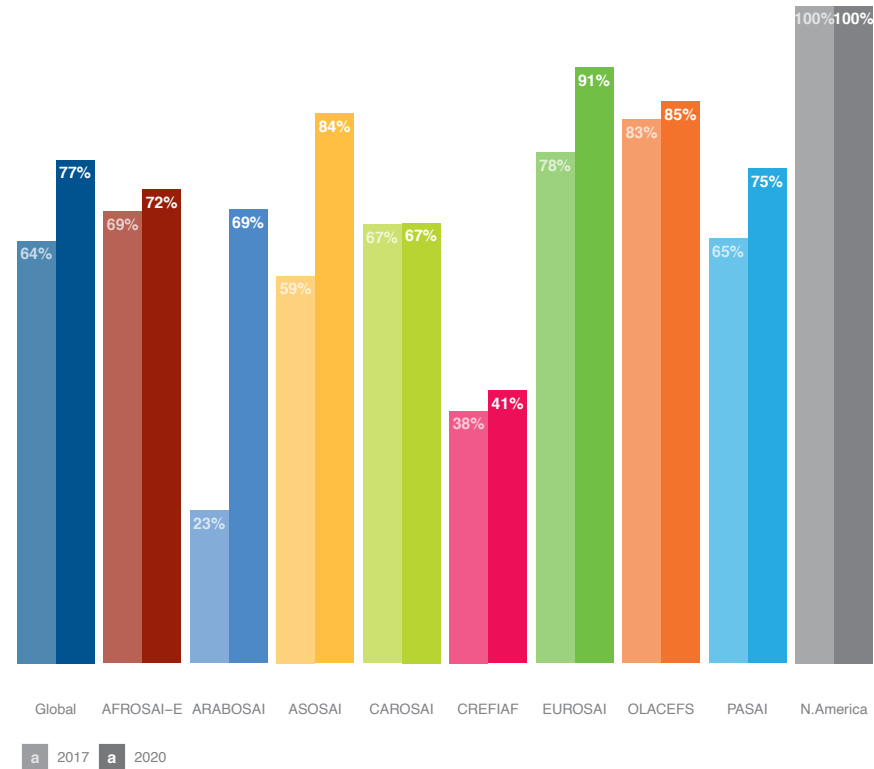
The positive development in publishing the results of financial, compliance and performance audit reports is not observed in the publication of decisions resulting from jurisdictional control activities. The proportion of SAIs that publish the results out of the total number of SAIs that have the mandate to perform jurisdictional control has fallen significantly, from 65% in 2017 to 50% in 2020 (no data for 2014). However, there is also a decline in SAIs reporting that they publish none of their judgements from 24 to 18%.

FIGURE 49 SAIS PUBLISHING AT LEAST 80% OF JUDGEMENTS/SANCTIONS OR NONE



Except for the publication of judgements/judicial decisions, the Global Survey 2020 results show that the number of SAIs that publish audit reports is increasing across all regions (see Figure 50) with a particularly high increase in ARABOSAI.

FIGURE 50 PUBLICATION OF AUDIT REPORTS ACROSS INTOSAI REGIONS



It's possible that access to resources and structural limitations can explain some of the variation in the publication of audit reports. Firstly, it is seen that for SAIs in lesser democratic countries, publication of reports is less frequent, suggesting that some SAIs could be limited in their ability to report to the public, given the political environment.

