



GOVERNANCE

GOVERNANCE

EQUITABLE GROWTH, FINANCE & INSTITUTIONS INSIGHT

Supreme Audit Institutions Independence Index

2021 Global Synthesis Report



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Graphic Designer: Maria Lopez / lopez.ten@gmail.com



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Abbreviations

GDP	Gross Domestic Product
IBP	International Budget Partnership
IDI	INTOSAI Development Institute
InSAI	Independence of Supreme Audit Institutions
INTOSAI	International Organisation of Supreme Audit Institution
ISSAI	International Standards of Supreme Audit Institutions
OBI	Open Budget Index
OBS	Open Budget Survey
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SAI	Supreme Audit Institution
SDG	Sustainable Development Goal
SOE	State-Owned Enterprise
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development



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Executive Summary

The results from a World Bank assessment of 118 countries show that much needs to be done to meet the aspirations of the [1977 Lima Declaration](#) on the independence of Supreme Audit Institutions (SAIs). The SAIs play a pivotal role in promoting good governance, transparency, and accountability. They also contribute to monitoring the attainment of the Sustainable Development Goals (SDGs).

This report aims to inform and better equip World Bank task teams and development partners to support the strengthening of SAIs in client countries. It also aims to help focus the ongoing collaboration between the International Organisation of Supreme Audit Institution (INTOSAI) and development agencies to address the intractable SAI independence issue. The report also responds to yearnings of several development partners to better understand the degree of SAI independence in countries and regions.

Independence is a critical foundation for the effective functioning of the SAI. Truly independent SAIs can fulfill their mandate to reduce waste and the abuse of public resources so public resources can be better channeled for programs that fight poverty, which is a focus of the international development community and the core mission of the World Bank Group.

The Independence of Supreme Audit Institutions (InSAI) assessment, which was used in this report, was developed by a team of SAI experts at the World Bank to measure SAI independence on an annual basis. InSAI includes 10 indicators of SAI independence that are based on international standards and practices, including legal, financial, mandate, coverage, and operational dimensions. For each indicator, a rating of 1 was given to SAIs for fully meeting the criteria, 0.5 for partially meeting the criteria, and 0 for not meeting the criteria. An overall score of 10 means that the SAI fully met all independence criteria (see table 1).

> > >

TABLE 1 - SAI Independence Grades

Grade	Category	Definition	Score	Number of Countries
A	Very High	All independence indicators were met	10	2
B	High	Most independence indicators were met	9.0 — 9.5	17
C	Substantial	Several independence indicators were met	8.0 — 8.5	33
D	Moderate	Some independence indicators were met	6.0 — 7.5	37
E	Low	Few independence indicators were met	0 — 5.5	29

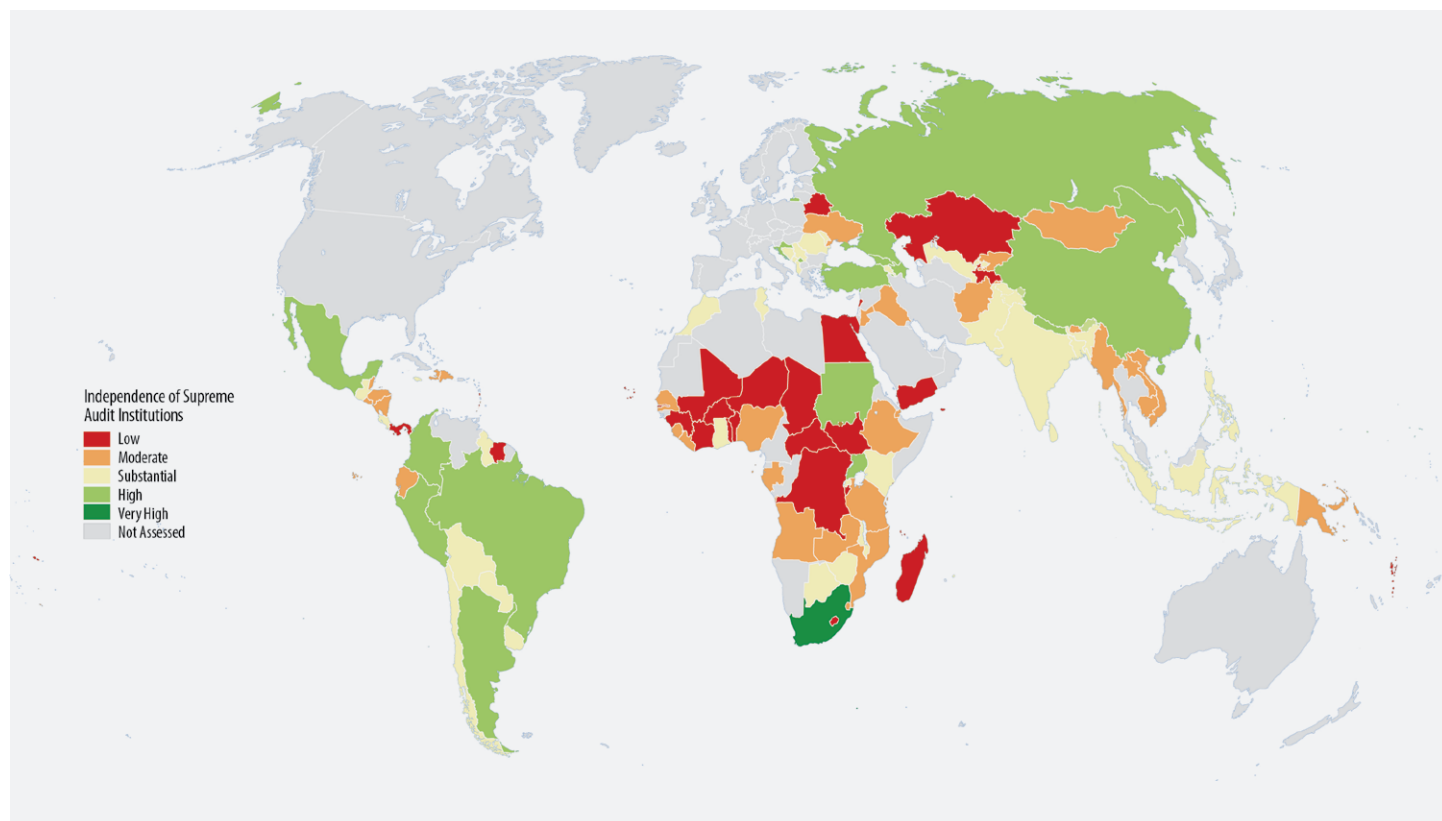
Note: SAI = Supreme Audit Institution

The findings from the global assessment show that only 2 countries scored 10 and were assessed as having **very high** independence; 17 countries had **high** independence;

33 countries had **substantial** independence; 37 countries had **moderate** independence, and 29 countries had **low** independence (see figure 1).

> > >

FIGURE 1 - Level of SAI Independence



Source: World Bank.

The assessment, based on the composite score on each indicator, shows that SAIs have higher levels of independence in these dimensions: audit scope autonomy (.86); audit mandate (.83); access to records and information (.82);

right and obligation on audit reporting (.80); and operational autonomy (.75). The weakest dimensions include financial autonomy (.49); staffing autonomy (.50); and transparency in the process for appointing the SAI head (.58).

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TABLE 2 - Average Scores of InSAI Indicators (118 countries)

Indicator	Overall Score	Scores < 1
1. Constitutional and legal framework	0.66	58%
2. Transparency in the process for appointing the SAI head	0.58	61%
3. Financial autonomy	0.49	76%
4. Types of audits	0.73	47%
5. Operational autonomy	0.75	46%
6. Staffing autonomy	0.50	81%
7. Audit mandate	0.83	30%
8. Audit scope autonomy	0.86	27%
9. Access to records and information	0.82	34%
10. Right and obligation on audit reporting	0.80	34%

Note: SAI = Supreme Audit Institution. Scores < 1 signifies the percentage of countries that did not score 1 on the indicator.

