

INTOSAI



*Principles of
transparency and
accountability*

*Preliminary
Draft*

INTOSAI PROFESSIONAL STANDARDS COMMITTEE

PSC-SECRETARIAT

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Chapter 1

Introduction

The concepts of accountability and transparency

Accountability and transparency are elements, among others, of *good governance*, which is also a basic characteristic of a democratic society.

The rule of law and democracy are essential foundations for really independent government auditing and are the pillars on which the Lima Declaration/Mexico Charter is founded. While the independence of an SAI is an essential prerequisite in a democracy based on the rule of law, accountability and transparency are core values for SAIs, since they should lead by example.

Accountability and transparency are not easily separated: they both participate in many actions, for instance in reporting. They have many different aspects so that it seems so far difficult to elaborate a single definition that would apply to every SAI and every country.

The notion of *accountability* refers to the organisational structure and the procedures set up by each SAI so as to ensure

- that the SAIs meet their legal accountability obligation towards the authority which allocates them resources and evaluate their performance.
- that the SAIs report on the regularity and the efficiency of the use of public funds.

The notion of *transparency* refers to some internal principles and rules concerning for example

- the status and the mandate of the SAI's members.
- the reporting and communication procedures implemented by the SAI; the jurisdictional ones (in the case of a SAI entitled with jurisdictional powers).

This generic code will present accountability and transparency principles, most of them being defined by the INTOSAI auditing standards.

Chapter 2

SAIs' mandates and responsibilities, missions and strategies

Principles:

- The mandate and remit of the SAI are public and available through internet or public documents. It includes the status of the SAI, its legal mandate, the main areas of its remit.
- The mission of the SAI in society: if the SAI wants to make its mission explicit for citizens, it should appear on public documents (reports) and websites.
- Organisation, role and responsibilities: the SAI presents in public documents its organisation, rules for appointment of the governing body, ways of recruitment, relationship with Parliament or other stakeholders. Information, when asked, is provided on these matters.

- In order to assure the SAIs transparency and accountability, some basic information can be made available in one of the official INTOSAI language, in addition to the country language.

KEY INFORMATION REQUIRED

At a glance

- Country
- Name of the SAI.
- Head of the SAI.
- Contact details and website.
- Other INTOSAI language available, if any

Historical and legal background

- Milestones of the SAI's development.
- Key legislation: Constitution, Auditor Act of Financial Administration Act, decrees.

Global mandate

- Type of SAI:
 - Court (with a judicial function)
 - Collegiate body (with no judicial function)
 - Independent audit office
 - Other kind of structure.
- Status of the SAI (in the overall institutional system): relations to the Government (head of the state, prime minister, finance minister), the Parliament, to the supreme jurisdictions.
- Decision making process (decisions made by the head of the SAI or collectively).

Chapter 3

Audit processes and methods

Principles

- Audit manuals of SAIs are public and the criteria on which they base their opinions are predictable to the body audited
- SAIs keep the audited body informed about the objectives, accomplishment and findings and conducts its audit in open dialogue with the audited body
- SAI's audit findings and conclusions are subject to procedures of contradictory (consultation with the audited entity)
- SAIs audit reports are subject to quality assessment or external feedback.

KEY INFORMATION REQUIRED

Scope and types of audits

- Bodies/procedures audited:
 - Central government / local authorities.
 - Social security organisms.
 - Corporations, associations, organizations.
 - Political parties.

- Types of audit conducted:
 - A priori audits (legality audits before prior approval of the public expenditures).
 - Subsequent audits.
 - Financial audit (leading to a discharge judgement and the clearance of the accounts or to a judicial audit).
 - Performance audit.
 - Other SAIs (peer review)

Chapter 4

Management and finance

Principles

- SAIs accounts are public and are subject to external audit or parliamentary review
- SAIs report on their staff management (number of auditors vs/ administrative staff, range of salaries, etc) and training activities, including intellectual capital assessment
- SAIs assess their human resources management
- SAIs report on the origin of their financial resources (general budget, ministry of finances, fees) and on their relative proportion
- The SAIs audit committees, when existing, are largely made up of independent members

Chapter 5

Professional conduct

Principles

- SAIs take measures to prevent corruption and ensure clarity and legality in their own operations (e.g. disciplinary sanctions)
- the status of auditors (magistrates in the Court model, civil servants or others), their powers and obligations are public
- outsourcing, expertise and sharing audit activities with external entities, public or private, are performed under the responsibility of the SAI and subject to precise rules
- codes of ethics are issued and public

KEY INFORMATION REQUIRED

Internal organization / Human resources management

- Appointment / recruitment system.
- Number of members and skills / status (auditors/consultants, judges, researchers...).
- Organization chart: divisions/departments/chambers?
- Code of ethics and professional values.

