

INTOSAI



INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS  
ORGANISATION INTERNATIONALE DES INSTITUTIONS  
SUPÉRIEURES DE CONTRÔLE DES FINANCES PUBLIQUES  
INTERNATIONALE ORGANISATION DER  
OBERSTEN RECHNUNGSKONTROLLBEHÖRDEN  
ORGANIZACIÓN INTERNACIONAL DE LAS  
ENTIDADES FISCALIZADORAS SUPERIORES

المنظمة الدولية للأجهزة العليا للرقابة المالية العامة والمحاسبة

XXI INCOSAI 2013

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## Beijing Declaration



Congress Secretariat, XXI INCOSAI  
No.1 Beiluyuan, Zhanlan Road, Xicheng District, Beijing  
China · Chine · China · China · الصين  
Tel. +86 (10) 6830 1586 · Fax +86 (10) 6833 0958  
E-mail: [incosai2013@incosai2013.org](mailto:incosai2013@incosai2013.org) · World Wide Web: <http://www.incosai2013.org>

# **Beijing Declaration on Promotion of Good Governance by Supreme Audit Institutions**

## **The XXI International Congress of Supreme Audit Institutions**

**(Draft for Discussion - October 25, 2013)**

### **Preamble**

1. Since 1953 the International Organization of Supreme Audit Institutions (INTOSAI) has worked with increasing vitality and innovation in accordance with its motto of “Mutual Experience Benefits All” by extensively disseminating the ideas and standards of national audit through the exchange of ideas and cooperation in the international audit community. In 2013 INTOSAI is proudly celebrating its 60<sup>th</sup> anniversary.
2. INTOSAI, as an autonomous, independent, professional, and non-political organization, has provided mutual support, fostered the exchange of ideas, knowledge, and experiences, acted as a recognized voice of supreme audit institutions (SAIs) within the international community and promoted continuous improvement among its member SAIs.
3. INTOSAI has promoted good governance by enabling SAIs to help their respective governments improve performance, enhance transparency, ensure accountability, maintain credibility, fight corruption, promote public trust, and protect the interests of their citizens.
4. INTOSAI is – with its Committees, Working Groups, Task Forces and Regional Working Groups - the worldwide forum for international exchange of knowledge in the field of external government auditing, the setter of Auditing Standards in the public sector and the international voice of external government auditing.
5. INTOSAI’s achievements in knowledge sharing, standards setting and the raising of status of government auditing are well-known. INTOSAI elaborated and implemented its first Strategic Plan which was adopted in 2004 in Budapest and was updated in 2010. Under the guidance of the Strategic Plan, INTOSAI adopted the International Standards of Supreme Audit Institutions (ISSAI) framework and has been successful in capacity

building projects and result-oriented exchange of knowledge in diverse audit fields throughout the world. It also has a long standing agenda to be itself a model of good organizational governance.

6. In 2011, the General Assembly of the United Nations recognized the work of INTOSAI and its members in Resolution A/66/209 titled “Promoting the Efficiency, Accountability, Effectiveness and Transparency of Public Administration by Strengthening SAIs”. In this Resolution the UN General Assembly

- took note with appreciation of the work of INTOSAI in promoting greater efficiency, accountability, effectiveness, transparency and efficient and effective receipt and use of public resources for the benefit of the citizens.
- took note with appreciation of the Declarations of Lima and Mexico and encouraged Members States to apply, in a manner consistent with their national structures, the principles set out in those declarations and encouraged Member States and relevant UN institutions to continue and intensify their cooperation with INTOSAI in order to promote good governance by ensuring efficiency, accountability, effectiveness and transparency through strengthened SAIs.

7. INTOSAI held its XXI Congress (INCOSAI) in Beijing in 2013, recalling the development of INTOSAI over the last six decades and summarizing the practical experience of its member SAIs, unanimously declared that:

- In the 21<sup>st</sup> century society, information and globalization has become a surging tide, with SAIs facing new challenges to improve national governance and with INTOSAI facing new opportunities to tackle global issues.
- SAIs agree that effective national governance is fundamental for maintaining stable economic development and social progress, and improving the lives of citizens, and are willing to contribute to the fulfillment of the responsibilities set out in the United Nations Millennium Declaration, which states that:

*“We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want. We resolve therefore to create an environment – at*

*the national and global levels alike – which is conducive to development and to the elimination of poverty. Success in meeting these objectives depends, inter alia, on good governance within each country. It also depends on good governance at the international level and on transparency in the financial, monetary and trading systems”.*

- SAIs can help by enhancing transparency, ensuring accountability, promoting performance, and fighting against corruption and thus improve national good governance and increase fairness.
  - The long-term sustainability of financial policies is an undeniable prerequisite for national good governance. SAIs, through independent professional auditing, can help decision-makers to safeguard the long-term sustainability of and adherence to the financial policies by enhancing transparency, reporting on the performance of public finance and highlighting systemic risks.
  - In a world of intense globalization, no country can successfully improve its own national governance without understanding how it might be affected by external factors. While promoting good governance at home, SAIs must remain dedicated to improving governance globally through international and regional cooperation. In meeting the global challenges, SAIs will continue to build their strength to undertake common responsibilities, manage common risks, take common action and deliver a recognized and respected voice under the auspices of INTOSAI and its Regional Working Groups.
  - As an organization with broad representation, a strong independent position and high professional standards, INTOSAI will continue to cooperate with its Regional Working Groups and the individual SAIs to establish the use of ISSAIs consistent with their national legal frameworks for the purpose of promoting good governance while remaining independent and enhancing performance.
8. Against this background the Congress discussed two issues of global importance under the following theme headings.
- Theme I : National Audit and National Governance
  - Theme II ; The Role of Supreme Audit Institutions on Safeguarding Long-term Sustainability of Financial Policies

The outcome of the Congress discussion on these themes is contained in the Beijing Accord at Annex I.

9. In addition, the Congress reviewed progress against the INTOSAI Strategic Plan 2011-2016.

## **Chapter I Achievements and Experiences of INTOSAI**

10. From the foundation of INTOSAI in 1953 to the XXI Congress in China in 2013, INTOSAI has experienced manifold positive developments and substantial progress and changes. In the spirit of INTOSAI's motto "Mutual Experience Benefits All", its work is based on the indispensable voluntary commitment and contribution of each and every member SAI. This globally connected, structured and goal-oriented, effective modern international organization has expanded from an initial 34 members to today's 192 full members and 5 associated members.
11. INTOSAI's seven Regional Working Groups – AFROSAI, ARABOSAI, ASOSAI, CAROSAI, EUROSAI, OLACEFS and PASAI - subscribe to the mission of INTOSAI and at the same time take account of regional differences and heterogeneous needs.
12. As the executing bodies of INTOSAI's thematic and professional work, its Committees, Working Groups and Task Forces have touched on a great variety of themes organized in 4 Strategic Goals - standard setting, capacity building, knowledge sharing and developing a model international organization.
13. The outstanding achievements of INTOSAI include the Lima Declaration, the founding principles of independent, efficient and effective public sector auditing, the Mexico Declaration on SAIs Independence in 2007, and the developing framework of ISSAIs which will benefit and enhance public sector auditing worldwide.
14. The recognition by the United Nations General Assembly Resolution A/Res/66/209 in 2011 is a logical result of the hard and successful work of INTOSAI during recent years. It puts INTOSAI – including its standard setting work and public sector auditing – at the focus of international community concerns. Public sector auditing institutions, with the character of being independent, have been recognized as an essential part of good governance. SAIs now have an effective tool at hand to require that national governments recognize and implement the basic principles of SAI independence from legislative and the executive. Concrete successes have already been recorded by SAIs from all INTOSAI regions.
15. The cooperation of INTOSAI with external partners such as the UN and international organizations such as World Bank, OECD, IPU, IFAC or IIA have increased its

reputation, global visibility and recognition as a high-level professional organization. Since the 1970s 22 UN-INTOSAI Symposia and Seminars have been jointly organized by INTOSAI and the UN. These disseminated knowledge and training materials on a series of high interest topics concerning external government auditing.