The following are the key observations on each indicator:

- 1. Constitutional and legal framework.** A disproportionately large number of constitutional and legal frameworks governing the establishment and functioning of SAIs did not expressly provide for their independence. Most SAI's budgets and financing were subject to approval by central government budgeting institutions. Also, several frameworks did not provide for the guaranteed tenure of the head of the SAI.
- 2. Transparency in the process for appointing the head of the SAI.** Nominations for the head of SAI positions in several countries were not subject to an open and competitive process. This practice often resulted in the SAI head being appointed through exclusive decisions

by the majority or ruling party, potentially compromising SAI independence.

- 3. Financial autonomy.** Many countries did not have legal or any other credible recourse if budgetary allocations were inadequate.
- 4. Types of audits.** Only about 50 percent of SAIs undertook all three types of audits —financial, compliance, and performance — often due to limitations in resources and technical capacity.
- 5. Operational autonomy.** While there was an adequate level of operational autonomy in many countries, there were also deficiencies, such as a lack of express legal authority to guarantee autonomy, requirements for annual

statutory audits that limit SAIs' discretion to prioritize other activities, and a lack of discretion to prioritize ad hoc audit requests from the legislature.

6. **Staffing autonomy.** Only 22 countries fully met the criteria due to a lack of financial resources and challenges with the application of the general civil service regulations on hiring, career and performance management, and remuneration of audit staff. In several countries, SAIs were not permitted to outsource work to specialized agencies or private sector firms.
7. **Audit mandate.** SAIs generally scored well, with observed weaknesses mainly due to inadequate resources to discharge their mandate fully and regularly. In some instances, the SAIs' mandate did not include the audit of tax revenues or jurisdiction over the independent audit of state-owned enterprises (SOEs) by private sector firms.
8. **Audit scope autonomy.** This dimension scored the highest rating overall, reflecting the SAIs' capacity for unrestricted authority to decide on the nature, scope, and extent of audits, including the selection of entities. However, the practical discharge of this autonomy was not fully evident, notably in instances where SAIs did not prepare and publish annual audit activity plans.

9. **Access to records and information.** While SAIs generally scored well on this indicator, most SAIs rendered modified opinions on financial statements due to limitations in obtaining information. In some jurisdictions, legislation provided for the sanctioning of officials that failed to provide requested information, although this is not a common practice.

10. **Right and obligation on audit reporting.** Reviewers observed that while a majority of SAIs were legally mandated to publish annual reports and present them to the legislature, this mandate was not consistently discharged. Among the deficiencies noted were limited opportunity to subject the reports to deliberation by the legislature, undue delays in finalizing and publishing reports, and inconsistencies in publication and public access.

The establishment, maintenance, and regular use of the InSAI assessment tool will contribute to the development of appropriate regional approaches toward enhancing the independence of SAI and mitigating associated risks. With a renewed focus on SAI independence, partner countries will be motivated to focus on improving public accountability, which may contribute to better use of public resources and progress toward the SDGs



The Crucial Role of Supreme Audit Institutions

Government auditing is critical to provide an objective assessment of government programs, policies, operations, and results to detect whether public resources are managed responsibly and to instill confidence among citizens and stakeholders. There are generally two types of government audits: (i) internal audits, performed within government departments; and (ii) external audits performed by the SAI.

SAIs form one of the most important institutions in a country's accountability chain. By performing an independent check on public spending, they provide credible and timely audit results to legislatures, government, civil society, and the public. While they have been traditionally responsible for the oversight of public expenditure, SAIs are increasingly taking a more comprehensive view of the effectiveness, efficiency, and overall performance of government policies and programs.

Types of SAIs

There are three broad categories of SAIs (Stapenhurst and Titsworth 2001), which are largely determined by geography and administrative heritage:

- **The judicial or Napoleonic model.** This model is used in the Latin countries of Europe (i.e., France, Italy, Portugal, and Spain), Turkey, and most of Latin American and francophone African countries. It is also termed jurisdictional. The SAI, often called the Court of Accounts, is part of the judicial system and operates independently of the executive and legislative branches. It typically has limited interaction with parliament. The Court of Accounts makes judgments on government compliance with laws and regulations, and ensures that public funds are well spent.



- **The parliamentary or Westminster model.** This model is used in many Commonwealth countries (e.g., Australia, Canada, India, and the United Kingdom), the Caribbean, the Pacific region, and anglophone Sub-Saharan African countries. The Westminster model is intrinsically linked to a system of parliamentary accountability. Comprised of professional auditors and technical experts, the SAI submits periodic reports on the financial statements and operations of government entities, but with less emphasis on legal compliance than in the judicial model.
- **The board or collegiate model.** This model is prevalent in Asia and is similar to the Westminster model because it is independent of the executive and helps parliament perform oversight. In the collegiate model, the SAI takes the form of a college or governing board composed of a number of members who take decisions jointly. The board's primary mandate is to analyze government spending and revenue and report its findings to parliament. Members are normally appointed for a fixed term by a vote of parliament. Indonesia, Japan, and the Republic of Korea, for example, have an audit board composed of an audit commission (the decision-making body) and a general

executive bureau (the executive organ). The president of the board is the de facto auditor general.

These categories have differences in institutional arrangements, reporting lines, legal mandates, and staff skill sets. The INTOSAI has identified standards for all SAIs:

- Standards and principles for the independence of all types of SAIs are contained in [INTOSAI-P 1: Lima Declaration on Auditing Standards and Precepts](#) and [INTOSAI-P 10: Mexico Declaration on SAI Independence](#).
- INTOSAI-P 50: Principles of Jurisdictional Activities of SAIs has special relevance for the judicial model of SAI, which has the power to rule on the liability of persons accountable by law in case of irregularities or mismanagement. It sets out principles for the legal basis of the responsibilities, including “the member(s) of the SAI, involved in the jurisdictional activities, should benefit from guarantees legally spelled out, which explicitly ensure their independence toward the public authorities” (INTOSAI 2019, 11). Specific legal provisions shall guarantee their irremovability as well as their “neutrality.”

Relationship with Sustainable Development Goals

The World Bank Group recognizes that building peaceful, just, and inclusive societies will require good governance at all levels of government institutions. The SDGs, adopted in September 2015 by the United Nations (UN), emphasized these requirements through Goal 16 — promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels (UN 2015).

Items 16.5 and 16.6 of this goal are relevant for building independent, effective SAIs:

- 16.5: Substantially reduce corruption and bribery in all their forms.
- 16.6: Develop effective, accountable, and transparent institutions at all levels.

While SAIs are not officially considered anti-corruption bodies — they are not explicitly asked to detect or investigate corruption — they can play a crucial role in helping their respective countries to achieve the SDG 16.5 and 16.6 targets. Long before the SDGs, the 1998 INTOSAI Congress of SAIs argued for sufficient independence and adequate mandates to effectively contribute to the fight against fraud and corruption. In addition, the World Bank’s brief on features and functions of SAIs states, “Supreme Audit Institutions can curb corruption by reinforcing legal, financial, and institutional frameworks and by reducing the arbitrary application of rules and laws” (Stapenhurst and Titsworth 2002, 1).

With adequate independence and capacity, SAIs can contribute to combating corruption by reporting on transactions and providing recommendations to improve the accountability and performance of government agencies and anti-corruption bodies. SAIs also contribute to good governance, transparency, and accountability by providing credible and timely audit results to legislatures, government, civil society, and the general public.

INTOSAI states that SAIs are willing to play this role and carry out performance audits and reviews to monitor SDG progress through the following four approaches:

- Assessing the preparedness of national governments to implement the SDGs.

- Undertaking performance audits in the context of the SDGs.
- Contributing to the implementation of SDG 16, which envisages effective, accountable, and transparent institutions.
- Providing possibilities for SAIs to act as models of transparency and accountability in their own operations.

By providing independent, impartial, evidence-based reviews, the performance of SAIs has wide ramifications for the effective and inclusive implementation of the SDG Agenda.

Common SAI Challenges

Despite their critical importance to good governance, SAIs typically face several common challenges (World Bank 2015):

- SAIs may be subject to undue political influence, particularly when they lack guarantees of independence and functional autonomy. This deficiency can seriously undermine their ability to successfully achieve their mission.
- SAIs may be restricted in accessing the required information to perform their audits. When information is withheld, the effectiveness of SAIs are compromised.
- SAIs may lack the ability to enforce compliance with their audit findings.
- SAIs’ budgets may be inadequate to ensure that necessary equipment can be acquired, staff salaries can be paid, and sufficient resources can be allocated to plan and conduct audits. When SAIs are underfunded, the quality of their work can be seriously compromised.
- Without adequate and properly trained staff, SAIs may lack the necessary competences to perform their required duties.
- Weak interactions with parliament, especially in Westminster models. The lack of communication ultimately undermines the value of the audit work and can result in limited governmental accountability.