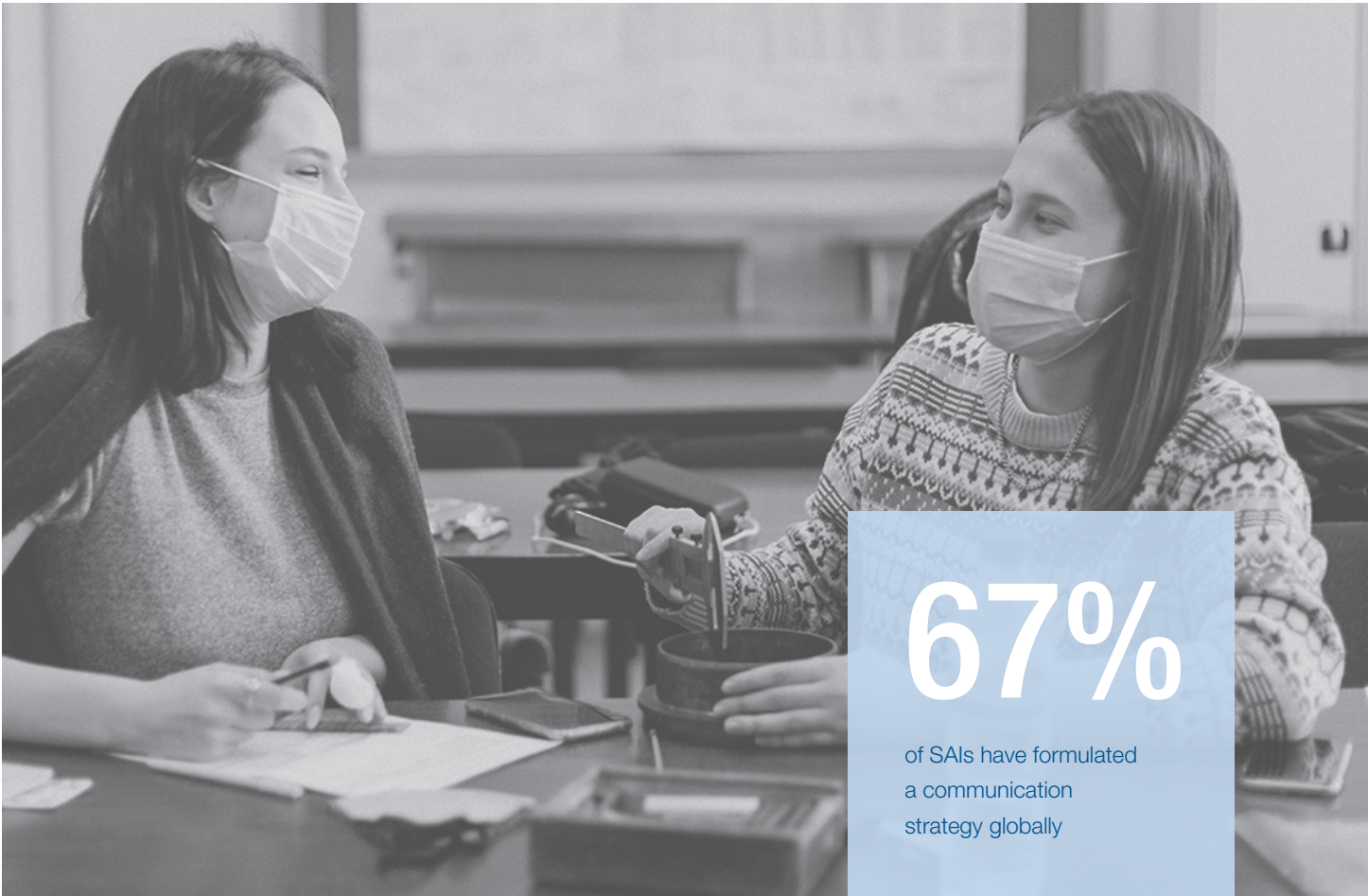
Analysis also suggests a correlation between publication and the SAI's institutional model. SAIs which are a part of the Executive publish their reports less frequently. It's possible that this relates to the fact that the SAI may play a different role in the accountability as a part of the Executive, addressing the report mainly to the Executive, rather than to the public. For other institutional models, the figure for publication is also lower for SAIs that are of the Jurisdictional Model with

a Single Head, explaining the lower numbers of publication of judgements for jurisdictional SAIs, seen above.

Secondly, only 57% of the SAIs reporting that they do not have enough resources manage to publish 80% of their reports, against 83% when SAIs confirm they have sufficient resources. This suggests that planning for publication, which is a part of the audit process, could require additional competency and financial resources for some SAIs, to enable the establishment of sustainable practices.