16. Capacity building has been and remains one of the main areas of INTOSAI interest. This field includes the development of new structures for acquiring knowledge and professional training and organization development for SAIs. Currently there are many capacity building and knowledge sharing activities active in INTOSAI for the purpose of enhancing the capabilities and performance of SAIs.
17. INTOSAI has signed a Memorandum of Understanding (MoU) with 21 donors and has conducted a series of cooperation activities with the donor community, through which the stated common goals in the MoU are achieved, the successful implementation of INTOSAI's Framework of Professional Standards (consisting of the International Standards of SAIs (ISSAIs) and INTOSAI Guidance for Good Governance (INTOSAI GOVs)) is ensured, and the knowledge of the importance of SAIs and INTOSAI in the global development community is increased.
18. A decisive milestone in the INTOSAI history was the elaboration of a main strategic guidance with the first Strategic Plan (2005-2010) to establish overarching strategic goals for INTOSAI. The Organization continues to pursue its strategic plan goal of being a model of good governance.
19. In the last 60 years, INTOSAI has taken up with great success the challenges facing public sector auditing and is more than ready and willing to do so for the forthcoming years with the support and active collaboration of all its members. It is prepared to maintain its foresight and relevance regarding its future oriented visions and missions.
20. In 2013, INTOSAI also celebrates 50 years of the General Secretariat, headquartered in Vienna since 1963 in the Austrian Court of Audit. The General Secretariat is of vital importance for the organization by acting as a driver for innovation and an information hub and a contact point for INTOSAI members throughout the world and for other globally active partners.

21. In celebration of these important milestones, the Organization has published a book “60 years INTOSAI/50 years General Secretariat – Transparency, Accountability, Good Governance, Serving the Citizens”
22. On the basis of a comprehensive understanding of emerging issues and continuous changes and development in today’s society, INTOSAI will do its utmost to continue to promote good governance and sustainable development of human society.



## **Chapter II Promotion of Good National Governance by SAIs**

23. From the very beginning the central aim of INTOSAI was to promote good governance. SAIs can only perform this task well, if they are independent from the agencies they audit and are protected against any form of outside influence. INTOSAI also recognized that it is crucial that the audit methods of SAIs are based on current scientific and technical knowledge and that their auditors have the necessary professional qualification and moral integrity.
24. Therefore in 1977 INTOSAI adopted the Lima Declaration and with the Mexico Declaration in 2007 determined the 8 principles of independence of external government auditing in methodological and professional terms.
25. The governments and citizens of all countries call for the promotion and improvement of national governance so as to enable the sustainable development of society, economies and the environment. As an indispensable part of national governance, national audit performs its functions in accordance with law and regulations and provides, in an objective manner, audit supervision, verification, evaluation and recommendations that national decision-makers use to make policy and program decisions. SAIs should strive to stand as champions of trust, honesty and integrity in public life. In doing so, SAIs will continue to contribute to efforts to:
  - Safeguard democracy and the rule of law by promoting honest and clean government and administration, maintaining legal order, disclosing illegality, curbing the abuse of power through the supervision of public power. In some cases SAIs are also advisors, playing a constructive role by suggesting improvements to legal systems. SAIs help to build communication and trust between the public sector and citizens, by promoting open government and thereby enable citizens to actively participate in the public decision making process.
  - Increase governmental efficiency by supervising and evaluating government activities and disclosing shortcomings in national governance and control. SAIs provide independent and objective insight and guidance to support beneficial change in government and public entities, and encourage governments to

strengthen control. SAIs also promote rational utilization of public resources, good practice and the creation of performance-focused government.

- Play an important role in fighting corruption and preventing fraud at both the national and international levels. SAIs' audit-based knowledge and experience not only boosts accountability but can also provide valuable advice for future anti-corruption initiatives, including the UN post-2015 development agenda.
- Safeguard national interests, by using their independent position, unique foresight and professional capacity to provide timely, objective and reliable information to reveal risks to national economic and social operation, and national interests.
- Promote the improvement of people's livelihoods by helping to ensure that public funds and projects relating to people's livelihood are under strict supervision and achieve the desired impact which improves the livelihoods and equal opportunities of all citizens including vulnerable groups.
- Increase transparency and accountability, by auditing and publishing audit results that help to hold the public sector to account, and encourage governments and public organizations to fulfill their responsibilities for using and safeguarding public resources. SAIs provide society and citizens with verified information about how responsibilities have been fulfilled by government organizations and officials, and by doing so help promote transparent government.

### **Chapter III Safeguarding Long-Term Sustainability of Finance Policies**

26. Broadly stated, sustainable public finances are about meeting current and future obligations without passing on excessive debt to future generations.
27. The sustainability of public finances has been on the INTOSAI agenda for many years now. In 1991 the INTOSAI Public Debt Committee started its work and was reorganized in 2007 into a Working Group. In 2008, INTOSAI established as immediate reaction to the financial crisis: the Task Force Global Financial Crisis, which was reorganized in 2012 into the Working Group on Financial Modernization and Regulatory Reform.
28. Much has been done in the past: A series of International Standards of Supreme Audit Institutions, ISSAIs (ISSAIs 5410 to 5450), on public debt has been published. Nevertheless, the financial, economic and budget crisis poses for SAIs special challenges which, in the public interest, could be addressed by SAIs as part of their audit function.
29. Lessons derived from the global financial and economic crisis occurred in early 21st century, have underlined the strategic importance of governments maintaining sound public finances in order to create conditions for economic growth, employment and social well-being. Through independent and robust audits, SAIs contribute to attaining medium and long-term sustainability of financial policies, safeguarding public interest and enhancing national governance in each country. Recognizing the mandate of each individual INTOSAI member to determine its own approach consistent with its national legislation, aspects to consider when addressing the issues of financial stability may include:
  - Strengthening government financial statement audits, with the aim to establish and improve institutional financial framework and financial reporting standards, so as to present fairly the financial performance and position of government.
  - Improving public finances performance audits, in order to encourage medium and long-term fiscal sustainability associated with good governance.
  - Reinforcing public debt audits, considering direct commitments as well as other liabilities and financial contingencies, with the objective to identify issues and

risks in the management and expected developments of sovereign debt and financial deficits.

- Building the ability to audit the stage of planning public finances, with the aim to prompt Executive and Legislative branches assessing medium and long-term prospective scenarios or projections associated to expected developments of economic cycles, debt servicing, public programs and other commitments such as social security, pensions, education and health care, as well as contingencies like natural disasters, climate change and financial shocks.
  - Assessing government's planning assumptions related to economy, public finances and public debt, thus identifying potential risks and providing constructive recommendations.
  - Enhancing the audit of compliance with fiscal rules, financial regulation and accepted standards of oversight, as well as adherence to the whole government budgetary process. The objective is to ensure accountability throughout phases of planning, execution, performance evaluation and outcomes achieved. Moreover, effective internal controls are to be improved with a risk management system.
  - Fostering the evaluation of public financial policies. SAIs will continue to, conduct audits over the soundness, effectiveness and sustainability of financial policies, in order to promote economic development and social welfare in the context of each country.
30. Furthermore and with regard to the fiscal soundness and sustainability, and the role to be played, SAIs have to encourage transparency with regard to the use of public financial resources and sound approaches to fiscal management.
31. The importance of the Lima and Mexico Declarations, and the UN General Assembly Resolution to strengthen SAIs, and to support each other internationally was recognized. Thus, when audits in relation to the sustainability of finance policies are to be conducted by SAIs their mandate may need to be enhanced.

## Chapter IV Achieving Good Governance Globally – A Common Goal

32. Through its sustained, proactive effort INTOSAI has developed successfully into an autonomous, independent, professional, and nonpolitical organization recognized as the voice of supreme audit institutions (SAIs) within the international community and promoting continuous improvement among diverse member SAIs.
33. INTOSAI's international reputation is founded on a range of major milestones and achievements including most recently:
- recognition of the importance of SAIs by the United Nations
  - establishment of a comprehensive framework of professional standards based on due process
  - building a highly productive relationship with international donors to promote capacity building in member SAIs
  - constructing a highly effective global network for sharing knowledge and good practice
  - furthering cooperation with international and supranational organizations.
  - continually improving its governance arrangements towards model international organization status.
34. INTOSAI has also recognized that in a world where challenges are increasingly global in their extent and impact there is a need for the international SAI community to join together in developing collective responses to achieve better outcomes for all. INTOSAI's history and strong foundations in international collaboration between SAIs mean that it is ideally positioned to play a key role in developing and delivering solutions to current significant challenges and thematic issues such as national debt crisis, , ecological crisis, worldwide financial security and anti-corruption agendas.
35. INTOSAI and SAIs have a proven capacity and duty to drive forward good governance nationally and globally in accordance with their respective mandates and legislative frameworks. The Congress encourages SAIs to:
- **Accept common responsibilities:** SAIs' audit work on their governments' international commitments, such as responding to climate change, reviewing

trade barriers, maintaining financial stability, and by fighting corruption and money laundering, can serve to encourage full compliance with those obligations. INTOSAI also enables SAIs to extensively participate in international cooperation and play roles in such international affairs as implementing financial disciplines, detecting economic risks, fighting corruption and maintaining the stability of the world economy.