Each of these common challenges is either directly or indirectly affected by an SAI’s level of independence.

Critical Importance of Independence

Independence is one of the most basic and critical requirements for the effective functioning of SAIs. SAIs must be independent to fulfill their critical functions of fiscal oversight and to strengthen public institutions. If independence is compromised, it will have a negative effect on the achievement of the SDGs.

The importance of full independence has been globally recognized for nearly 50 years. The 1977 Lima Declaration stated that an SAI must be fully independent, and that this independence must be anchored in legislation with the necessary legal security to prevent political interference. It is only with full independence that SAIs can fulfill their mandate to reduce waste and the abuse of public resources, and ensure that more money is available for programs that fight poverty, which lies at the core of the World Bank's mission.

By focusing on independence, this report aims to generate renewed interest and enthusiasm to support the strengthening of SAIs.

Existing Tools to Assess SAI Independence

Several international tools assess SAI independence and performance, including the following:

- The INTOSAI Development Institute (IDI) has conducted global surveys to assess SAI capacities and performance,

including SAI independence, and issues occasional public summaries. The 2017 Global SAI Stocktaking Report found that interference by the executive in the SAI budget process increased from 41 percent in 2014 to 64 percent in 2017 (IDI 2017).

- The INTOSAI SAI Performance Measurement Framework (SAI PMF) was developed by IDI and endorsed by INTOSAI to undertake reviews of SAIs against the International Standards of Supreme Audit Institutions (ISSAI). The SAI PMF includes an indicator on SAI independence based on the following standards—INTOSAI-P 1: Lima Declaration and INTOSAI-P 10: Mexico Declaration on SAI Independence.
- The Open Budget Survey (OBS) by the International Budget Partnership (IBP) is released bi-annually and includes multiple questions on the role of the SAI in budget accountability. For example, a survey question is, “Was the process of appointing (or re-appointing) the current head of the SAI carried out in a way that ensures his or her independence?”
- The Public Expenditure and Financial Accountability (PEFA) Secretariat released its first global report on public financial management (PFM). It presents analysis and trends on the different pillars of PFM, including on the performance of SAI independence, which covers legislation, budget arrangements, mandate, and access to records (PEFA 2021).

These tools identified serious shortcomings in SAI independence and performance, which triggered the process of periodic assessments by World Bank staff using InSAI tools.



InSAI Methodology

The World Bank recently committed to monitor the role of SAIs in enforcing accountability over the use of government resources and in fighting corruption. Accordingly, a World Bank working group under the Governance Global Practice developed InSAI to measure SAI independence on an annual basis.

The InSAI intends to complement ISSAI standards, INTOSAI's SAI PMF tool, and other existing tools and approaches to provide insights into SAI independence. It specifically adapts the key independence dimension into a simpler tool for assessments by the World Bank staff to be undertaken at regular intervals for each client country, thereby enabling credible and reasonable assessment of SAI independence.

How is SAI Independence Measured?

The InSAI assessment consists of 10 indicators that were considered the most critical for SAI independence. These indicators were identified through consideration of the relevant ISSAI and the experience with the extended use of previous diagnostics, such as the PEFA framework and the SAI PMF.

The indicators were framed as simple yes or no questions on each issue, with a written justification provided for quality assurance purposes. A yes response to an indicator yielded a score of 1; a no response yielded 0; and a partial response yielded a scores of 0.5. The aggregate score on a scale of 0 to 10 indicates the assessed level of SAI independence, with 10 being the highest and 0 being the lowest. Detailed methodological guidance (see the appendix) was provided to the assessment teams for the scoring decisions.

The 10 indicators and related questions are as follows:

1. **Constitutional and legal framework.** Is the establishment of the SAI as well as the term, removal, and independence of the head of SAI (and members in the case of collegiate bodies) enshrined in appropriate constitutional provisions and implemented?
2. **Transparency in the process for appointing the SAI head.** Is the head of the SAI appointed in a transparent and objective manner consistent with requirements of the legal framework?
3. **Financial autonomy.** Do the legal framework and operational practices ensure that the SAI is free to propose its budget requirements to the public body deciding the national budget, and is the SAI able to make use of the allocated budget without any constraints imposed by the ministry of finance or another body (except those that are generally applicable to all the ministries)?
4. **Types of audits.** Does the SAI in practice conduct financial audits, compliance audits, and performance audits?
5. **Operational autonomy.** Do the legal framework and operational practices ensure that SAI is operationally independent from the legislature and executive in performance of its functions and management of offices?
6. **Staffing autonomy.** Is the SAI free to decide on all the human resources matters required for its effective functioning within the available budget, and does it have power to engage external experts and pay for their services?
7. **Audit mandate.** Do the legal framework and operational practices ensure that SAI has the mandate to audit all revenues and expenses in the country's budget, including all central government activities?
8. **Audit scope autonomy.** Does the SAI have full and unrestricted authority to decide on the nature, scope, and extent of audit and the selection of entities for audit in a particular time period?
9. **Access to records and information.** Does the SAI have unrestricted access, established in law and practice, to all information, records, and explanations necessary in the conduct of an audit, supported by appropriate recourse if denied legitimate requests for access?

10. **Right and obligation on audit reporting.** Does the SAI have the constitutional right and obligation to report to the legislature, at least annually, its findings in an audit report; the content, form, and timing of which is entirely determined by SAI (except to the extent laid down in law)? Does SAI make the audit reports public?

Limitations

The InSAI assessment is not intended as an all-encompassing and exhaustive exercise to cover all aspects of ISSAI or the existing SAI PMF. By exclusively focusing on SAI independence, other important aspects of SAI performance, such as the quality of audit reports, were not considered.

Also, the 2021 assessment did not cover all World Bank client countries and its scope will be extended in subsequent years. For the measurement of SAI independence, a trade-off was faced between simplicity and comprehensiveness. For example, there is no indicator on the independence of a follow-up audit, which would be very difficult for assessors to consider because it does not have a simple definition or an established assessment metric. Following the publication of this first global synthesis report, adaptations to the 10 indicators and their coverage will be considered.

In addition, the assessments were conducted by World Bank teams independent of SAIs. The results were not shared or discussed with the SAIs. Consequently, the InSAI assessment should only be considered as the assessment of the World Bank, without endorsement of the respective SAIs.

Testing and Implementation

The InSAI assessment underwent preliminary testing and was launched Bank-wide following consultations with donors who form part of the INTOSAI Donor Cooperation group. For the first InSAI assessment survey, the Bank's country governance teams used a dual approach. They used the available documentation to score the indicators, as well as their professional judgment, particularly where a significant gap existed between the formal (intended) structures and actual practices. Important sources of information for the assessors included the SAI PMF (where available and current), Open Budget country reports, PEFAs, the national constitution, audit law, audit reports, and SAI annual reports.

Assessments were conducted and updated from October 2019 to May 2021, and reviewed internally for consistency. The intent was to assess all of the World Bank’s borrowers to make available a comprehensive knowledge base for country management teams and the Governance Global Practice. Due to data limitations, only 118 countries were covered in this exercise.

The InSAI assessment was captured for each country in a spreadsheet that contained a score for each indicator and a written justification on how a country did or did not meet the desirable independence outcome (the scoring guidance is provided in the appendix). Each score was reviewed internally

for consistency. The final country assessments and scores were consolidated in this synthesis report. The country reports are to be a resource for Bank staff for country dialogue and opportunities for governance reforms.

Grading SAI Independence

Each country was assigned an SAI independence grade based on its overall score (see table 3). The purpose of the grade is not to rank countries, but rather to illustrate the global state of SAI independence and identify gaps for improvements.

