

# GLOBAL SAI STOCKTAKING REPORT 2020



# EXECUTIVE SUMMARY

The fact that many SAIs (37%) face obstacles in recruiting their own staff, combined with many SAIs reporting shortcomings in their financial independence and access to financial resources create a risk to SAI's ability to delivery of mandate.

## INDEPENDENCE AND RESOURCE CONSTRAINTS REMAIN AN IMPEDIMENT FOR SAI PERFORMANCE

Democratic backsliding and receding trust in government has constituted a global trend the last decade. The global crisis caused by COVID-19 has escalated this and calls for stronger accountability institutions to ensure accountability in crises. Yet Supreme Audit Institutions (SAIs) report continuing challenges related to independence and resource access, which inhibits them from reaching their potential in contributing to good financial governance and adding value to all.

The Global Stocktaking Report shows that, globally, SAIs are experiencing a further deterioration in terms of the independence principles outlined by the INTOSAI Mexico Declaration on SAI Independence. SAIs in Low-Income countries and in countries with limited democratic space are more likely to face shortcomings in their legal frameworks and de-facto independence.

There is also a concerning drop, from 70 to 44% of SAIs, reporting that they have full access to information necessary to carry out their audit work. It is reasonable to assume that this trend will continue, as many governments have introduced emergency laws and measures that undermine the very systems of accountability in the wake of COVID-19.

Impediments brought about by continued limitations to financial and administrative independence add to a global picture where half of all SAIs report having insufficient financial resources to adequately carry out their mandated audit responsibilities. This challenge also extends to human resources, with 70% of SAIs reporting staff shortfalls, either in terms of staff competency or staffing levels.



## IF SAIS ARE TO LEAD BY EXAMPLE THEY MUST ENHANCE THEIR GOVERNANCE

Solid organisational capacity and governance arrangements are foundations for well-functioning SAIs. The number of SAIs with Strategic Plans remains high at 92%, though only 57% report publicly against their strategic objectives.

Of the 72% of SAIs which produce annual financial statements, only 73% have them audited by an external auditor, and only 65% publish

an external audit opinion. This is particularly worrying in light of the role of SAIs as government auditors, and in terms of leading by example in the public sector in line with INTOSAI P-12 “The Value and Benefits of SAIs.”

There has been an increase in the number of SAIs who use SAI PMF to assess their performance, but a decrease compared to the last stocktake in the total number

of reported SAI performance assessments during the period covered. Of SAIs reporting to have conducted a SAI PMF, only 18% had shared results externally.

Combined, these findings suggest a continued reluctance of SAIs to be transparent with their own financial and performance information.



# ISSAI IMPLEMENTATION SLOWED DOWN BY WEAK SYSTEMS AND LACK OF RESOURCES

The 2020 Stocktake confirms that SAIs are progressing towards increased adoption of the International Standards for Supreme Audit Institutions (ISSAIs), with 86% of SAIs reporting that they have adopted ISSAI standards in some form. Despite that, there is still a long way to go to achieve implementation of ISSAIs, and SAI PMF data suggests that few SAIs are mostly complying with ISSAIs across all parts of the audit process. Across financial, performance and compliance audits, a substantially larger proportion of SAIs have ISSAI compliant manuals than have ISSAI compliant audit practices. More SAIs are also meeting ISSAI benchmarks for planning, conducting and reporting in financial audit and performance audit while compliance audit is lagging behind.

There's also a worrisome trend observed for audit coverage. Since 2014, coverage has receded slightly for financial and performance audit, while it has increased slightly for compliance audit. As more efforts are required to implement compliance audit according to the ISSAIs, part of the decrease in coverage could be due to a shift in priorities towards compliance audit.

According to the Global Survey, the most common reason for not implementing the ISSAIs is a lack of resources. This also seems to affect key parts of the audit process including quality management, coverage, reporting and follow-up. For quality management, 37% of SAIs report the lack of a monitoring system for audit quality for any of the main audit streams, a figure which is even higher for SAIs with perceived insufficient resources.

After a fall to 58% in the 2017 report, the proportion of SAIs that publish at least 80% of their audit reports has been reinstated at 70%.

The trend of increased publication is reflected in all regions (though 12% report that they have not published any reports).

While positive, it should be noted that there is a correlation between sufficient resources and democracy levels, and SAIs' ability to publish audits reports. Almost all SAIs who didn't publish reports are from countries from the lower end of the democracy index.

Finally, there's also a substantial reduction in the proportion of SAIs who report that they have an internal audit follow-up system across audit types, from 86% in 2017 to 65% in 2020.

Again, the existence of follow-up systems is more prevalent for SAIs in High Income (HI) countries, and amongst SAIs who have access to sufficient resources. Furthermore, reported implementation of audit recommendations is higher for jurisdictional control, than for compliance, performance and financial audit, suggesting the need to enhance follow-up mechanisms for these audit streams.

The most frequently reported impediment to implementation of audit recommendations is the executive response. While SAIs report regular communication with the Executive, they involve the Executive less in the follow-up of audits by failing to request feedback on the status of the audit recommendations or evidence that recommendations have been implemented.

This suggests a need to improve relations with the Executive Branch, and/or to cooperate with other oversight institutions and civil society actors to strengthen implementation of audit recommendations. However, as legislative and judicial oversight functions are also perceived as major obstacles to achieving impact, SAIs should enhance their cooperation with them as well.