Globally, 67% of SAIs have formulated a communication strategy to a great or full extent. Regionally, the strong performance of AFROSAI-E is noteworthy. 65% of SAIs report to have established a dedicated communications department to

handle media requests. A lower number of SAIs (60%) monitor media coverage of SAI work and an even lower number of SAIs use news releases and hold press conferences on audit reports. Otherwise, SAIs are seen to be traditional in their ways of communicating with the public about their reports, and only half of all SAIs issued a press release to launch their annual report in the last year (2019). This traditional communication could also be a part of the explanation of why 64% of SAIs report that they communicate regularly with civil society organisations in limited ways only, or not at all. For citizens in general, half of SAIs state that they communicate with them regularly.





4.7 LESS SYSTEMATIC FOLLOW-UP AND STAKEHOLDER MANAGEMENT COULD RESULT IN LOWER AUDIT IMPACT

This section addresses SAI’s ability to follow up on results, through follow-up systems across audit streams, including stakeholders in follow-up processes and the overall observed rate of implementation of recommendations. These issues are key to addressing any lack in impact SAI’s may experience when submitting their audit reports.

The 2020 Global Survey data shows that on average 65% of respondent SAI’s have an internal system to follow-up on the observations and recommendations made to the audited entities in financial, performance and compliance audits. This represents a sharp decrease from 86% in 2017. The decrease is seen in all regions.

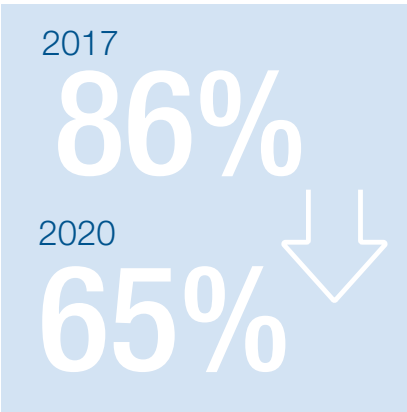
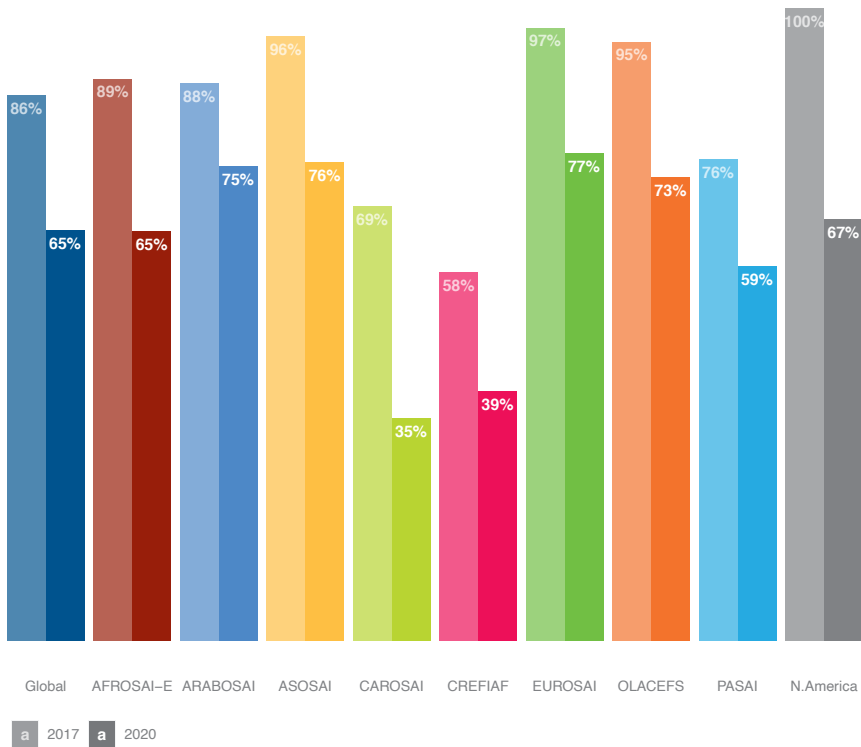