> > >

TABLE 3 - SAI Independence Grades

Grade	Category	Definition	Score	Number of Countries
A	Very High	All independence indicators were met	10	2
B	High	Most independence indicators were met	9.0 — 9.5	17
C	Substantial	Several independence indicators were met	8.0 — 8.5	33
D	Moderate	Some independence indicators were met	6.0 — 7.5	37
E	Low	Few independence indicators were met	0 — 5.5	29



Results and Key Findings

The results from this first InSAI assessment demonstrate that much needs to be done to meet the aspirations of the 1977 Lima Declaration, which called for the full independence of SAIs. The overall average score was only 7.01, in the upper bound of the C grade. Only 2 of 118 countries scored 10 and were assessed to have **very high** independence, 17 countries had **high** independence; 33 countries had **substantial** independence; 37 countries had **moderate** independence, and 29 countries had **low** independence (see figure 2).

FIGURE 2 - Level of SAI Independence

A	B	C	D	E
Very High	High	Substantial	Moderate	Low
10	9.0 — 9.5	8.0 — 8.5	6.0 — 7.5	0 — 5.5
Seychelles	Argentina	Albania	Afghanistan	Belarus
South Africa	Azerbaijan	Armenia	Angola	Benin
	Brazil	Bangladesh	Belize	Burkina Faso
	China	Bolivia	Bhutan	Burundi
	Colombia	Bosnia and Herzegovina	Cambodia	Cabo Verde
	Croatia	Botswana	Djibouti	Central African Republic
	Micronesia, Fed. Sts.	Chile	Dominican Republic	Chad
	Georgia	Costa Rica	Ecuador	Comoros
	Kosovo	Ghana	El Salvador	Congo, Dem. Rep.
	Marshall Islands	Guatemala	Eswatini	Côte D'Ivoire
	Mexico	Guyana	Ethiopia	Dominica
	Nepal	India	Gabon	Egypt
	Peru	Indonesia	Grenada	Gambia, The
	Russian Federation	Jamaica	Haiti	Guinea
	Sudan	Kenya	Honduras	Kazakhstan
	Turkey	Malawi	Iraq	Lebanon
	Uganda	Maldives	Jordan	Lesotho
		Mauritius	Kyrgyz Republic	Madagascar
		Moldova	Lao PDR	Mali
		Montenegro	Liberia	Niger

A	B	C	D	E
		Morocco	Mongolia	Panama
		Pakistan	Mozambique	St. Vincent and the
		Paraguay	Myanmar	Grenadines
		Philippines	Nicaragua	Samoa
		Romania	Nigeria	South Sudan
		Rwanda	Papua New Guinea	Suriname
		Serbia	St. Lucia	Tajikistan
		Sri Lanka	São Tomé and Príncipe	Togo
		Timor-Leste	Senegal	Vanuatu
		Tunisia	Sierra Leone	Yemen, Rep.
		Uruguay	Sint Maarten	
		Uzbekistan	Tanzania	
		Zimbabwe	Tonga	
			Ukraine	
			Vietnam	
			West Bank and Gaza	
			Zambia	

Source: World Bank.

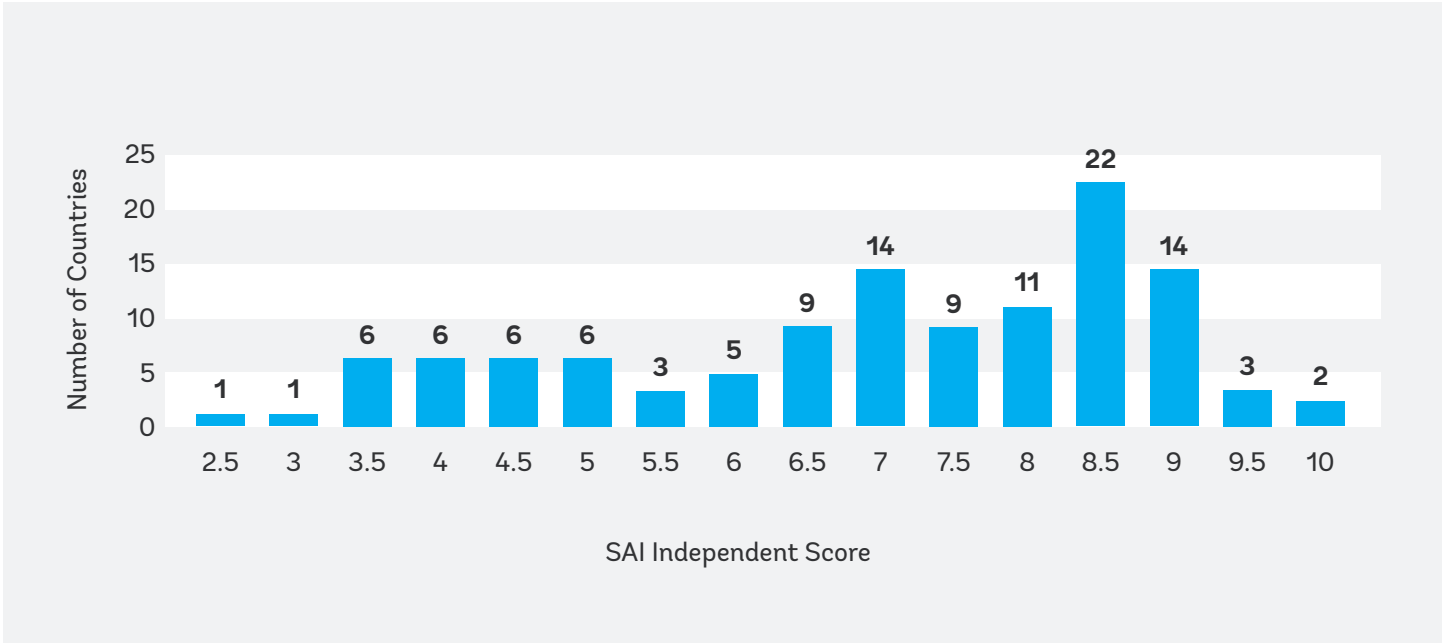


Within each grade, there was a significant variation of outcomes (see figure 3). For example, countries assessed to have low SAI independence had scores that ranged from 0 to 5.5 with most of the scores concentrated between 3.5 and 5.

SAIs that were assessed to have moderate and substantial independence had scores and averages distributed toward the upper range of their grades.

> > >

FIGURE 3 - Distribution of Overall InSAI scores



Source: World Bank.
 Note: SAI = Supreme Audit Institution.

The best performing indicators (see table 4) were ones that assessed the important technical functions of SAIs, such as audit scope autonomy (.86), audit mandate (.83), and access to records and information (.82). The lowest performing independence indicators were financial autonomy (.49) and staffing autonomy (.50). If budgetary institutions prevent the SAI from conducting audits by withdrawing financial

resources, it is a serious infringement of independence. Also, when SAIs are limited in their capacity to select merit-based staff and to ensure that staff follow strong ethical behaviors, it can be detrimental to SAI performance. For the SAI to be held accountable for its performance, it must have appropriate independence for its budgetary and staffing requirements.

> > >

TABLE 4 - Average Scores of InSAI Indicators (118 countries)

Indicator	InSAI Score	Scores < 1
1. Constitutional and legal framework	.66	7
2. Transparency in the process for appointing the SAI head	.58	8
3. Financial autonomy	.49	10
4. Types of audits	.73	6
5. Operational autonomy	.75	5
6. Staffing autonomy	.50	9
7. Audit mandate	.83	2
8. Audit scope autonomy	.86	1
9. Access to records and information	.82	3
10. Right and obligation on audit reporting	.80	4

Source: World Bank.

Note: InSAI = Independence of Supreme Audit Institutions; SAI = Supreme Audit Institution.

The average scores for the constitutional and legal framework (.66) and transparency in the process for appointing the head of the SAI (.58) were in the middle tier of results, which suggest that there is room for improvement. These foundational SAI indicators provide the political and ethical basis to hold the users of public funds to account. They are vitally important because the SAI reputation relies on the perception of its impartiality in choosing, conducting, and reporting on its audits, which requires a merit-based selection of its top management and its audit staff.

Within each indicator, figure 4 shows that only one country scored a zero on audit scope autonomy, and only two countries scored a zero on access to records and information. Conversely, only 22 countries scored a 1 on staffing autonomy, and 28 countries scored a 1 on financial autonomy. These findings highlight how the management of resources continues to be affected by outside influences in most countries. In addition, 40 countries, over a third of the sample, did not score a 1 on the right and obligation to report audit results, which is concerning because this function is the primary purpose of the SAI. Providing an annual public report is an important measure of the practical independence of the SAI.