Systems for quality management and audit processes maintain and

promote timely and high quality audits, facilitate internal learning and can provide assurance that the SAIs are carrying out their work in line with the ISSAIs. Organisational challenges in developing and maintaining these systems heighten the risk to overall accountability, as corroborated by scores on aggregated indicators for audit work and oversight reported by the PEFA framework and the Open Budget Survey.

The results suggests a need to focus more on quality management systems and stakeholder engagement, while at the same time building organisational capacity for less-resourced SAIs, who needs systems that enable them to use their resources in a way that creates most impact.

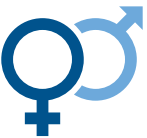
## SAIS HAVE THE OPPORTUNITY TO BECOME RESPONSIVE TO EMERGING ISSUES SUCH AS ENSURING MORE GENDER RESPONSIVE SAIS

The gender composition in SAIs has remained balanced and stable over the last decade. This also includes the gender balance for audit staff. This does not, however, translate to leadership and senior positions, where more than two-thirds of Head of SAIs are men, and less than 40% of senior managers are women.

Only 10% of SAIs use gender analysis to inform their strategic plan, and less than one-third of SAIs address gender in their strategies. The limited prioritisation of gender is reflected in SAI audits, with one quarter of SAIs having carried out gender audits, while fewer have mainstreamed gender in their audits.

Less than 10% of SAIs have received gender related capacity development support. However, there is an increase of 20% of SAIs who are interested in enhancing their capacities on gender in organisational processes in the coming period. There is also an increase in SAIs which are interested in strengthening leadership and communication through capacity development.

Potentially, there may also be an opportunity to address gender imbalances through SAI leadership programmes.



### Level of capacity development support has stagnated

The average annual value of support for SAI capacity development has increased from US \$32 million in 2010 to \$88 million in 2020.

This represents an 173% increase. However, the volume of support has remained stable since 2016. The Global Stocktaking Report shows that 109 SAIs reported receiving technical and financial support from external partners during 2017-2019. Peer-to-peer support remains the preferred modality of support, although only a limited number of peer providers are willing or able to finance or lead capacity development projects to support SAI peers.

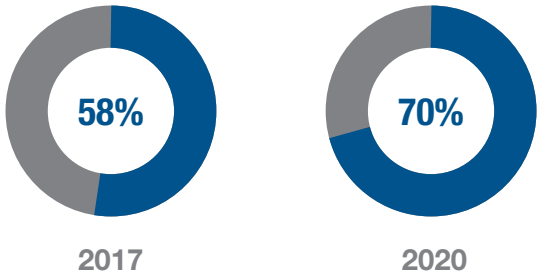
It's worth noting that, compared to organisational and professional capacity development, the provision of institutional capacity development support to SAIs has been lower than in the previous period. This correlates with results showing that SAIs from developing countries indicate most demand in developing the areas of 'strategic planning cycle' and 'audit quality and reporting', along with 'professional development and training' and 'organisational control environment'.

173%

increase in annual value of support for SAI capacity development between 2010 and 2020.



SAIs that publish at least 80% of audit reports:





## EMBRACING OPPORTUNITIES FOR DIGITALISATION

During 2017-2019, only half of all SAIs globally had a digitalisation strategy as a part of their Strategic Plan. Increased interest in the area is evident, however, and there is a jump from 31 to 64% of SAIs with plans to address digitalization over the coming 3-year period from 2017 figures.

Digitalisation and better utilising the opportunities created by technology, has become a heightened priority for

governments and SAIs alike during COVID-19, due to the need for remote work and automatising documentation processes. Half of the SAIs worldwide uses digitalised audit documentation to a large extent, and these results coincide with the availability of digital documentation from the auditees, indicating that SAIs are being responsive to the digital development of the public sector.



## STRENGTHENING COMMUNICATION FOR MORE AUDIT IMPACT

Communications strategies are now in place for two-thirds of SAIs, with SAIs recognising that stakeholder engagement is increasingly important for delivering audit impact. However, SAIs continue to focus most on their communication with auditees, and there are regional variances when

it comes to involvement with other stakeholders such as citizens, media and civil society. At the same time, there is an appetite amongst SAIs to strengthen their work with all main types of stakeholders. Since the last Stocktake, the number of SAIs planning to strengthen communication

with the Legislature, Executive and Judiciary has doubled, and the proportion wanting to strengthen communication with media, citizens and civil society has increased by 20%.

## INTOSAI REGIONS REMAIN RESPONSIVE TO SAI NEEDS

The Global Stocktaking Report suggests that although the INTOSAI regional bodies<sup>1</sup> mostly operate with limited human and budgetary resources, they are responsive and able to focus their support towards the communicated needs of the SAIs. Regional strategies are based on their members' input, and cover the needs expressed by members.

The support offered in 2017-2019 was mainly focused on technical audit capacities and reflected the top five strategic priorities in their respective strategic plans. The staffing profiles of the regional Secretariats also reflect these priorities, with a predominance of auditors and accountants.

Responses to the INTOSAI regional survey suggest that while external financial support to the regional bodies only increased for few regions in the last period, strong collaboration with INTOSAI bodies and other partners served as an important factor for enabling the regions to provide regular support to their membership.



1. When referring to INTOSAI regions, in this report reference is made both to INTOSAI regions and sub-regions of AFROSIAI-E, CREFIAF and in the chapter on INTOSAI regions also ASEANSIAI.