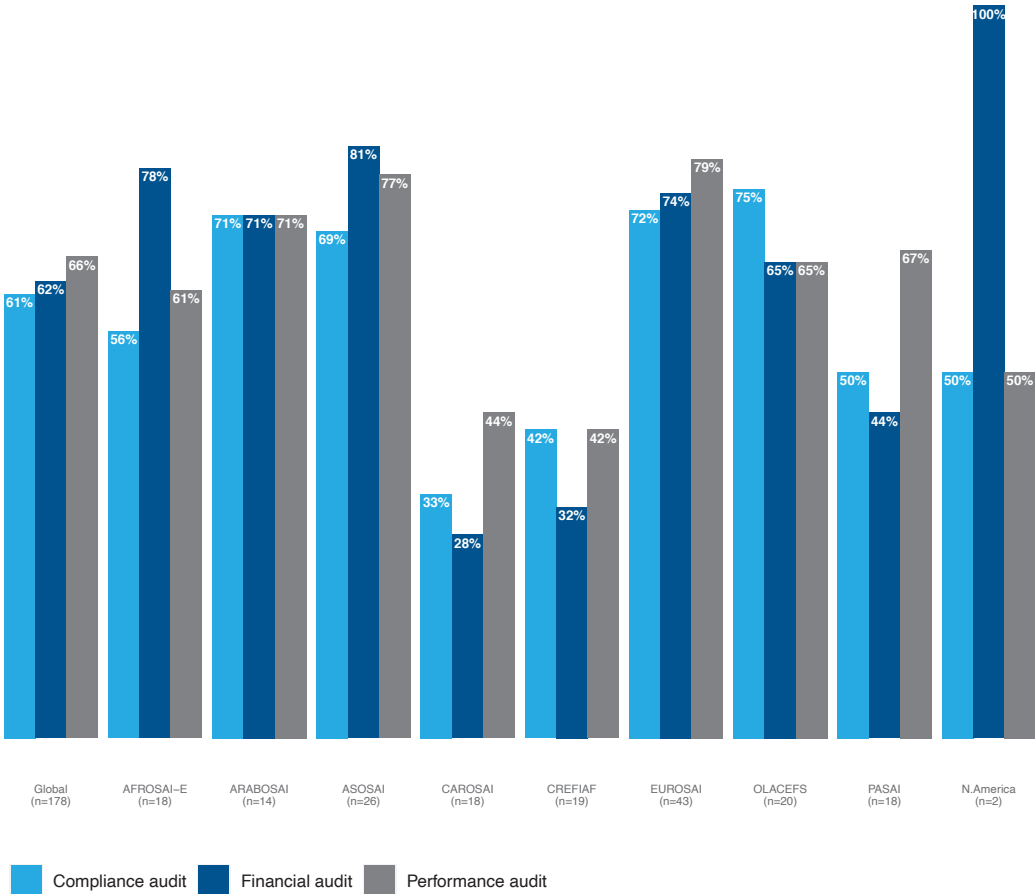
FIGURE 51 SAIS WITH AN INTERNAL SYSTEM TO FOLLOW-UP ON AUDIT RECOMMENDATIONS



Source: INTOSAI Global Survey 2020

As suggested by Figure 52, the highest number of SAI’s have a follow-up system for Performance Audit. Regional variation can be observed. CAROSAI and CREFIAP appear to less systematic follow-up of audits, in all audit streams.