FIGURE 4 - Distribution of InSAI Scores



Source: World Bank.
 Note: InSAI = Independence of Supreme Audit Institutions.

The results also demonstrate that 56 countries do not conduct performance audits. Performance audits are a more advanced type of audit because they assess government programs for their efficiency, effectiveness, and whether there is room for improvement. They can help evaluate a government’s progress toward the achievement of the SDGs, and they can be crucial accountability control in the context of a sudden spurt in emergency expenditures, such as in the case of a COVID-19 pandemic.

Key Observations

Key observations from each indicator follow:

- Constitutional and legal framework.** A disproportionately large number of constitutional and legal frameworks governing the establishment and functioning of SAIs did not expressly provide for their financial autonomy and independence. Most SAI budgets and financing were subject to approval by central government budgeting institutions. Also, several frameworks did not provide for the guaranteed tenure of the head of the SAI.
- Transparency in the process for appointing the SAI head.** Reviewers observed that the nominees in a large number of countries were not subject to an open and competitive process. This practice often resulted in the

SAI head being appointed through exclusive decisions by the majority or ruling party, potentially compromising independence.

- Financial autonomy.** Only 28 of 118 scored 1 on financial autonomy. Many countries did not have a legal or any other credible recourse in the event that budgetary allocations were inadequate.
- Types of audits.** Only about 50 percent of SAIs undertook all three types of audits — financial, compliance, and performance, with performance often lacking due to limitations in resources and technical capacity.
- Operational autonomy.** While there was an adequate level of operational autonomy in many countries, there were also deficiencies, such as a lack of express legal authority to guarantee autonomy, requirements for annual statutory audits that limit SAIs’ discretion to prioritize other activities, and a lack of discretion to prioritize ad hoc audit requests from the legislature.
- Staffing autonomy.** Only 22 countries fully met the criteria due to a lack of financial resources and challenges with the application of the general civil service regulations on hiring, career and performance management, and remuneration of audit staff. In several countries, SAIs were not permitted to outsource work to specialized agencies or private sector firms.

7. **Audit mandate.** SAIs generally scored well, with observed weaknesses mainly due to inadequate resources for fully and regularly discharging their mandate. In some instances, the SAIs' mandate did not include the audit of tax revenues or jurisdiction over the independent audit of SOEs by private sector firms.
8. **Audit scope autonomy.** This dimension achieved the highest rating overall, reflecting the SAIs' capacity for unrestricted authority to decide on the nature, scope, and extent of audits, including the selection of entities. However, the practical discharge of this autonomy was not fully evident, notably in instances where SAIs did not prepare and publish annual activity plans.
9. **Access to records and information.** While SAIs generally scored well, reviewers observed that in most countries SAIs rendered modified opinions on financial statements due to limitations in obtaining information. In some jurisdictions, legislation provided for the sanctioning of officials that failed to provide requested information. However, this was not a common practice.

10. **Right and obligation on audit reporting.** Reviewers observed that while a majority of SAIs were legally mandated to publish annual reports and present them to the legislature, this mandate was not consistently discharged, and there were wide-ranging variations. Among the deficiencies noted were limited opportunity to subject the reports for deliberation by the legislature, undue delays in finalizing and publishing reports, and inconsistencies in publication and public access.

Regional Trends on SAI Independence Performance

The South Asia region (.81) was the highest performing region (see table 5), followed by Europe and Central Asia (.78), and Latin American and the Caribbean (.73). The lowest performing regions were the Middle East and North Africa and Sub-Saharan Africa.

> > >

TABLE 5 - SAI Independence by Region

Region	1	2	3	4	5	6	7	8	9	10	Overall
EAP	0.73	0.60	0.57	0.77	0.70	0.53	0.93	0.83	0.87	0.83	0.74
ECA	0.61	0.74	0.61	0.79	0.89	0.55	0.92	0.82	0.95	0.89	0.78
LAC	0.70	0.70	0.50	0.69	0.81	0.56	0.87	0.89	0.85	0.74	0.73
MENA	0.33	0.39	0.50	0.67	0.72	0.44	0.78	0.89	0.89	0.72	0.63
SAR	0.81	0.56	0.56	1.00	0.81	0.44	1.00	1.00	0.88	1.00	0.81
SSA	0.66	0.48	0.39	0.68	0.64	0.44	0.69	0.84	0.70	0.76	0.63
Global	0.66	0.58	0.49	0.73	0.75	0.50	0.83	0.86	0.82	0.80	0.70

Source: World Bank.

Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.



There is significant variation in the scoring of independence both across and within regions (see figure 5). Key observations from each region follow:

East Asia and Pacific (15 countries). The highest scoring indicators were audit mandate (.93) and access to information and records (.87). The lowest scoring indicators were staffing autonomy (.53), followed by financial autonomy (.57). The indicator with the most scores of 1 was audit mandate and the indicator with the most scores of 0 was the transparency in the process of appointing the SAI head. There were three countries that scored a 9, the highest score in the region, while two countries scored a 5, which was the lowest score.

Europe and Central Asia (19 countries). The highest scoring indicators were access to information and records (.95) and audit mandate (.92). The lowest scoring indicators were staffing autonomy (.55), followed by financial autonomy (.61). The indicator with the most scores of 1 was access to information and records and the indicator with the most scores of 0 was financial autonomy. The highest score in the region was 9.5, while the lowest score was 3.5.

Latin America and the Caribbean (27 countries). The highest scoring indicators were access to audit scope autonomy (.89) and audit mandate (.87). The lowest scoring indicators were financial autonomy (.50), followed by staffing autonomy (.56). The indicator with the most scores of 1 was

audit mandate and the indicator with the most scores of 0 was constitutional and legal framework. The highest score in the region was 9.5, while the lowest score was 3.5.

Middle East and North Africa (9 countries). The highest scoring indicators were access to audit scope autonomy (.89) and access to information and records (.89). The lowest scoring indicators were constitutional and legal framework (.33), followed by transparency in the process for appointing the SAI head (.39). The indicators with the most scores of 1 were audit scope autonomy and access to information and records, and the indicators with the most scores of 0 were constitutional and legal framework, transparency in the process of appointing the SAI head, and financial autonomy. The highest score in the region was 8.5, while the lowest score was 3.5.