- **Manage common risks:** SAIs have a continuing role to play in promoting risk identification and timely disclosure of major risks. INTOSAI will continue to focus its attention to research on major issues of global and regional phenomena and provide SAIs with effective guidance and reference for response.
- **Take common action:** SAIs are encouraged to continue to conduct joint audit and parallel audit in order to address the common challenges and issues such as climate change, regional pollution and financial crisis. SAIs are encouraged to participate in such governance activities as evaluating social progress, involvement in the external audit of international and regional organizations, drive performance audit to be conducted in international and regional organizations to improve accountability, transparency and performance. INTOSAI will continue to work with other international organizations and sovereign countries to strengthen cooperation in international audit and identify best solutions for regional and global issues.
- **Speak with a common voice:** SAIs and INTOSAI will continue to adapt to the change of our times and positively adopt effective measures to collaborate and cooperate with multilateral organizations like the UN, the World Bank, the OECD and the G20, to attend multilateral activities, to enhance international auditing and accounting standards for public sectors, to establish national key indicators for the evaluation of social progress, to participate in the continuous improvement of governance globally, and to deliver an independent and unanimous voice on international and regional thematic issues in the international community.

## Chapter V Congress Conclusions

36. The Congress discussed many issues but agreed that a guiding principle for INTOSAI's philosophy was that it should be future orientated and outward looking. The Organisation has the opportunity to contribute to global and regional agendas based on its expertise and experience in good governance and public sector auditing.
37. The Congress noted with appreciation the excellent work carried out by all of its Committees, Working Groups and Task Forces. It expressed its profound thanks to those Chairs whose tasks were completed or whose remits have ended and welcomed with appreciation those who were taking up new responsibilities.
38. The end of 2013 marks the half way point of the second INTOSAI Strategic Plan covering the period 2011-2016. In the deliberations during the XXI INCOSAI the INTOSAI members expressed their satisfaction with the organization's progress to date against the plan. In addition, the members reached the following specific conclusions and agreements:

### Professional Standards

- **Welcomes** the enhancement of the ISSAIs framework by the revision of the fundamental auditing principles and other standards (Annex II), and the greater focus on the needs of auditors and users which these achievements represent;
- **Approves** the revised mandate of the Committee and its determination to find sustainable solutions that will provide sufficient guarantees that the Framework and Due Process of INTOSAI's Professional Standards are maintained and developed for the future.

### Capacity Building

- **Applauds** the Organisation's greatly improved capability to support SAIs in building their capacity in particular the progress made by the Regional Secretariats and the INTOSAI Donor Cooperation;
- **Appreciates** the IDI's continued contribution to INTOSAI in supporting its member SAIs in their efforts to enhance their own performance, independence and professionalism; and

- **Endorses** IDI's strategic plan 2014-2018 and its revised mandate reflecting its expanded role, working across all INTOSAI goals.

### **Knowledge Sharing**

- **Commends** the work highlighting the value and benefits of SAI: making difference to the lives of citizens (Annex III) and the creation of guidance for SAIs engaging in work on accountability for and audit of disaster related aid (Annex II);
- **Encourages** SAIs to develop capabilities to respond to the challenges posed by the fiscal and economic challenges current in many parts of the world, for example by enhancing or expanding their audit of supervisory and regulatory mechanisms; and
- **Encourages** members to apply vigorously the INTOSAI communications strategy and guidelines, and actively use the tools designed and developed for this purpose.

### **INTOSAI - A Model Organisation**

- **Welcomes** the plans for developing INTOSAI's Strategic Plan for the period 2017 – 2022 and for addressing the Organisation's future resourcing needs;
- **Notes** the establishment of a supervisory committee on emerging issues (Annex IV).

### **Other Issues**

- **Agreed** that INTOSAI should take a role in the United Nation's post 2015 development agenda.

39. Further, the Congress called upon the Organisation's members to:

- **Prioritise** the adoption and implementation of the ISSAI framework as encouraged in the UN Resolution, and request donors and other development partners to give it the same status;
- **Respond** positively to the Second Global Call for proposals issued by the INTOSAI Donor Cooperation;
- **Actively promote** the value and benefits of SAIs;



- **Seize** the opportunity to contribute fully to defining the Organisation's future;  
and
  - **Consider** contributing further to the resources available to the Organisation.
40. At the conclusion of its XXI INCOSAI the Organization and its members reaffirm an unwavering ambition to make INTOSAI a model organization, delivering quality programmes that are underpinned by the highest professional standards and by humanitarian ideals.

Annex I: Beijing Accords

Annex II: List of ISSAIs and Official Documents to be presented to XXI INCOSAI for Endorsement

Annex III: ISSAI 12: The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens

Annex IV: INTOSAI Organisation Chart

**Annex 1:**

**BEIJING ACCORDS**

**XXI INCOSAI BEIJING 2013**

**Theme I**

**National Audit and National Governance**

**1. INTRODUCTION**

In recent years, the unprecedented and complex uncertainty experienced in the global economy has brought about new challenges for every country in their efforts to promote improved national governance.

The promotion of good governance in the public sector has been a key priority of the INTOSAI community for a long time. The 62<sup>nd</sup> Governing Board meeting of INTOSAI held in October 2011 unanimously approved the proposal by the National Audit Office of the People's Republic of China (CNAO) to have "National Audit and National Governance" as the first theme for discussion at the XXI INCOSAI. It was further decided that the CNAO would chair Theme 1. In terms of the XXI INCOSAI's Rules of Procedure, the CNAO successively completed the drafting of the principal paper, which was sent to all SAIs. Country papers drawn up by SAIs were collected and analyzed. Based on a thorough analysis of the country papers, a discussion paper was drafted by the CNAO.

The draft discussion paper was used to solicit input from delegates of SAIs attending the International Seminar on the Beijing Declaration held in May 2013 in Beijing, China. The discussion paper consolidated the key points from the principal paper and all relevant inputs from the country papers submitted by 61 SAIs.

**2. DISCUSSION RESULTS**

The discussion paper served as a basis for group discussions for Theme 1 at the XXI INCOSAI. The discussions confirmed the importance of this theme. The recommendations from SAIs confirmed that national audit, with the support of INTOSAI, plays a critical role in improving national and global governance. The following main topics were discussed:

**2.1 Relation between National Audit and National Governance**

National auditing plays a central role in holding governments to account. Many SAIs describe the main function of national audit as an assurance function carried out by an

independent and specialized institution established by law with its own full-time personnel. The role of an SAI in the national governance system is similar to that of the “immune system” in the human body, by preventing or revealing weaknesses in national governance.

Many countries in the world have recognized the need for an independent national audit institution with the necessary authority/powers within their respective constitutions. However, it should be recognized that the existence of independent audit institutions largely depends on good governance.

## **2.2 Important Role of National Audit in the Improvement of National Governance**

Over the years, aligned to the principles of the Lima and Mexico Declarations, SAIs have played an active role in promoting the improvement of national governance. The following roles have been identified as having significance regarding the impact of national audit on national governance:

### **2.2.1 Creating awareness of safeguarding democracy and the rule of law**

National audit is an important force in democracy and the rule of law by:

- Safeguarding the public interest by reporting on the use of public resources,
- Promoting the implementation of laws and regulations,
- Reporting on compliance with laws and regulations, and
- Imposing sanctions, where such a mandate exists.

### **2.2.2 Enhancing government performance**

National audit plays an important role in promoting effective government especially in performance mainly through:

- Enhancing the economic, efficient, and effective use of public funds,
- Improving the operational mechanism of government organizations,
- Promoting the integrity, accountability and transparency of administration, and
- Promoting good practices of the public sector by sharing experience, methods and information.

