Supreme Audit Institutions (SAIs) are the highest national authorities responsible for overseeing and holding governments to account for their use of public resources. A broad-based consensus underscores their importance to public sector accountability and good governance.

The contribution of SAIs to good governance is twofold (see box). As part of the public sector accountability system, SAIs reinforce the effectiveness of bodies responsible for government policy, expenditure, and public financial management. Second, through their audit work, they assess policy implementation, assure the compliance of policy makers, and provide “evidence of the performance of the machinery of government” (OECD 2011, 13–14).

But, who oversees the auditor and how? Arrangements for scrutinizing the work of SAIs are determined by constitutional and legislative frameworks and differ from country to country. A new international framework offers guidelines for developing oversight systems and procedures.

This Governance Note examines international standards and monitoring tools for external oversight of SAIs and illustrates practices from 21 member countries across Regions of the World Bank.

INTERNATIONAL STANDARDS FOR EXTERNAL OVERSIGHT

The International Organization of Supreme Audit Institutions (INTOSAI) develops standards for public sector auditing and provides a forum for external government auditors to work on issues of mutual concern and keep abreast of new developments and best practices. Recently, INTOSAI endorsed principles for external SAI oversight and related performance assessment tools.

The complete collection of professional standards and best practice guidelines for public sector auditors is contained in the International Standards of Supreme Audit Institutions (ISSAIs) Framework. It is grouped into four levels: founding principles, prerequisites for the functioning of SAIs, fundamental auditing principles, and auditing guidelines (INTOSAI 2016a). The framework encompasses the responsibilities, competencies, relationships, and reporting requirements of SAIs in the system of public sector accountability, including external oversight of SAIs.

“ISSAI 20—Principles of Transparency and Accountability” calls for legislation and regulation to hold SAIs responsible and accountable; publicly disclosed financial statements that are open to independent audit or parliamentary review; assessment and reporting by SAIs on their operations and performance in all areas, including their use of funds; and publicly available and easily understood audit results. It also encourages SAIs to seek expert guidance, conduct external independent assessments of their operations, such as peer reviews and joint and parallel audits, and to report publicly the results of such exercises.

SAI PERFORMANCE FRAMEWORK

An INTOSAI tool for measuring, monitoring, and reporting performance—the SAI Performance Measurement Framework—can be used to assess compliance with ISSAI 20 principles. It covers seven domains, including external SAI reporting, and can be applied using (i) self-assessment by SAI staff, (ii) peer assessment by an INTOSAI regional body or peer SAI, or (iii) external assessment by an external auditor, development partner (such as the World Bank), or consultant.

Under the SAI Performance Measurement Framework Implementation Strategy 2017–19, the tool is expected to become firmly anchored within the organization, and all SAIs are encouraged to use it on a voluntary basis (INTOSAI 2016b). As more assessments are carried out, greater knowledge will be gained on the nature and extent of external oversight of SAIs.
EXAMPLES OF EXTERNAL OVERSIGHT IN PRACTICE

Anecdotal information was gathered from World Bank Group staff on some of the key characteristics, challenges, and solutions associated with different oversight arrangements in member countries. They are grouped into two categories:

**Auditing of the SAI**

- In the Dominican Republic, Indonesia, Kenya, Kyrgyz Republic, New Zealand, Poland, and Tanzania, parliament appoints an independent auditor to audit the SAI’s financial statements.
- In France and New Zealand, the audit report of the SAI’s activities is submitted to parliament and includes detailed performance information.
- In Mexico, an audit of the SAI is conducted by a legislative commission chaired by an elected representative from an opposition party.
- In Argentina, the SAI is not required to have its annual financial statements audited but can choose to do so and publish results online.
- In Chile, Panama, Paraguay, Uganda, Uruguay, and Vietnam, there is no financial audit of the SAI.

**SAI Oversight**

- Canada, France, Indonesia, Morocco, and the United States conduct peer reviews by other SAIs, a practice officially endorsed by INTOSAI as part of its ISSAI framework.
- In Egypt and Palestine, the SAI reports directly to the executive branch, which also has the power to remove the SAI director.
- In the Dominican Republic and Kenya, a parliamentary oversight role has been formally adopted, but it is not implemented in practice.
- In Colombia, the Auditor General’s Office, a legally and financially independent body, is mandated to oversee the national SAI (Comptroller General’s Office) and subnational SAIs.

**CONCLUSION**

Although international standards are authorized and endorsed by SAIs worldwide, their application in practice depends on individual constitutional and legislative frameworks. Formal scrutiny of SAI activities is commonly performed by the legislature as part of the budgeting process or through external financial audit, with peer review in some cases. SAI oversight and accountability need to be carefully balanced with their independence to avoid undermining their effectiveness. Consequently, there is no general answer to the stylized question “Who audits the auditor?”, but country examples, as well as standards and guidance provided by INTOSAI, provide a framework for country-level analysis. The principles espoused in ISSAI 20, INTOSAI guidance, and the SAI PMF tool can help governments establish appropriate transparency and accountability mechanisms.

**SAI Objectives**

SAIs generally pursue four objectives necessary for a country’s stability and growth: proper and effective use of public funds, development of sound financial management, proper execution of administrative activities, and communication of information publicly through objective reports. They conduct three types of audits:

- **Financial audits** assess the accuracy and fairness of the accounting procedures used by a government entity and whether its financial statements and reports correctly portray its financial position and activities.
- **Compliance audits** assess whether funds were used in compliance with all pertinent laws and regulations and for the purpose for which they were appropriated by the legislature.
- **Performance or value-for-money audits** analyze the economy, efficiency, and effectiveness of government spending in achieving the stated objectives of its programs and policies.

The founding principles for public sector auditing are presented in the Lima Declaration of 1977, which was endorsed by the International Organization of Supreme Audit Institutions (INTOSAI 1977). INTOSAI was founded in 1953 and today has 194 full members and 5 associated members, including the World Bank.
REFERENCES


Sources for more Information

INTOSAI http://www.intosai.org/
ISSAI http://www.issai.org/
SAI PMF http://www.idi.no/en/sai-pmf

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