Chapter 6

Reporting on activities and audit findings¹

Principles

- SAIs report regularly to Parliaments and/or issue public reports on budget implementation; they report publicly on their activity, audit findings, management, performance
- SAIs maintain a strong relationship to relevant parliamentary committees to mutually support good governance: Parliament may increase its monitoring activity or seek advice and clarification through the committees process or in plenary debate
- SAIs (when possible) communicate openly with the media or other interested parties on all aspects of their operations and are visible in the public arena. The visibility of the SAI is assessed through mentions in the medias, website consultations
- SAIs encourage public or stakeholders interest in their most important conclusions
- abstracts of audit reports and Courts judgements are available in different INTOSAI languages
- SAIs pay attention to the timing of the reporting: it has to be appropriate. Transparency and accountability will be enhanced if the information provided refers to recent situations and not to obsolete evolutions.
- SAIs try to make their audit reports more easily available for a wide public by including for example a summary.

KEY INFORMATION REQUIRED

Publications

- Reports :
 - Specific audit reports
 - Activity report
 - Performance report
- Courts judgments
- Studies and methodological tools
- Statements.
- Press releases.
- Others

Chapter 7

Performance

¹ We chose, in our draft, not to include *Reporting on audit findings* in a particular chapter. Indeed, *Reporting on audit findings* seems to be part of the work done by the Sub-Committee on Financial Audit Guidelines. This point can be further discussed.

The work launched by the ad hoc group led to some conclusions on performance that are not part of the present guide but seem worth presenting (see the appendix n°2), because activity and performance are linked.

However, it remains to be decided if this point should be part of the present code, or if it will be treated separately.

Appendix 1

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Appendix 2

Performance

Most SAIs issue public reports on their activity, but mainly from the point of view of their outputs : number of audit reports, management letters, briefings and parliamentary testimonies, use of resources, etc. Assessment of outcomes is less developed. Most SAIs acknowledge that quantification and measurement are difficult in that field.

The question of the “client”, and the independence of the SAI, has to be considered: not all SAIs report to their Parliaments, or they report in different ways. All SAIs consider they are responsible towards citizens. There are different ways, for a SAI, to account for its activity.

In some cases, statutory accountability requirements are set out in the legal provisions defining public audit or budget performance

Some principles already applied by SAIs could be formulated as following:

Performance reports

- SAIs report publicly on their performance, in all the areas of their activity: financial audit, compliance audit, jurisdictional activities (for Courts), performance audit, program evaluation. Many SAIs report on their activity (outputs), reporting on performance and outcome needs specific indicators: money saved, rate of recommendations implemented, timeliness, etc. Some SAIs developed sophisticated approaches to measure their performance
- SAIs evaluate the economics, efficiency and effectiveness of their operations. The cost of audits, which is an aspect of performance, can be considered from the management and finance point of view as well.

Strengthening internal control and prevention role

- SAIs assess their impact on the efficiency and effectiveness of the public sector (national ranking on the Transparency International survey is mentioned)
- the effectiveness of internal control can be measured by jurisdictional activity, for Courts (penalties on accounting officers or managers)
- SAIs contribute to the improvement of professional capacity in the public sector (training, links with universities...)

Follow-up procedures

- SAIs audit findings and conclusions are subject to a follow-up procedure allowing the administration to explain if corrective measures are taken and, if not, explain why.
- SAIs (either Court or other model) identify criminal suits caused by their audits.
- Some SAIs seek client or stakeholder satisfaction (Parliament or auditees), but independent Courts consider this approach not relevant.

Knowledge sharing

- SAIs strive for continued learning by seeking guidance from external reviewers: peer reviews, expert assessment or academic feedback, benchmarking.
- SAIs develop joint or parallel audits.