### **2.2.3 Promoting honest and clean administration**

National audit contributes to honest and clean administration by:

- Carrying out audits to ensure that government is held accountable for its stewardship over and use of public resources,
- Detecting fraud and irregularities,
- Imposing sanctions where audit institutions have judicial functions,
- Agreeing on a common INTOSAI definition for fraud and corruption, and incorporating this into the ISSAI framework, and
- Evaluating internal controls of the public sector, thereby mitigating fraud risk.

### **2.2.4 Safeguarding national security**

National audit plays a role in safeguarding national interests. SAIs fulfill their functions of safeguarding national economic, social and ecological security by providing objective information, revealing existing weaknesses and putting forward recommendations for improvement.

### **2.2.5 Promoting the improvement of people's livelihood**

A large proportion of public funds is meant for the improvement of people's livelihood. Audit institutions contribute by:

- Auditing primary service delivery areas such as education, medical treatment, disease prevention and control, health, poverty, social security, employment, housing, public transport, environmental protection, disaster forecasting and control, and disaster relief, and,
- Focusing audits on the allocation and/or utilization of resources in public interest.

## **2.3 Challenges faced by SAIs and possible responses**

The complexity of national governance and fast changing audit environment require the SAIs to be responsive in order to remain relevant. The increasingly complex national governance requires that national audit has to adapt and innovate, beyond the existing knowledge and practices. SAIs should identify the strains this condition bring to its mandate and/or functions. This extends to the standard-setting process to ensure the continued relevance of the ISSAI framework.

SAIs identified the following issues to be addressed:

### **2.3.1 Perform audit duties with the vision of national audit serving national governance**

- Ensure financial audit practices remain relevant by responding to current challenges,
- Regularly identify and prioritize stakeholder expectations,
- Pay close attention to economic and social challenges to enhance the relevance, insight and foresight of auditing,
- Strengthen the supervision over the misuse of power,
- Respond to concerns of citizens on fraud and corruption,
- Focus on improvement of management systems, mechanisms and institutions,
- Provide timely, objective and reliable information to stakeholders to make well-informed decisions, and
- Follow up the implementation of audit findings and recommendations.

### **2.3.2 Continue to strive for all SAIs to become independent**

- Ensure SAIs have the necessary mandate and independence,
- Create awareness of the UN resolution on SAI independence, and
- Share the knowledge and insight on how to achieve full independence as envisaged by the Lima and Mexico Declarations.

### **2.3.3 Create a professional environment and conditions for national audit**

- Promote the adoption of generally accepted financial reporting framework for the public sector,
- Apply ISSAIs and other relevant standards to increase the credibility of reporting,
- Improve the competence of audit institutions and personnel through learning and knowledge sharing, and
- Communicate audit results in a professional manner.

### **2.3.4 Strengthen capacity of audit institutions**

- Continue SAIs institutional capacity building,
- Utilize IDI's capacity building initiatives,

- Share knowledge and experience to enhance audit efficiency,
- Strive to be a model organization for other public institutions.

### **2.3.5 Communicate and cooperate with stakeholders**

- Strengthen cooperation with key stakeholders,
- Apply the principles of ISSAI 12 “The Value and Benefit of Supreme Audit Institutions – making a difference to the lives of citizens” and use the relevant guidance on “Communicating and Promoting the Value and Benefits of SAIs: An INTOSAI Guideline”,
- Utilize the “INTOSAI Communication Guideline”,
- Facilitate citizen involvement in the audit process and dissemination of audit results.

### **2.4 Role of INTOSAI in Promoting the Improvement of National Governance and Global Governance**

INTOSAI, as all other organizations worldwide, is challenged by globalization and faces the need for modernizing its working procedures and methods in order to remain relevant to its stakeholders.

Therefore, INTOSAI adopted in 2004 its first Strategic Plan, by which the working structure of INTOSAI was modernized. INTOSAI has defined the procedures for developing, issuing and maintaining professional standards. These procedures are encapsulated in the Due Process for INTOSAI Professional Standards.

INTOSAI aims to position internal and external communication as a strategic function which contributes essentially to a smooth operation of the external government audit community.

In the last years, INTOSAI also has developed constructive working relations with various international organizations, such as UN, IPU and OECD.

Furthermore, INTOSAI has established a Standing Supervisory Committee on Emerging Issues.

All SAIs unanimously agreed that INTOSAI has an important duty to continue to promote good governance. INTOSAI needs to continue with the improvement of its own governance to become a model organization. This will guide and advance SAIs to promote the improvement of national governance in line with the principle of “mutual experience benefits all”. As an international organization INTOSAI should actively participate in global governance initiatives and actively influence global governance.

INTOSAI should also play a more effective role in promoting the improvement of national governance and global governance, and to this end it should:

#### **2.4.1 Guide and encourage SAIs to play a more effective role in improving national governance**

Upon its establishment, INTOSAI identified that SAIs can execute their mandate effectively, only if they are independent from the agencies they audit and are protected against any form of external influence. INTOSAI also recognized that it is crucial that the audit methods of SAIs are based on state-of-the-art scientific and technical knowledge, and that their auditors have the necessary professional qualification and moral integrity.

Therefore, INTOSAI adopted the *Lima Declaration* as early as 1977 and stipulated the principle of independence of external government auditing in methodological and professional terms in the *Mexico Declaration* in 2007.

INTOSAI also adopted a series of ISSAIs and INTOSAI Guidance for Good Governance (INTOSAI GOVs), which also contribute to the promotion of good governance.

INTOSAI should continue to:

- Formulate guidelines for good governance,
- Cooperate with relevant international organizations or academic institutions,
- Follow international developments related to good governance,
- Enhance public awareness of the role of audit institutions in promoting the improvement of national governance,
- Build platforms of communication and exchange among SAIs through the existing working groups and regional organizations,
- Encourage cooperative audits in the areas of common interest and provision of technical support, and
- Strengthen its cooperation with other relevant international organizations, regional institutions, forums and the media.

#### **2.4.2 Promote the improvement of global governance**

As an internationally recognized organization INTOSAI should extend good governance from a national to a global level by:

- Disseminating the idea of good governance,



- Encouraging SAIs to provide international and transnational organizations with independent auditing services,
- Sharing good practices in global governance,
- Establishing a mechanism for the promotion of good governance,
- Strengthening the implementation of the INTOSAI Communication Policy and Strategy,
- Actively promoting global governance in the international community, and INTOSAI's contribution thereto,
- Expanding the work of different sub-committees, working groups, task forces and project groups of INTOSAI to deal with the concept of global governance,
- Encouraging cooperative audits in the areas related to global financial crisis and environmental protection,
- Strengthening the communication, coordination and dialogue with the United Nations, other international agencies, professional entities, and research institutions.

### **3. RECOMMENDATIONS**

Given the outcome of the work done throughout the INTOSAI community on Theme 1 in anticipation of INCOSAI XXI, as well as the deliberations held during this congress, the INTOSAI members:

**3.1 Recognize the important role that SAIs can play in strengthening national governance, thereby creating a basis for sustainable development and ensuring a “life of dignity” for citizens,**

**3.2 Reiterate the value of the independence defined in Lima and Mexico Declarations, without which SAIs would be limited in their contribution to national governance,**

**3.3 Confirm that, in fulfilling this responsibility SAIs need to contribute to:**

- Promoting honest and clean government and administration,
- Increasing government's efficient, effective, economic and equitable use of public resources,
- Increasing transparency and accountability in the public sector,
- Creating awareness about safeguarding democracy and the rule of law,

- Safeguarding the public interests, and,
- Promoting the improvement of peoples' livelihood,

**3.4 Confirm** the value of ongoing, structured communication and engagement with stakeholders to give substance to the understanding of the needs of citizens in terms of national governance,

**3.5 Propose** that the INTOSAI standard-setting processes:

- Prioritize the development of further standards and guidance on matters relating to public sector auditing and national governance,
- Review the existing ISSAI framework and INTOSAI GOVs to ensure that audit methodology contributes to national governance, and
- Agree on a common INTOSAI definition for fraud and corruption.