FIGURE 52 FOLLOW-UP SYSTEMS BY AUDIT TYPE AND INTOSAI REGIONS



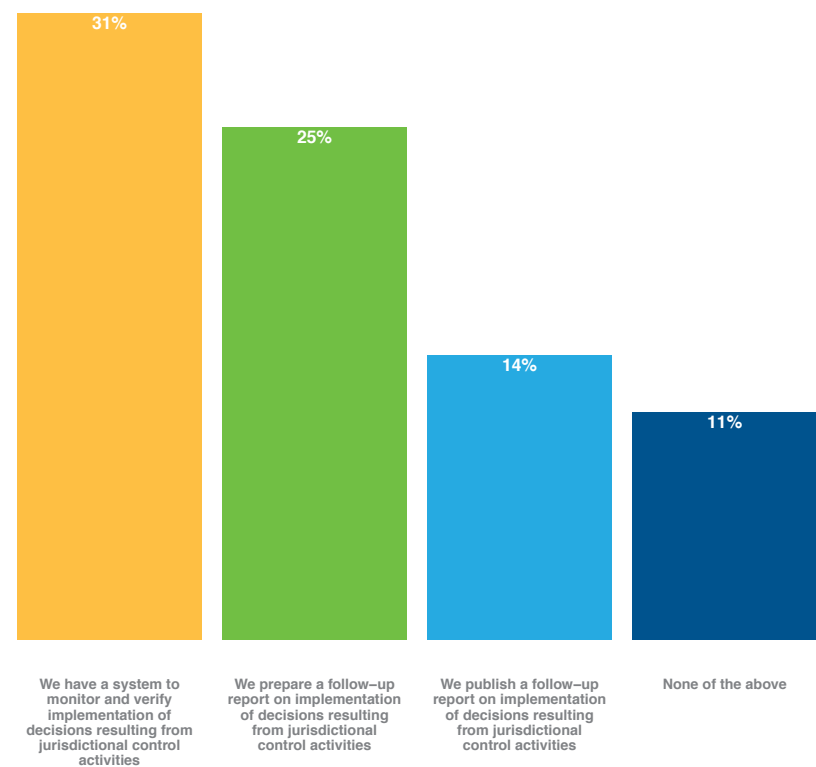
Source: INTOSAI Global Survey 2020

The results of the 2020 Global Survey are supported by the sample of SAI’s that carried out a SAI PMF assessment. The overall proportion of SAI’s is significantly lower than reported by SAI’s in the Global Survey, but the SAI PMF assessment evaluates the practices under the follow-up system as well as the existence of one, including submission and publication of follow-up reports.

The percentage of SAI’s with follow-up systems of jurisdictional control decisions is much smaller than for the three audit streams. This finding correlates with the low number of follow-up systems in the CREFIAP region and LI countries. The results may be explained by variation in mandates and processes following judgements and decision-making - for example, limitations related

to identification of liable parties, or practices of transferring to prosecutors if there’s evidence of a breach of penal codes.

FIGURE 53 FOLLOW-UP OF DECISIONS RESULTING FROM JURISDICTIONAL CONTROL  
Percentage the 36 SAIs with a mandate for jurisdictional control indicating each option



Source: INTOSAI Global Survey 2020

In addition to a decline in follow-up, numbers are even lower for submission of follow-up reports to the Legislature or Judiciary.

Less than 40% of SAIs submits follow-up reports, and less of one-third of SAIs report that they publish their follow-up reports on implementation of recommendations. Again, these could both stem from the less than systematic approach to follow-up, but also from a lack of knowledge about the degree of implementation, which would be the result of the quality of the follow-up work being done.

A key indicator for the impact of the work of SAIs is the extent to which its recommendations are implemented by the Executive. According to SAIs' self-reporting, only half of recommendations are mostly or fully implemented. Figures are higher for jurisdictional control, where 67% of recommendations are classified as mostly or fully implemented. Analysis shows that higher levels of democracy correlate with higher levels of implemented recommendations. The rate of implementation of recommendations for financial audit, compliance audit and performance

audit are also correlated with the country income status. According to the responses to the Global Survey 2020, the most important obstacle to deliver audit impact globally is the Executive response, reported by 60% of the SAIs, with 80% of certain regions reporting Executive response to be the main obstacle.<sup>24</sup>

