

INDEPENDENCE: A PREREQUISITE FOR SUPREME AUDIT INSTITUTIONS[1]

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Independence is vital for Supreme Audit Institutions(SAIs)in providing citizens with assurance that there are functioning accountability mechanisms in public management. Independent SAIs are essential and valuable for governments, citizens and international community as they promote good governance, better public management and a transparent, accountable and responsible use of public funds as well as the rule of law, integrity, economic growth, social justice and equity enhanced performance of the public sector and fight against corruption, waste and inefficiency.

Lima Declaration

The importance of independence was first identified in the ***Lima Declaration***[2] in 1977. The Lima Declaration states that SAIs can accomplish their tasks only if they are independent of the audited entity and are protected against outside influence. The principles laid down in sections 5 to 7 of the Declaration cater for following three dimensions of SAI Independence:

Organisational independence: It is ensuring the independence of SAI members, supreme authority of the Head of SAI in staff-related matters and protection of auditors from interference by external sources.

Functional independence: It is providing such powers to an SAI that are necessary to ensure its independence in conducting audits. SAIs should be free to decide about methodology and scope of audit, its timing and reporting

Financial independence: It is ensuring the independence that SAIs can obtain and spend funds without interference from the external sources. It provides the SAI with the powers to make its own budget estimates and directly apply for the required funding to the body adopting the state budget (Parliament) and freely spending the appropriated budget.

Mexico Declaration

Adoption of the ***Mexico Declaration***[3] on the Independence of Supreme Audit Institutions (2007) laid out eight basic pillars of SAI independence.

For an SAI to be an effective part of public oversight mechanism there is more to the term 'Independence' than the de-jure independence, i.e., manifestation of the set

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[2]Formerlyknown as ISSAI 1: The Lima Declaration. Declarationendorsed in 1977, republished in 1998. Withtheestablishment of theIntosai Framework of Professional Pronouncements (IFPP), relabeled as INTOSAI-P 1 witheditorialchanges in 2019.
[3]Formerlyknown as ISSAI 10: MexicoDeclaration on SAI Independence. Declarationendorsed in 2007, preambleamended in 2018. Withtheestablishment of the INTOSAI Framework of Professional Pronouncements (IFPP), relabeled as INTOSAI-P 10 witheditorialchanges in 2019

of rules in practice.

The Mexico Declaration regards this additional requirement as "de facto independence" in its statement of the Principle 1. The de-facto independence refers to SAIs consolidating their independence in their day to day operations. This practical independence is reflected through:

- the ability to be protected when the SAI's independence (or that of its Head) is challenged;
- the ability to have access to resources when needed, and the willingness to be held accountable for their use;
- the ability to recruit and be supported by professional and well rewarded staff
- ensuring the SAI is led and staffed by people of impeccable character, leadership and integrity; and
- the effective use of the SAI's powers to select and conduct audits, make and follow up on its Reports, and communicate its work to stakeholders

Eight principles of Mexico Declaration cover both de-jure and de-facto aspects of independence. The same are depicted as eight pillars defining the independence of Supreme Audit Institutions in INTOSAI Strategic Plan 2017-2022 under "Crosscutting Priority 1-Advocating for and Supporting the Independence of SAIs".

The eight pillars of SAI's independence along with respective principles as given in Mexico Declaration are as under:



The Eight Pillars of SAI's Independence

The regular and timely release of credible and high quality audit reports by SAIs provides reassurance that governments are accountable to their parliaments and their electorates. However, such assurance is difficult to obtain if the SAI's independence is compromised.

Global SAI Stocktaking Report2017



- 52% of SAIs report that they have a legal framework in place that fully protects their independence



- 50% of SAIs publish at least 80% of their audit reports (70% in 2014)
- As many as 27% of SAIs do not publish any audit reports at all (15% in 2014)
- 10% of SAIs have no freedom to publish reports and 31% of SAIs face restrictions in publishing
- 30% of SAIs are not in a position to obtain timely, unconstrained and free access to information
- 48% of countries do not hold any public hearings to review their SAIs' audit reports



- In the case of 54% of SAIs the budget process is overseen by the SAI's auditees and not by legislature
- 64% of SAIs reported an interference by the executive in the budget process (41% in 2014)

(INTOSAI Handout; https://www.intosai.org/fileadmin/downloads/focus_areas/independence/EN_0219_Handout_Independence.pdf)

Peer Review of Turkish Court of Accounts on Independence

Enhancing audit quality and coverage, particularly implementing the International Standards of Supreme Audit Institutions (ISSAIs), is a major long term challenge. However, there is gradual adoption of the ISSAIs and slow but improving implementation, though here is need to implement quality control and assurance systems to gauge actual levels of implementation.

The role and importance of the peer review as one of the foremost capacity building tools was underlined in the first INTOSAI Strategic Plan 2010 – 2016.This position was also underlined in the Goal 2 and Goal 3 activities within INTOSAI Strategic Plan 2017 – 2022, which stated that"INTOSAI also will continue to encourage SAIs to undergo periodic peer reviews that provide vital external validations of an SAI's quality assurance processes."

International Standards for Supreme Audit Institutions (ISSAIs) 5600[4] state that the term **"Peer Review "**refers to an external and independent review of one or more elements of the organisation and/or operations of an SAI by a team of professional peers from one or more SAIs. It goes on to explain that Peer Review is not an audit but an assessment and advice provided voluntarily by peers. the decision to undergo a peer review, or to be involved in the peer review of another SAI, is always voluntary.



Within the scope of the Memorandum of Understanding signed between the Turkish Court of Accounts (TCA) and the Office of the Auditor General of Pakistan, a team from the SAI Pakistan conducted a peer review on the independence of the TCA and prepared the "Peer Review Report"[5].

The assessment covered an analysis on the criteria identified by INTOSAI Standards and other international manuals in relation to independence as well as on the current situation of the TCA.

In this respect, the peer review was conducted under eight separate titles identified in the Mexico Declaration as factors constituting the independence of supreme audit institutions.

At the end of the studies on legislation and field works conducted by the SAI Pakistan, the conclusions of the peer review can be summarized as follows:

[4]Endorsed in 2010 as ISSAI 5600 – Peer ReviewGuidelinesandappendix. Content revisedandrenamed Peer Review Guide in 2016. Withtheestablishment of theIntosai Framework of Professional Pronouncements (IFPP), relabeled as GUID 1900 – Peer ReviewGuidelineswitheditorialchanges in 2019
[5]Full report is available at:https://www.sayistay.gov.tr/en/Upload/files/TCAPeerReviewReport_22_09_2020.pdf

a. The legal mandate and legislation relating to the establishment and functions of the TCA are adequate to ensure its independence in fulfilling its duties,

b. There are no legal or physical barriers to the independence of the TCA while fulfilling its duties.

Consequently, peer review of TCA found that it has a robust basis to function as an effective SAI. Clauses relating to independence of TCA are laid down in legal framework and TCA is helped by an elaborate mandate with qualified staff to realize its objectives. With the legal and institutional support that TCA is enjoying it will continue to perform its assigned role effectively. Presented suggestions for the consideration of TCA will add value to the effectiveness of TCA further extending its benefits to public sector and citizens.