**3.6 Encourage** the pro-active and widespread adoption of the full ISSAI framework by all INTOSAI members,

**3.7 Call for** continued and well-coordinated capacity-building activities throughout INTOSAI, with emphasis on the creation of “communities of best practices” to strengthen independence, professionalize audit offices and share knowledge and experience, to enable all SAIs to make a solid contribution to national governance in their countries,

**3.8 Call for** the urgent finalization of the SAI Performance Measurement Framework (PMF) to allow SAIs to measure their functioning, as well as to focus their strategic processes on contributing to national governance,

**3.9 Recognize** the critical role of the donor community in enabling and supporting the continuous processes of capacity-building and innovation,

**3.10 Recognize** the value of the work done at the level of INTOSAI subcommittees, working groups and task forces to ensure that SAI remain relevant, **use** the newly developed fundamental principles of auditing in the areas of financial, performance and compliance audit (ISSAI 100-400) to further strengthen these audit practice and **urge** the continued development of mechanisms to respond to the ever-changing audit environment and the needs of citizens.

## **Theme II: The Role of Supreme Audit Institutions on Safeguarding Long-Term Sustainability of Financial Policies**

### **Introduction**

Broadly stated, sustainable public finances are about meeting current and future obligations without passing on excessive levels of debt to future generations.

The long-term sustainability of financial policies is necessary to further the social and economic development of nations.

The Theme discussion paper concisely captured the importance of nations preserving sound public finances to maintain and foster economic growth, employment and standards of living. Further, given the economic globalisation, sustainability of public finances through the adoption of sound policies by government is also important for the world at large.

The size and structure of both public deficit and public debt, as well as the level and structure of public revenues and expenditures, have a significant influence on economic growth and stability.

Sound public finances and an appropriate monetary policy make a substantial contribution towards attaining the goals of low inflation and favourable financing terms, which over time, facilitate long-term planning and investments.

The sustainability of public finances has been on the INTOSAI agenda for many years now. In 1991, the INTOSAI Public Debt Committee started its work and was reorganized in 2007 into a Working Group. In 2008, INTOSAI established as immediate reaction to the financial crisis: the Task Force Global Financial Crisis, which was reorganized in 2012 into the Working Group on Financial Modernization and Regulatory Reform.

Moreover, a series of International Standards of Supreme Audit Institutions, ISSAIs (ISSAIs 5410 to 5450), on public debt has been published. Nevertheless, the financial, economic and budget crisis poses for SAIs special challenges which, in the public interest, could be addressed by SAIs as part of their audit function.

Understanding the macroeconomic imbalances and risks stemming from the financial system, both globally and nationally, and effective oversight of economic and fiscal affairs help to inform government decisions that contribute to the long-term sustainability of government policies.

Lessons derived from the global financial and economic crisis occurred in early 21st century, have underlined the strategic importance of governments maintaining sound

public finances in order to create conditions for economic growth, employment and social well-being.

## **Discussion**

- **INTOSAI's agenda relating to public finances sustainability**

It was recognized that, through independent and robust audits, SAIs contribute to attaining medium and long-term sustainability of financial policies, safeguarding public interest and enhancing national governance according to their mandates and their own practical situation.

The work of INTOSAI in promoting good governance in government has been enduring. In addition the adoption of the Lima Declaration and Mexico Declaration, with reference to the eight principles of independence of external government auditing in methodology and professional terms, has underlined INTOSAI's unwavering support in promoting the independence of SAIs and the importance of SAIs having appropriate mandates. Further the key role of SAIs was recognised by the UN General Assembly Resolution A/66/209.

Going forward, and consistent with the message delivered by H.E. Ambassador Martin Sajdik, Vice President of the United Nations Economic and Social Council, the coming years provide the opportunity for INTOSAI and its regional groups to strengthen their contributions to national and international development goals and priorities by highlighting the contributions and encouraging the perspectives of SAIs to Public Finance Sustainability. Further, the importance of transparent and accountable government was emphasised, and the role of SAIs recognised in this context.

It was suggested that INTOSAI may wish to consider undertaking research to develop a model approach to auditing financial sustainability, so as to provide a common framework for SAIs to enhance their institutional capacities. Such a model could embrace better practice approaches to auditing key elements of administration that bear on sustainability, such as taxation and other revenues, management of public debt, as well as international accepted benchmarks to assess performance.

Further, INTOSAI was encouraged to use its influence to continue to promote the development of harmonized financial reporting frameworks within the public sector to provide greater transparency in respect of government operations, particularly in relation to government debt.

- **The Role of SAIs in safeguarding the long-term sustainability of finance policies**

The role of SAIs in safeguarding the long-term sustainability of government policies and the financial effects is dependent on their mandate.

It was accepted that SAIs should not comment on the merits of specific policies of government or monetary policy but, in many countries, would be expected to draw attention to any aggregate or systemic issues that are of such significance that they may impact on the long-term sustainability of government policies and finances. In addition, SAIs should encourage transparency of information to better inform the public and key stakeholders, and accountability linked to the public finance framework in order to disclose the financial position and the existence of any constraints, risks and challenges which may require attention by government.

Some SAIs expressed concern with auditing the processes associated with budgeted or forecast positions regarding the sustainability of government finances, while others recognized the benefits of conducting such audits to highlight opportunities for system improvements.

The importance of the Lima and Mexico Declarations, and the UN General Assembly Resolution to strengthen SAIs, and to support each other internationally was recognized. Thus, when audits in relation to the sustainability of finance policies are to be conducted by SAIs their mandate may need to be enhanced.

Where their mandate is appropriate and financial sustainability is a priority for government, SAIs are able to add value through their external reporting role on matters affecting the long-term sustainability of government policies and finances. This strategic role is focussed on the achievement and preservation of sound public finances in order to create conditions for economic growth, employment and social well-being.

In deciding whether to undertake audits of the sustainability of finance policies, SAIs recognized that they would need to take into account the availability of appropriate skills and resources within their institution. In addition, it was acknowledged the risks to such audits are likely to be higher and require closer management.

Through independent and robust audits, SAIs contribute to attaining medium and long-term sustainability of financial policies, safeguarding public interest and enhancing national governance according to their mandates and their own practical situation.

An SAI's understanding of the sustainability of government finances will be informed by their deep understanding of government administration and their audits of the financial statements of government entities, audits of compliance with legal frameworks and, where applicable, performance audits of relevant topics such as the regulation and

supervision of the financial industry, the integrity of a nation's taxation administration and the management of public debt.

## **Recommendations**

There was consensus that the decisions of SAIs on undertaking audits focussed on the sustainability of government finances would be influenced by each nation's economic position and fiscal priorities, any significant risks or exposures in national governance, and the SAI's priorities and capacity.

When addressing the issues of financial sustainability, SAIs should consider the following:

- Building the ability to audit the stage of planning public finances, with the aim to prompt Executive and Legislative branches assessing medium and long-term prospective scenarios or projections associated to expected developments of economic cycles, debt servicing, public programs and other commitments such as social security, pensions, education and health care, as well as contingencies like natural disasters, climate change and financial shocks, for instance.
- Assessing governments' foresight related to economy, public finances and public debt, thus identifying risks and providing constructive recommendations.
- Enhancing compliance with fiscal rules, financial regulation and accepted standards of oversight, as well as adherence to the whole of government budgetary processes. The objective is to ensure accountability throughout phases of planning, execution, performance evaluation and outcomes achieved. Moreover, effective internal controls are to be improved with a risk management system.
- Fostering the evaluation of public financial policies. SAIs will continue to, conduct audits over the soundness, effectiveness and sustainability of financial policies, in order to promote economic development and social welfare in the context of each country.

- Strengthening government financial statement audits, with the aim to establish and improve institutional financial framework and financial reporting standards, so as to present fairly the financial performance and position of government.
- Improving public finances performance audits, in order to encourage medium and long-term fiscal sustainability associated with good governance.
- Reinforcing public debt audits, considering direct commitments as well as other liabilities and financial contingencies, with the objective to identify issues and risks in the management and expected developments of sovereign debt and financial deficits.