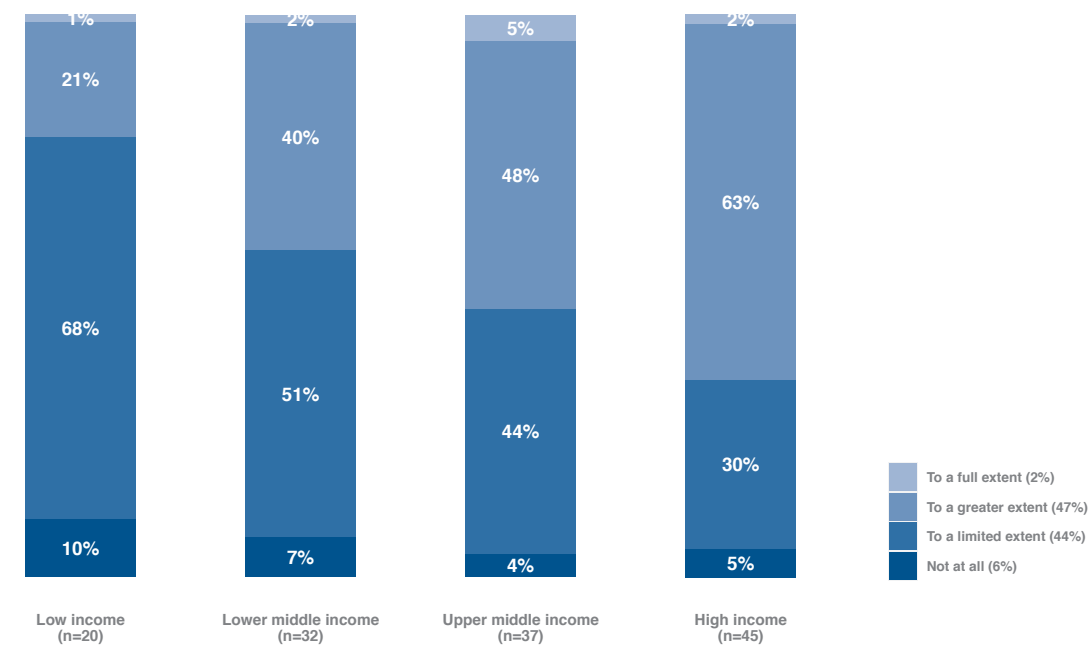
<40%

of SAIs submit follow up reports to Legislature or Judiciary

24. CAROSAI, PASAI and ARABOSAI.

FIGURE 54 THE EXTENT TO WHICH AUDITED ENTITIES IMPLEMENT THE SAI'S AUDIT OBSERVATIONS AND RECOMMENDATIONS (INCLUDING OF JURISDICTIONAL CONTROL) IN THE LAST 3 YEARS?

Percentages are based on the extent to which SAIs report that their audit recommendations are implemented, averaging across compliance, financial and performance audits



Source: INTOSAI Global Survey 2020

The lack of follow-up by the Executive is confirmed by the results in the recent joint IDI-IBP report “All Hands on Deck”, which suggested that Executive implementation is the weakest link in the audit and oversight ecosystem. The Open Budget Survey data shows that on a scale from 0 to 100, the average score of executive response, globally, is a mere 13. Reasons for low response to recommendations could be that recommendations are technical of nature and not well understood; that there are not sufficient incentives to take up the recommended measures, or defensive attitudes from the side of the audited entity.

If these factors are valid, it would require SAIs to do more work in communicating the findings and results of their work to the audited entity. Interestingly, it's noted that implementation of recommendations is reported to be higher for jurisdictional control, which may suggest that the legal imposition behind the recommendations incentivise certain audited entities to respond to audit results.