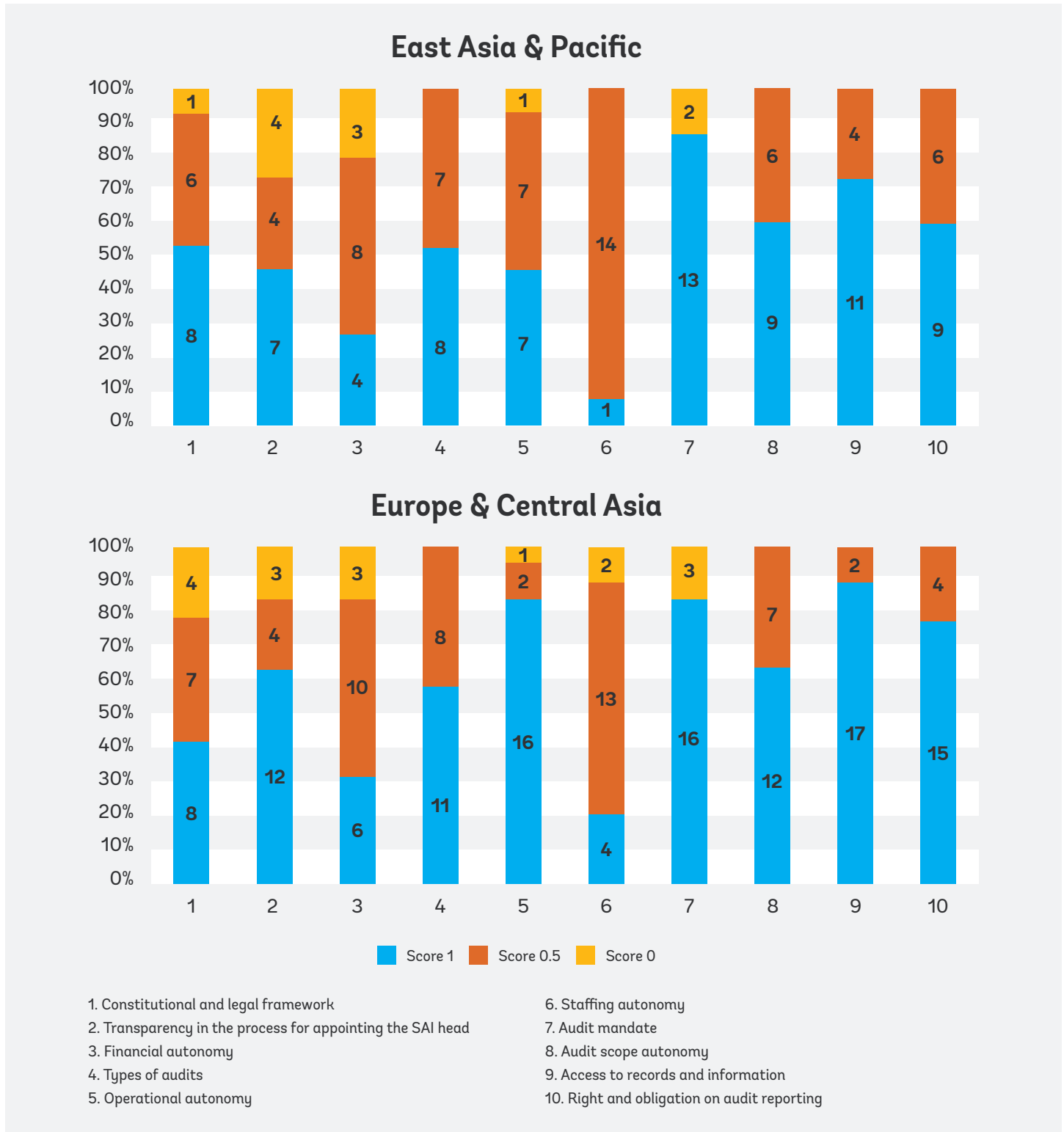
South Asia (8 countries). The highest scoring indicators were types of audits (1.00), audit mandate (1.00), and audit scope autonomy (1.00). The lowest scoring indicators were staffing autonomy (.44), followed by financial autonomy (.56). The indicators with the most scores of 1 were types of audits, audit mandate, and audit scope autonomy, and the indicators with the most scores of 0 were constitutional and legal framework, transparency in the process of appointing the SAI head, staffing autonomy, and right and obligation on audit reporting. The highest score in the region was 9, while the lowest score was 6.

Sub-Saharan Africa (40 countries). The highest scoring indicators were access to audit scope autonomy (.84) and the right and obligation on audit reporting (.76). The lowest scoring indicators were financial autonomy (.39), followed by staffing autonomy (.44). The indicator with the most scores of

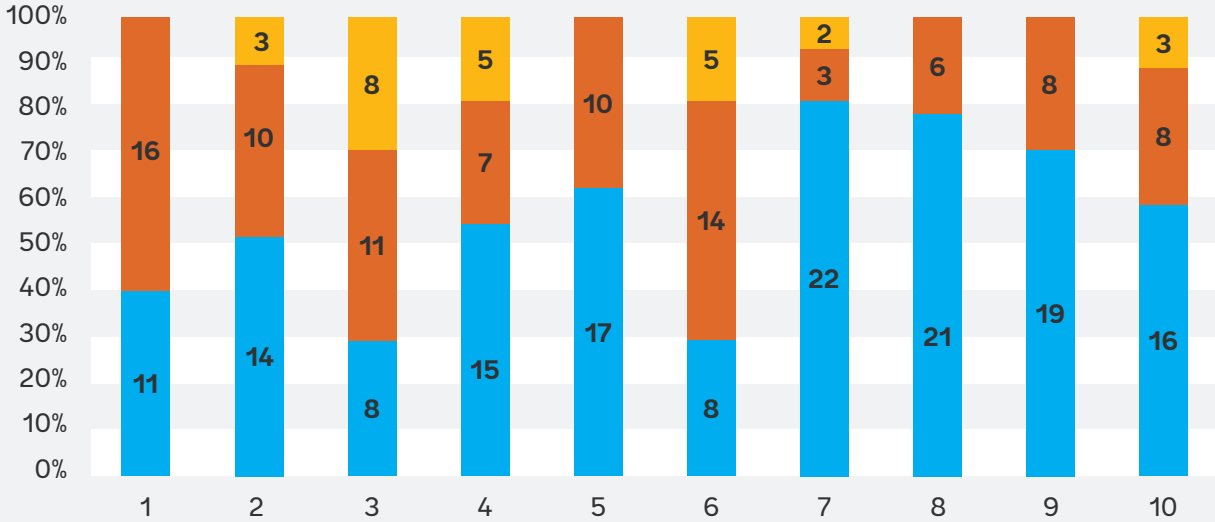
1 was audit scope autonomy and the indicator with the most scores of 0 was financial autonomy. There were two countries that scored a 10, the highest score in the region, while the lowest score was 2.5.

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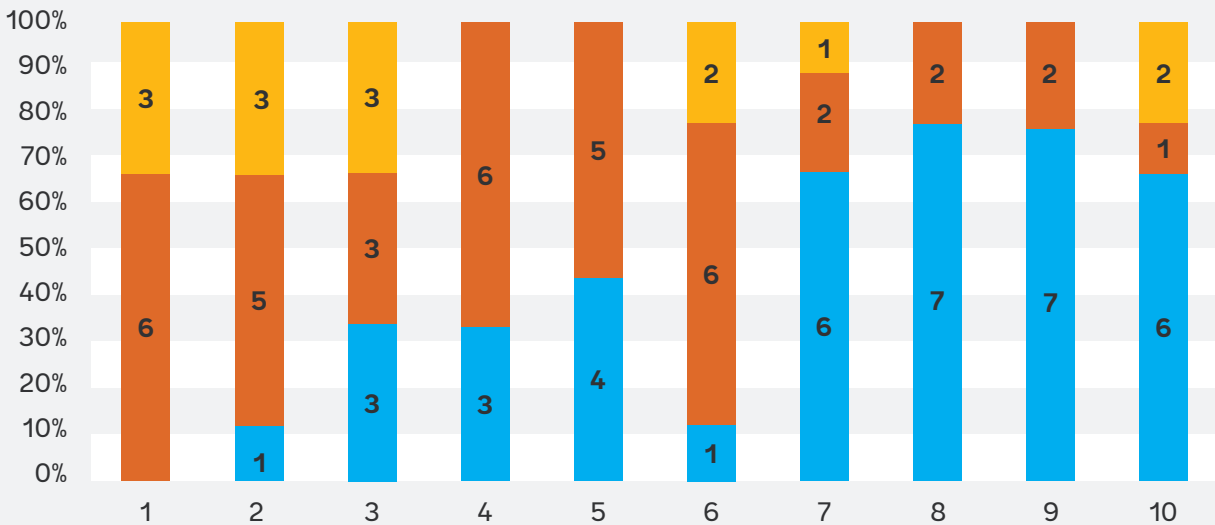
FIGURE 5 - Distribution of InSAI Scores across Regions