**ANNEX 2:****LIST OF ISSAIs, INTOSAI GOVs AND OFFICIAL DOCUMENTS****ENDORSED BY XXI INCOSAI:**

ISSAI INTOSAI GOV	Title	Elaborated by
ISSAI 12	The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens	WG Value and Benefits of SAIs
ISSAI 100	Fundamental Principles of Public Sector Auditing	Harmonisation Project
ISSAI 200	Fundamental Principles of Financial Auditing	Harmonisation Project
ISSAI 300	Fundamental Principles of Performance Auditing	Harmonisation Project
ISSAI 400	Fundamental Principles of Compliance Auditing	Harmonisation Project
ISSAI 5500	Introduction to Guidance for Audit Work on Disaster-related Aid	Working Group on Accountability for and Audit of Disaster-related aid
ISSAI 5510	Audit of Disaster Preparedness	Working Group on Accountability for and Audit of Disaster-related aid
ISSAI 5520	Audit of Disaster-related Aid	Working Group on Accountability for and Audit of Disaster-related aid
ISSAI 5530	Adapting Audit Procedures to Take Account of the Increased Risk of Fraud and Corruption in the Emergency Phase following a Disaster	Working Group on Accountability for and Audit of Disaster-related aid



ISSAI INTOSAI GOV	Title	Elaborated by
ISSAI 5540	Use of Geospatial Information in Auditing Disaster Management and Disaster-related Aid	Working Group on Accountability for and Audit of Disaster-related aid
INTOSAI GOV 9250	Integrated Financial Accountability Framework (IFAF): guidance on improving information on financial flows of humanitarian aid	Working Group on Accountability for and Audit of Disaster-related aid

## Official INTOSAI Documents

Official Document	Title	Elaborated by
	Communicating and Promoting the Value and Benefits of Supreme Audit Institutions – An INTOSAI Guideline	WG Value and Benefits of SAIs

INTOSAI



*ISSAI 12: The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*

INTOSAI PROFESSIONAL STANDARDS COMMITTEE

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PSC-SECRETARIAT

RIGSREVISIONEN • STORE KONGENSGADE 45 • P.O. Box 9009 • 1022 COPENHAGEN K • DENMARK

TEL.: +45 3392 8400 • FAX: +45 3311 0415 • E-MAIL: INFO@RIGSREVISIONEN.DK

INTOSAI



INTOSAI General Secretariat - RECHNUNGSHOF  
(Austrian Court of Audit)  
DAMPFSCHIFFSTRASSE 2  
A-1033 VIENNA  
AUSTRIA

Tel.: ++43 (1) 711 71 • Fax: ++43 (1) 718 09 69

E-MAIL: [intosai@rechnungshof.gv.at](mailto:intosai@rechnungshof.gv.at);  
WORLD WIDE WEB: <http://www.intosai.org>

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Endorsement version

## PREAMBLE

1. Public sector auditing, as championed by the Supreme Audit Institutions (SAIs), is an important factor in making a difference to the lives of citizens. The auditing of government and public sector entities by SAIs has a positive impact on trust in society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions. Once SAIs' audit results have been made public, citizens are able to hold the custodians of public resources accountable. In this way SAIs promote the efficiency, accountability, effectiveness and transparency of public administration.<sup>1</sup> An independent, effective and credible SAI is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy.
2. In a democracy, structures are created and elected representatives are empowered to implement the will of the people and act on their behalf through legislative and executive bodies. A risk to be considered with public sector institutions in a democracy is that power and resources can be mismanaged or misused, leading to an erosion of trust that can undermine the essence of the democratic system. It is therefore critical that the citizens of a country are able to hold their representatives accountable. Democratically elected representatives can only be held accountable if they, in turn, can hold accountable those who implement their decisions. Consistent with the spirit of the Lima Declaration<sup>2</sup> an important component of the accountability cycle is an independent, effective and credible SAI to scrutinise the stewardship and use of public resources.
3. Acting in the public interest places a further responsibility on SAIs to demonstrate their ongoing relevance to citizens, Parliament and other stakeholders<sup>3</sup>. SAIs can show their relevance by appropriately responding to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted. Furthermore, it is important that SAIs have a meaningful and effective dialogue with stakeholders about how their work facilitates improvement in the public sector. This enables SAIs to be a credible source of independent and objective insight, supporting beneficial change in the public sector.
4. To be able to fulfil their functions and ensure their potential value to citizens, SAIs need to be seen as trustworthy. SAIs only deserve trust if they themselves are objectively judged as being credible, competent and independent and can be held accountable for their operations. In order to make this possible, they need to be model institutions, setting an example from which others in the public sector and the auditing profession at large can learn.

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<sup>1</sup> United Nations General Assembly Resolution A/66/209

<sup>2</sup> ISSAI 1: Lima Declaration

<sup>3</sup> "Stakeholder" is defined in this document as a person, group organisation, member or system that can affect or can be affected by the actions, objectives and policies of government and public sector entities.

Source: [www.businessdictionary.com](http://www.businessdictionary.com) – adapted for the SAI environment.

5. The principles set out in this document are constructed around the fundamental expectation of SAIs making a difference to the lives of citizens. The extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI:
  - 5.1 Strengthening the accountability, transparency and integrity of government and public sector entities;
  - 5.2 Demonstrating ongoing relevance to citizens, Parliament and other stakeholders; and
  - 5.3 Being a model organisation through leading by example.
6. SAIs operate under different mandates and models. However, these objectives and principles are intended for SAIs to strive towards and to enable all SAIs to communicate and promote the value and benefits that they can bring to democracy and accountability in their respective jurisdictions. The principles apply equally to SAI staff and those who undertake work on behalf of the SAIs.<sup>4</sup> SAIs are encouraged to apply them and assess their compliance with such provisions in a manner that is most appropriate for their respective environments.

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<sup>4</sup> Further guidance can be found in ISSAI 20, principle 5.

## **STRENGTHENING THE ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY OF GOVERNMENT AND PUBLIC SECTOR ENTITIES**

To ensure that elected officials act in the best interests of the citizens they represent, governments and public sector entities need to be accountable for their stewardship over, and use of, public resources. SAIs strengthen accountability, transparency and integrity by independently auditing public sector operations and reporting on their findings. This enables those charged with public sector governance to discharge their responsibilities, in responding to audit findings and recommendations and taking appropriate corrective action, and thus complete the cycle of accountability.

### **PRINCIPLE 1:** *Safeguarding the independence of SAIs<sup>5</sup>*

1. SAIs should strive to promote, secure and maintain an appropriate and effective constitutional, statutory or legal framework.
2. SAIs should seek to safeguard the independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in accordance with applicable legislation, which results from the normal discharge of their duties.
3. SAIs should make use of their mandates and discretion in discharging their functions and responsibilities to improve the stewardship of public funds.
4. SAIs should have unrestricted rights of access to all necessary information for the proper discharge of their statutory responsibilities.
5. SAIs should use their rights and obligations to report independently on their work.
6. SAIs should have the freedom to decide on the content and timing of their reports.
7. SAIs should have appropriate mechanisms for following up audit findings and recommendations.
8. SAIs should seek to maintain financial and managerial or administrative autonomy and appropriate human, material and financial resources.
9. SAIs should report on any matters that may affect their ability to perform their work in accordance with their mandates and/or the legislative framework.

### **PRINCIPLE 2:** *Carrying out audits to ensure that government and public sector entities are held accountable for their stewardship over, and use of, public resources*

1. SAIs should, in accordance with their mandates and applicable professional standards, conduct any or all of the following:
  - a. Audits of financial<sup>6</sup> and, where relevant, non-financial information

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<sup>5</sup> Further guidance can be found in United Nations General Assembly Resolution A/66/209 and ISSAI 10.

<sup>6</sup> Exposure draft ISSAI 200 (following approval by INCOSAI, 2013)

- b. Performance audits<sup>7</sup>
  - c. Audits of compliance with the applicable authority<sup>8</sup>
2. SAIs may also, in accordance with their mandates, perform other types of work, for example judicial review or investigation into the use of public resources or matters where the public interest is at stake.<sup>9</sup>
  3. SAIs should respond appropriately, in accordance with their mandates, to the risks of financial impropriety, fraud and corruption.
  4. SAIs should submit audit reports, in accordance with their mandates, to the legislature or any other responsible public body, as appropriate.