In the Global Survey, 63% of SAls report that they communicate regularly with the Executive, while numbers are higher for audited entities (85%). However, less than half of all SAls state that they involve the Executive in their follow-up system by asking for feedback on recommendations or requesting evidence for implementation of recommendations. Again, numbers are higher for audited entities, yet there are regional variations, with five regions reporting lower percentages than average for regular involvement. This suggests that the regular interaction with audited entities may be less strategic, both in terms of addressing

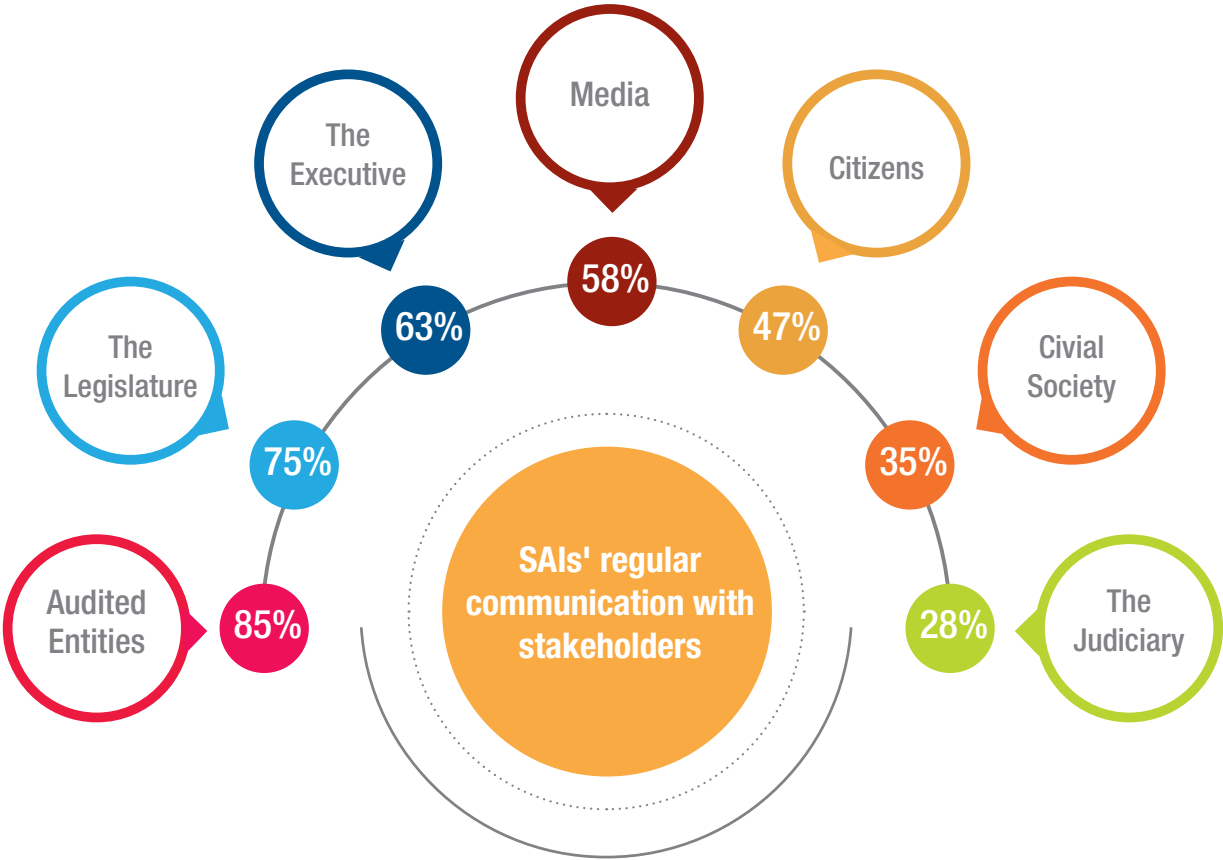
systemic weakness in performance, and in finding ways to establish a dialogue that nurtures understanding of the results presented.

These weaknesses can also be observed in OBS data where independent follow-up, as part of the audit and oversight ecosystem, has a global average of 28 of 100. Given the negative developments reported on follow-up systems by SAls, these low figures on consultations with and follow-up of Executive responses, suggest that impact of audit results will not improve as long as follow-up of audits is not prioritised by SAI as a way

of holding the Executive accountable.

SAls' ability to create impact also depends on their abilities to interact with other stakeholders. Legislative oversight is a key component of accountability, yet this requires legislatures to make use of audit reports, in a timely manner.

