

INTOSAI



*Principles of
transparency and
accountability*

INTOSAI



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Introduction

Purpose and objectives

The purpose of this document is to advance principles of transparency and accountability for SAIs in order to assist them in leading by example in their own governance and practices. SAIs form part of an overall legal and constitutional system within their respective countries, and are accountable to various parties, including legislative bodies and the public. SAIs are also responsible for planning and conducting the scope of their work and using proper methodologies and standards to ensure that they promote accountability and transparency over public activities, meet their legal mandate and fulfil their responsibilities in a complete and objective manner.

A major challenge facing all SAIs is to promote a better understanding of their different roles and tasks in society among the public and the administration. Consistent with their mandates and governing legal frameworks, information about SAIs should therefore be readily accessible and pertinent. Their work processes, activities and products should be transparent. They should also communicate openly with the media and other interested parties and be visible in the public arena.

This document forms an integral part of the other International Standards of Supreme Audit Institutions (ISSAIs) and the principles are intended to be used in conjunction with those standards.

SAIs operate under different mandates and models. These principles may not be equally applicable to all SAIs, but are intended to lead SAIs towards a common goal of transparency and accountability.

Concepts of accountability and transparency

The rule of law and democracy are essential foundations for independent and accountable government auditing and serve as the pillars on which the Lima Declaration is founded.

Independence, accountability and transparency of SAIs are essential prerequisites in a democracy based on the rule of law and enable SAIs to lead by example and enhance their credibility.

Accountability and transparency are two important elements of good *governance*. Transparency is a powerful force that, when consistently applied, can help fight corruption, improve governance and promote accountability.

Accountability and transparency are not easily separated: they both encompass many of the same actions, for instance, public reporting.

The concept of *accountability* refers to the legal and reporting framework, organisational structure, strategy, procedures and actions to help ensure that:

- SAIs meet their legal obligations with regard to their audit mandate and required reporting within their budget.
- SAIs evaluate and follow up their own performance as well as the impact of their audit.
- SAIs report on the regularity and the efficiency of the use of public funds, including their own actions and activities and the use of SAI resources.
- the head of the SAI, members (of collegial institutions) and the SAI's personnel can be held responsible for their actions.

The notion of *transparency* refers to the SAI's timely, reliable, clear and relevant public reporting on its status, mandate, strategy, activities, financial management, operations and performance. In addition, it includes the obligation of public reporting on audit findings and conclusions and public access to information about the SAI.

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.

Principle 2:

SAIs make public their mandate, responsibilities, mission and strategy

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.
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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 assessment.
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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.
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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 independence.
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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.
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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.
- 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.
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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).
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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
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