**PRINCIPLE 3:** *Enabling those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations and taking appropriate corrective action*

1. SAIs should ensure good communication with audited entities and other related stakeholders, as appropriate, and keep them well informed during the audit process of the matters arising from the SAI's work.
2. SAIs should, in accordance with their mandate, provide the legislature, its committees, or audited entities' management and governing boards with relevant, objective and timely information.
3. SAIs should analyse their individual audit reports to identify themes, common findings, trends, root causes and audit recommendations, and discuss these with key stakeholders.
4. SAIs should, without compromising their independence, provide advice on how their audit findings and opinions might be used to the greatest effect, for example through the provision of good practice guidance.
5. SAIs should develop professional relationships with relevant legislative oversight committees and audited entities' management and governing boards to help them better understand the audit reports and conclusions and take appropriate action.
6. SAIs should report, as appropriate, on the follow-up measures taken with respect to their recommendations.

**PRINCIPLE 4:** *Reporting on audit results and thereby enabling the public to hold government and public sector entities accountable*

1. SAIs should report objective information in a simple and clear manner, using language that is understood by all their stakeholders.

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<sup>7</sup> Exposure draft ISSAI 300 (following approval by INCOSAI, 2013)

<sup>8</sup> "Applicable authority" refers to laws, regulations and principles of sound public sector financial management and conduct of public sector officials; Exposure draft ISSAI 400 (following approval by INCOSAI, 2013)

<sup>9</sup> Further guidance can be found in ISSAI 10, principles 3 and 6.



2. SAls should make their reports publicly available in a timely manner.<sup>10</sup>
3. SAls should facilitate access to their reports by all their stakeholders using appropriate communication tools.<sup>11</sup>

## **DEMONSTRATING ONGOING RELEVANCE TO CITIZENS, PARLIAMENT AND OTHER STAKEHOLDERS**

SAls demonstrate ongoing relevance by responding appropriately to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted. Furthermore, to serve as a credible voice for beneficial change, it is important that SAls have a good understanding of developments in the wider public sector and undertake a meaningful dialogue with stakeholders about how the SAI's work can facilitate improvement in the public sector.

### **PRINCIPLE 5:** *Being responsive to changing environments and emerging risks*

1. SAls should be aware of the expectations of stakeholders and respond to these, as appropriate, in a timely manner and without compromising their independence.
2. SAls should, in developing their work programme, respond as appropriate to the key issues affecting society.
3. SAls should evaluate changing and emerging risks in the audit environment and respond to these in a timely manner, for example by promoting mechanisms to address financial impropriety, fraud and corruption.
4. SAls should ensure that stakeholders' expectations and emerging risks are factored into strategic, business and audit plans, as appropriate.
5. SAls should keep abreast of relevant matters being debated in domestic and international forums and participate where appropriate.
6. SAls should establish mechanisms for information gathering, decision making and performance measurement to enhance relevance to stakeholders.

### **PRINCIPLE 6:** *Communicating effectively with stakeholders*

1. SAls should communicate in a manner that increases stakeholders' knowledge and understanding of the role and responsibilities of the SAI as an independent auditor of the public sector.
2. SAls' communication should contribute to stakeholders' awareness of the need for transparency and accountability in the public sector.

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<sup>10</sup> Further guidance can be found in ISSAI 20, principle 8.

<sup>11</sup> Further guidance can be found in ISSAI 20, principle 8.

3. SAIs should communicate with stakeholders to ensure understanding of the SAI's audit work and results.
4. SAIs should interact appropriately with the media in order to facilitate communication with the citizens.<sup>12</sup>
5. SAIs should engage with stakeholders, recognising their different roles, and consider their views, without compromising the SAI's independence.
6. SAIs should periodically assess whether stakeholders believe the SAI is communicating effectively.

**PRINCIPLE 7:** *Being a credible source of independent and objective insight and guidance to support beneficial change in the public sector*

1. SAIs' work should be based on independent professional judgement and sound and robust analysis.
2. SAIs should contribute to the debate on improvements in the public sector without compromising their independence.
3. SAIs should, as active partners in the national and international public sector auditing profession, use their knowledge and insights to advocate public sector reforms, for example in the area of public financial management.
4. SAIs should periodically assess whether stakeholders believe that they are effective and contribute to improvements in the public sector.
5. SAIs should collaborate internationally within INTOSAI and with other relevant professional organisations in order to promote the role of the SAI community in addressing global issues related to public sector auditing, accounting and accountability.

## **BEING A MODEL ORGANISATION THROUGH LEADING BY EXAMPLE**

SAIs must be trustworthy. Their credibility depends on being seen as independent, competent and publicly accountable for their operations. In order to make this possible SAIs need to lead by example.

**PRINCIPLE 8:** *Ensuring appropriate transparency and accountability of SAIs*<sup>13</sup>

1. SAIs should perform their duties in a manner that provides for accountability, transparency and good public governance.
2. SAIs should make public their mandate, responsibilities, mission and strategy.

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<sup>12</sup> Further guidance can be found in ISSAI 20, principle 8.

<sup>13</sup> Further guidance can be found in ISSAI 20.

3. SAls should use, as appropriate for their circumstances, auditing standards<sup>14</sup>, processes and methods that are objective and transparent, and make known to stakeholders what standards and methods are used.
4. SAls should manage their operations economically, efficiently, effectively and in accordance with applicable laws and regulations, and report publicly on these matters, as appropriate.
5. SAls should be subject to independent external scrutiny, including external audit of their operations, and make available these reports to stakeholders.

**PRINCIPLE 9: *Ensuring good governance of SAls***

1. SAls should adopt and comply with good governance principles and report appropriately thereon.
2. SAls should periodically submit their performance to independent review, for example peer review.
3. SAls should have an appropriate organisational management and support structure that will give effect to good governance processes and support sound internal control and management practices.
4. SAls should assess organisational risk on a regular basis and supplement this with appropriately implemented and regularly monitored risk management initiatives, for example through an appropriately objective internal audit function.

**PRINCIPLE 10: *Complying with the SAI's Code of Ethics***

1. SAls should apply a code of ethics<sup>15</sup> that is consistent with their mandate and appropriate for their circumstances, for example the INTOSAI Code of Ethics.<sup>16</sup>
2. SAls should apply high standards of integrity and ethics as expressed in a code of conduct.<sup>17</sup>
3. SAls should institute appropriate policies and processes to ensure awareness of and adherence to the requirements of the code of conduct within the SAI.
4. SAls should publish their core values and commitment to professional ethics.
5. SAls should apply their core values and commitment to professional ethics in all aspects of their work, in order to serve as an example.

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<sup>14</sup> The auditing standards used are at least as demanding as the fundamental auditing principles of INTOSAI included in the International Standards of Supreme Audit Institutions.

<sup>15</sup> A code of ethics is a comprehensive statement of values and principles which should guide the daily work of auditors.

<sup>16</sup> Further guidance can be found in ISSAI 30.

<sup>17</sup> A code of conduct is an internal regulation, developed according to each individual SAI's environment, establishing the institutional provisions governing the auditors' conduct. The code incorporates the values and principles included in the code of ethics. Further guidance can be found in ISSAI 20, principle 4.

**PRINCIPLE 11: *Striving for service excellence and quality***<sup>18</sup>

1. SAIs should set policies and procedures designed to promote an internal culture that recognises that quality is essential in performing all aspects of the SAI's work.
2. SAIs' policies and procedures should require all staff and all parties working on behalf of the SAI to comply with the relevant ethical requirements.
3. SAIs' policies and procedures should stipulate that the SAI will only undertake work that it is competent to perform.
4. SAIs should have sufficient and appropriate resources to perform their work in accordance with relevant standards and other requirements, including having timely access to external and independent advice where necessary.
5. SAIs' policies and procedures should promote consistency in the quality of their work and should set out responsibilities for supervision and review.
6. SAIs should establish a monitoring process that ensures that the SAI's system of quality control, including its quality assurance process, is relevant, adequate and operating effectively.