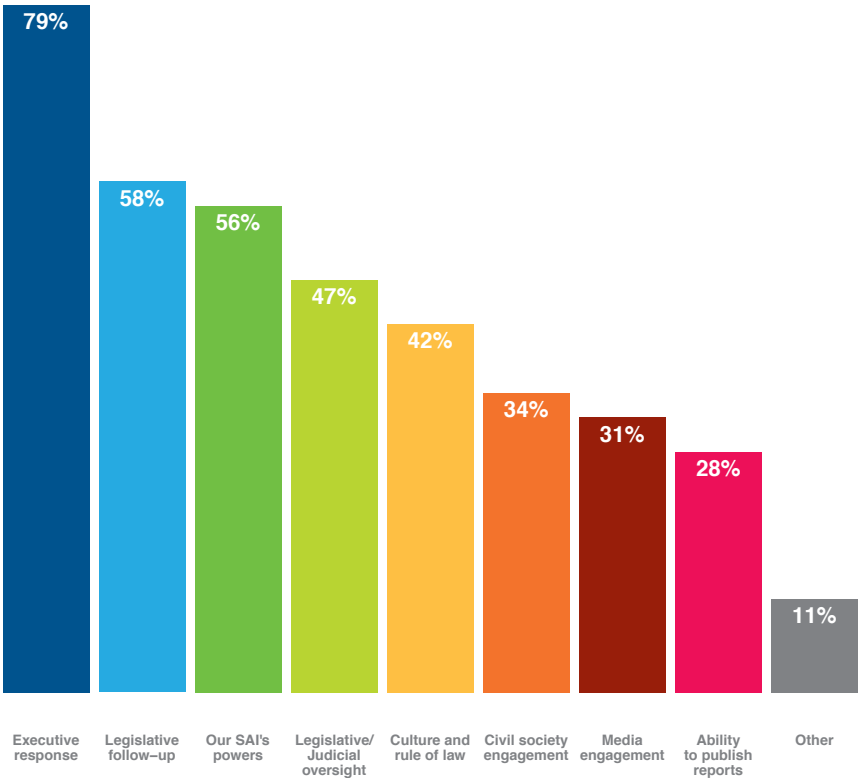
Overall, regular communication with legislature is reported by 75% of all SAls, but only 47% report that they involve Legislature regularly in follow-up discussions about the extent of implementation of recommendations.



Source: INTOSAI Global Survey 2020

SAI CORE AUDIT SERVICES

MOST IMPORTANT OBSTACLES TO DELIVERING AUDIT IMPACT  
Percent of SAls selecting each answer



Source: INTOSAI Global Survey 2020

This is a decrease since the last Stocktake. CREFIAF stands out, with 53% reporting that they never involve the legislature, and only 5% of respondents stating that they involve legislatures regularly. It should also be noted that reporting on obstacles to creating audit impact suggests that the second largest obstacle is seen as legislative oversight, with 44% reporting it to be one of the main obstacles. The "All Hands on Deck" report presents a fairly weak score on legislative oversight, but also suggests that legislative oversight is impaired by capacity constraints, for example in terms of skills of committee members, as well as to studies pointing at lack of legal powers and lack of political support for oversight. It's also observed that a lack of communication with legislature is correlated with lower levels of democracy.

Yet another part of stakeholder management for creating impact could be to pursue matters such as audit findings to other appropriate institutions, such as referrals of findings related to corruption and misuse of funds.

Generally, the proportion of SAls reporting that they communicate regularly with the Judiciary is low, at only 28% globally. Numbers are higher for SAls with jurisdictional models and SAls who are part of the Executive. Regular involvement of the judiciary is very low, with 12% reporting to regularly involve Judiciary Branch in their follow-up. While it's expected that exchange with the Judiciary would be less common for many SAls, the low figures also suggest that there are missed opportunities for exchange and possible referral of cases related to misuse of funds and possible corruption, which again indirectly reduces the impact of the SAI's work.



Regular involvement of Stakeholders in follow-up