Latin America & Caribbean



Middle East & North Africa

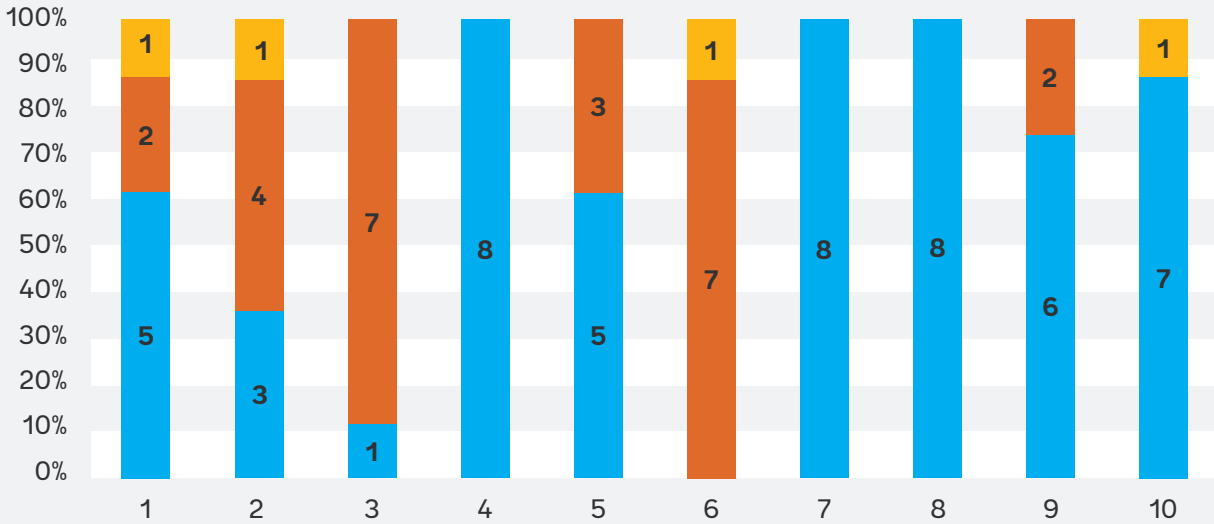


■ Score 1
 ■ Score 0.5
 ■ Score 0

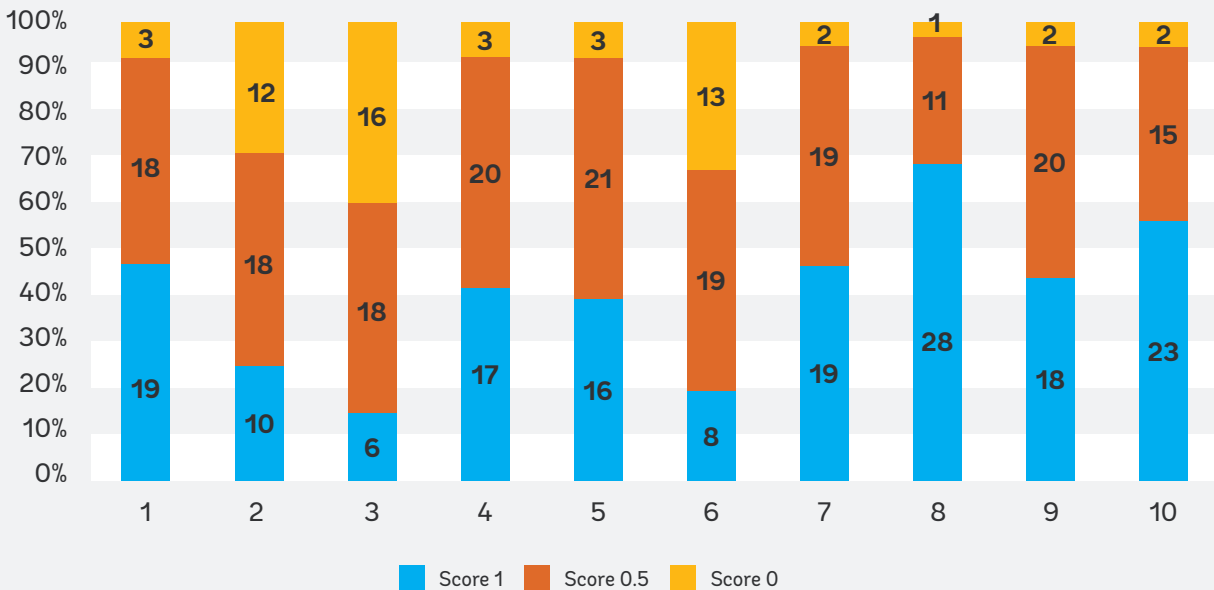
1. Constitutional and legal framework
2. Transparency in the process for appointing the SAI head
3. Financial autonomy
4. Types of audits
5. Operational autonomy

6. Staffing autonomy
7. Audit mandate
8. Audit scope autonomy
9. Access to records and information
10. Right and obligation on audit reporting

South Asia



Sub-Saharan Africa



- 1. Constitutional and legal framework
- 2. Transparency in the process for appointing the SAI head
- 3. Financial autonomy
- 4. Types of audit
- 5. Operational autonomy
- 6. Staffing autonomy
- 7. Audit mandate
- 8. Audit scope autonomy
- 9. Access to records and information
- 10. Right and obligation on audit reporting

Source: World Bank.

Note: The horizontal axis provides the InSAI indicator number. There were 15 countries assessed in East Asia and Pacific; 19 in Europe and Central Asia; 27 in Latin America and the Caribbean; 9 in Middle East and North Africa; 8 in South Asia; and 40 in Sub-Saharan Africa.

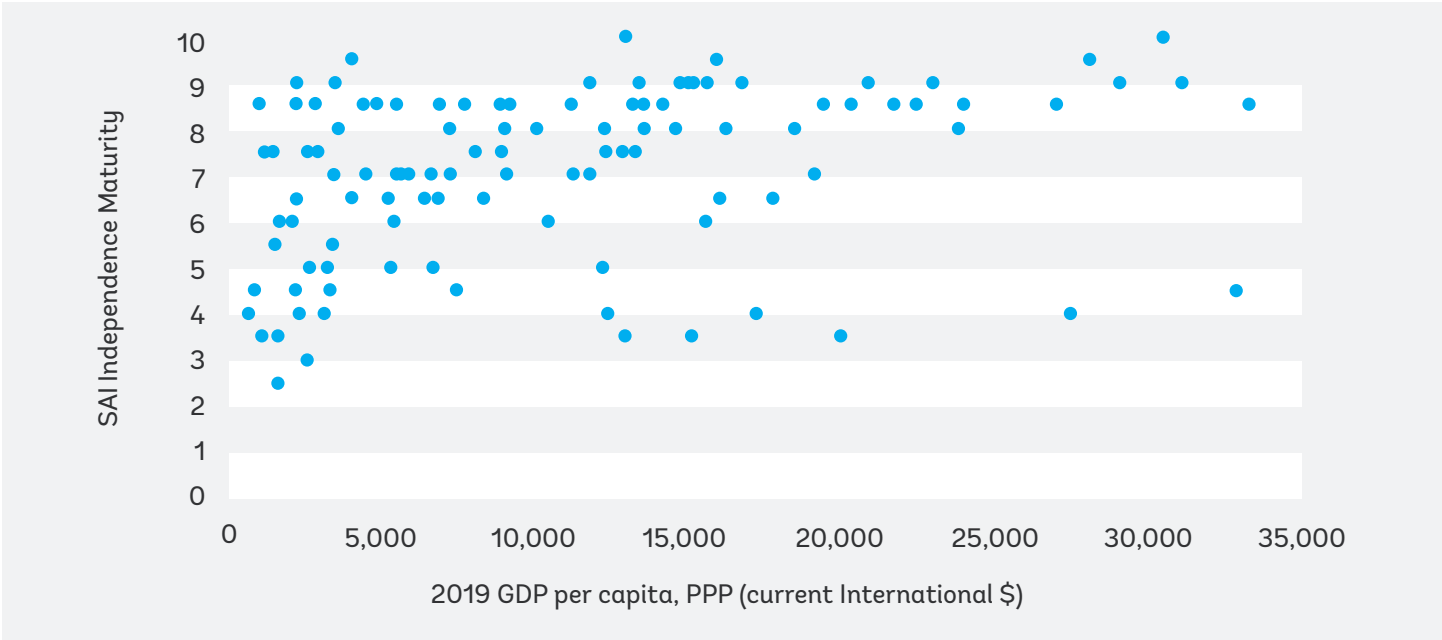


Independence Does Not Significantly Depend on Income Level

The level of SAI independence does not significantly depend on income level (see figure 6). Various socioeconomic factors have been identified in previous work as influencing capacity to operate an effectively independent SAI, such as a country's level of income and economic development. However, with a positive correlation of only 0.34 between the overall score and GDP (gross domestic product) per capita, there are numerous examples where low-income countries significantly outperformed upper middle income and high income countries. Therefore, the independence of an SAI can be seen as a simple matter of choice for a country.

> > >

FIGURE 6 - Relationship between InSAI and Income Level



Source: World Bank.