**PRINCIPLE 12: *Capacity building through promoting learning and knowledge sharing***

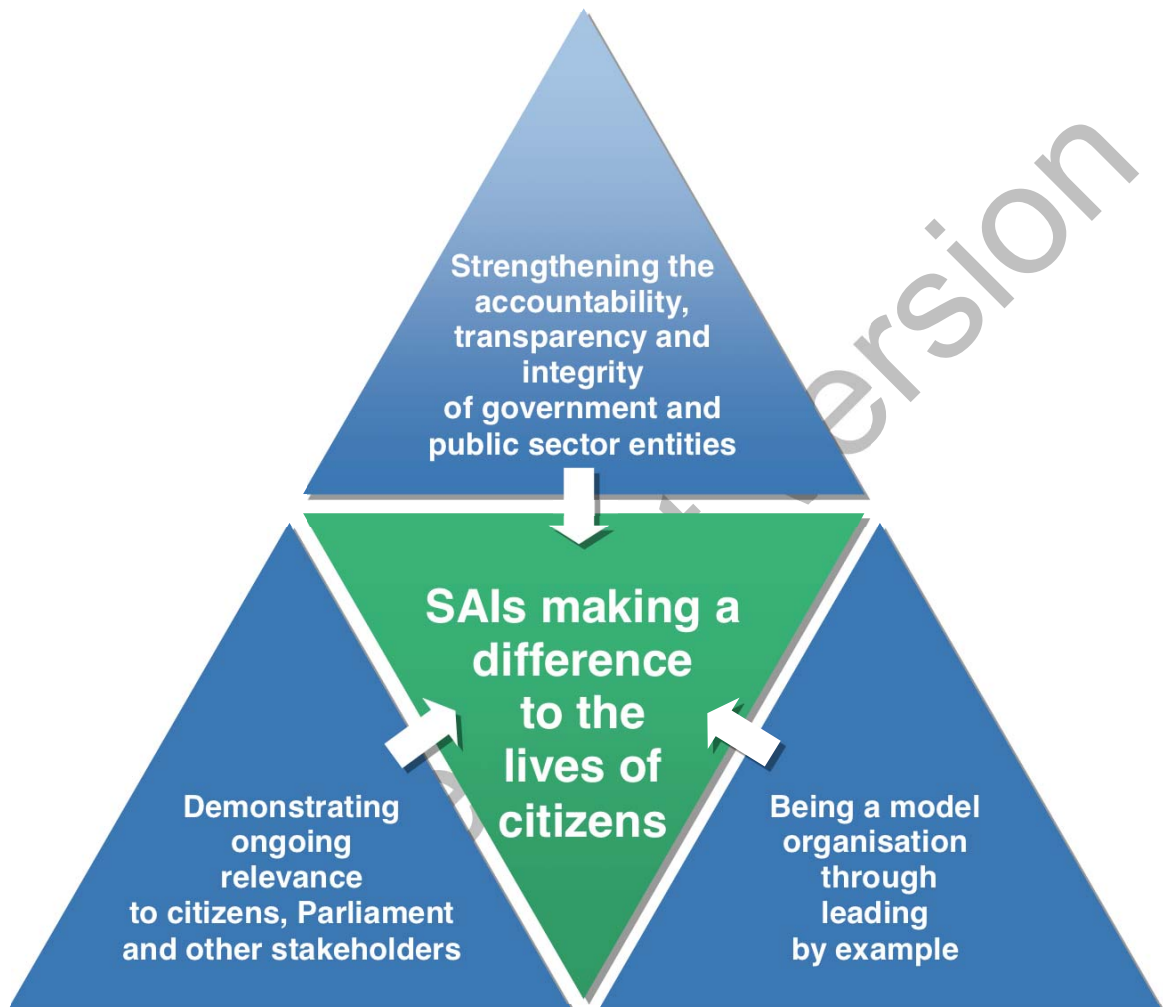
1. SAIs should promote continuing professional development that contributes to individual, team and organisational excellence.
2. SAIs should have a professional development strategy, including training, that is based on the minimum levels of qualifications, experience and competence required to carry out the SAI's work.
3. SAIs should strive to ensure that their staff have the professional competencies and the support of colleagues and management to do their work.
4. SAIs should encourage knowledge sharing and capacity building in support of the delivery of outputs.<sup>19</sup>
5. SAIs should draw on the work of others, including peer SAIs, INTOSAI and relevant regional working groups.
6. SAIs should strive to co-operate with the broader auditing profession in order to enhance the profession.
7. SAIs should strive to participate in INTOSAI activities and build networks with other SAIs and relevant institutions, to keep abreast of emerging issues and promote knowledge sharing to benefit other SAIs.

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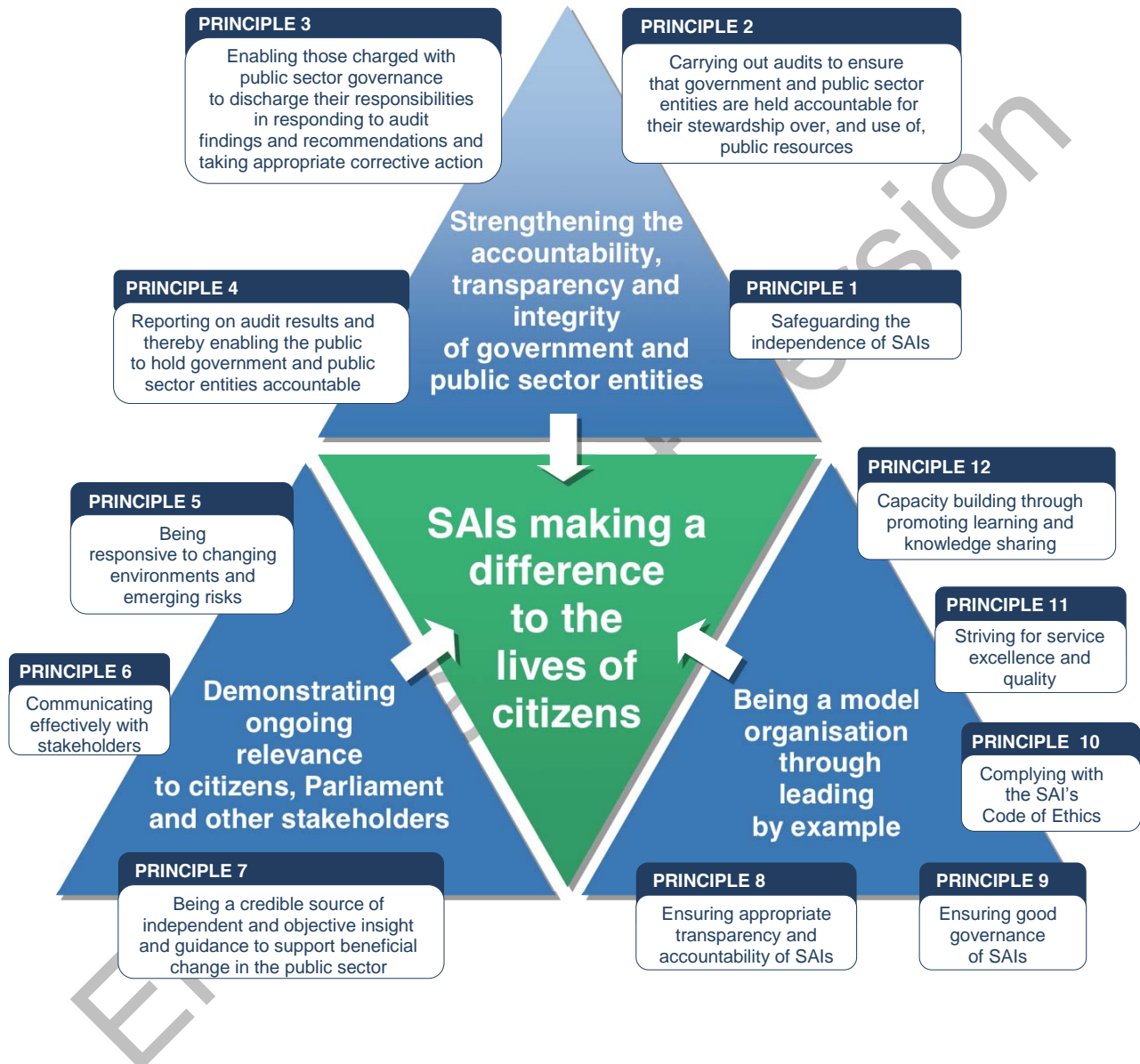
<sup>18</sup> Further guidance can be found in ISSAI 40.

<sup>19</sup> Further guidance can be found in "Building capacity in Supreme Audit Institutions – A guide"

**The extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI:**



**The 12 principles of the value and benefits of SAIs under each of the three objectives are:**



SC = Subcommittee  
 WG = Working Group  
 TF = Task Force