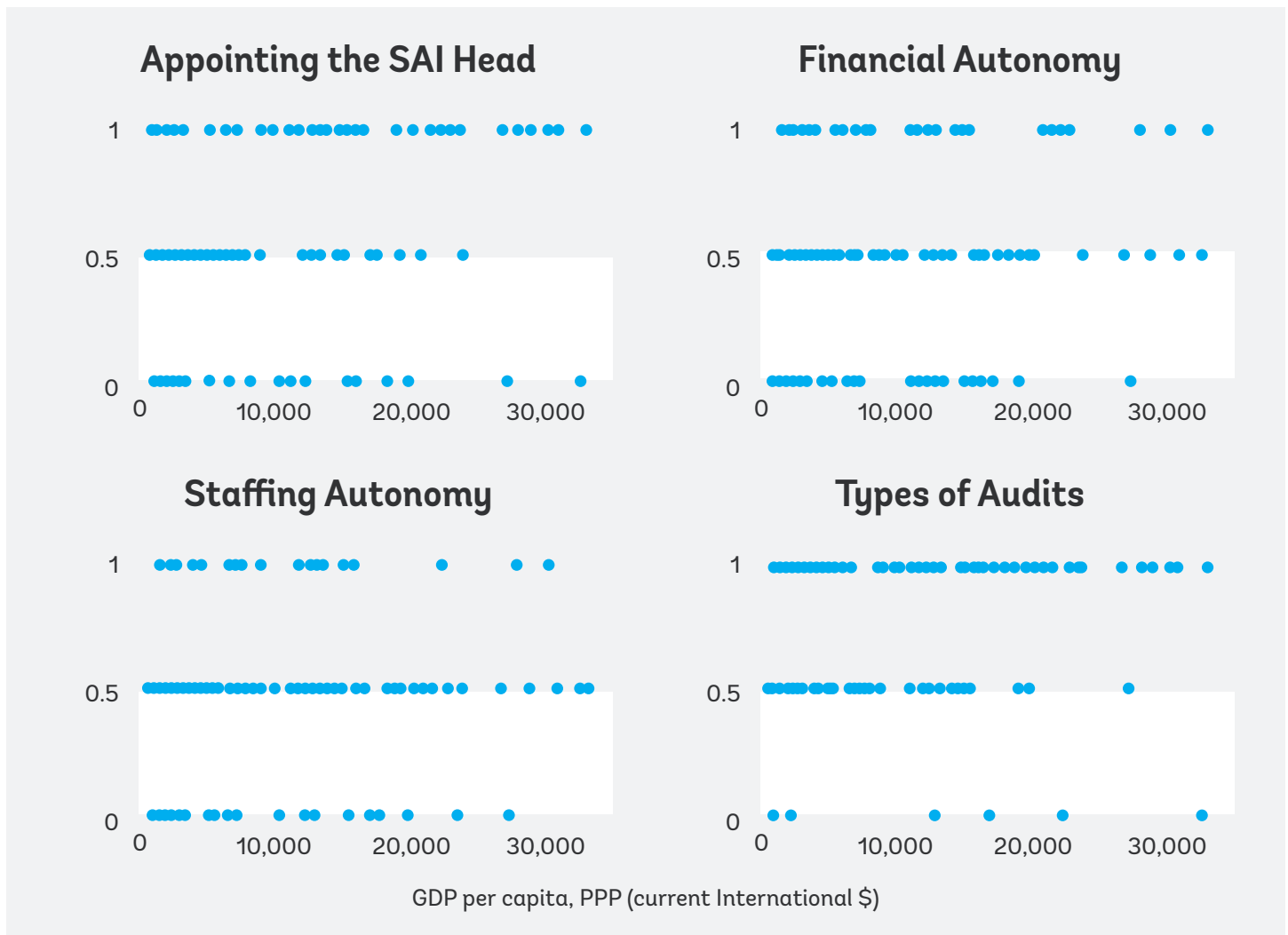
Note: GDP = gross domestic product; InSAI = Independence of Supreme Audit Institutions; PPP = purchasing power parity; SAI = Supreme Audit Institution.

This nonsignificant relationship between income and level of SAI independence is also true at a more disaggregated level for the indicators that had the lowest average scores (see figure 7). The individual scores for transparency in the process of appointing the SAI head (.26), financial autonomy (.25), types of audits (.16), and staffing autonomy (.10) all had positive but nonsignificant correlations to the GDP per

capita. There were again numerous examples where low-income countries outperformed countries with much higher levels of income. These findings reinforce that level of income is not a barrier to achieving full SAI independence. Even for low-income countries, SAI independence problems can be overcome.

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FIGURE 7 - Relationship between individual InSAI Scores and Income Level



Source: World Bank

Note: The y-axis denotes the score on the individual indicator

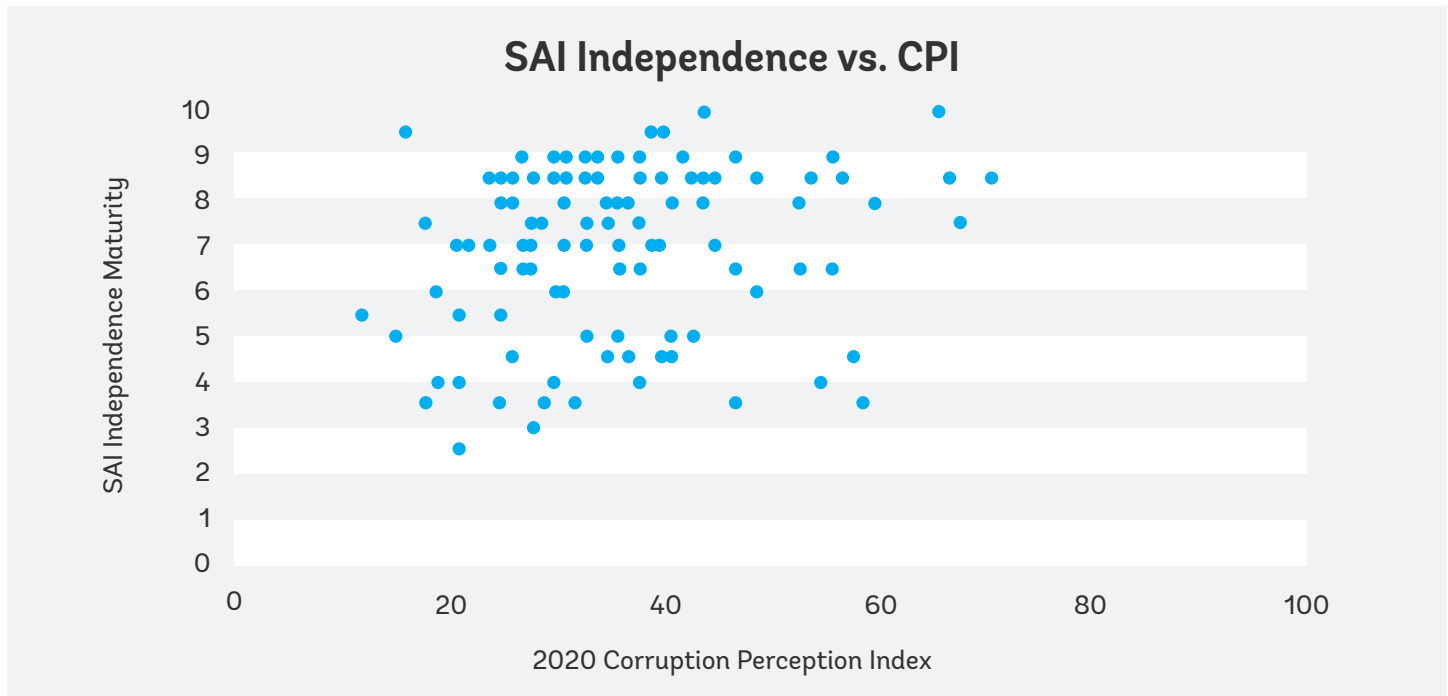
Positive, but Weak Correlation to the Perception of Corruption

Do countries that have a higher level of SAI independence have lower levels of corruption? Using the Corruption Perceptions Index (CPI), prepared by Transparency International, as a measure of public sector corruption, the correlation analysis in Figure 8 shows that SAI independence demonstrates a

positive, but weak correlation of 0.22 to a country's perceived levels of public sector corruption. There are many factors that play into perceived levels of public corruption and additional research is needed to evaluate this relationship.

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FIGURE 8 - Relationship between InSAI and the Corruption Perceptions Index



Source: World Bank.

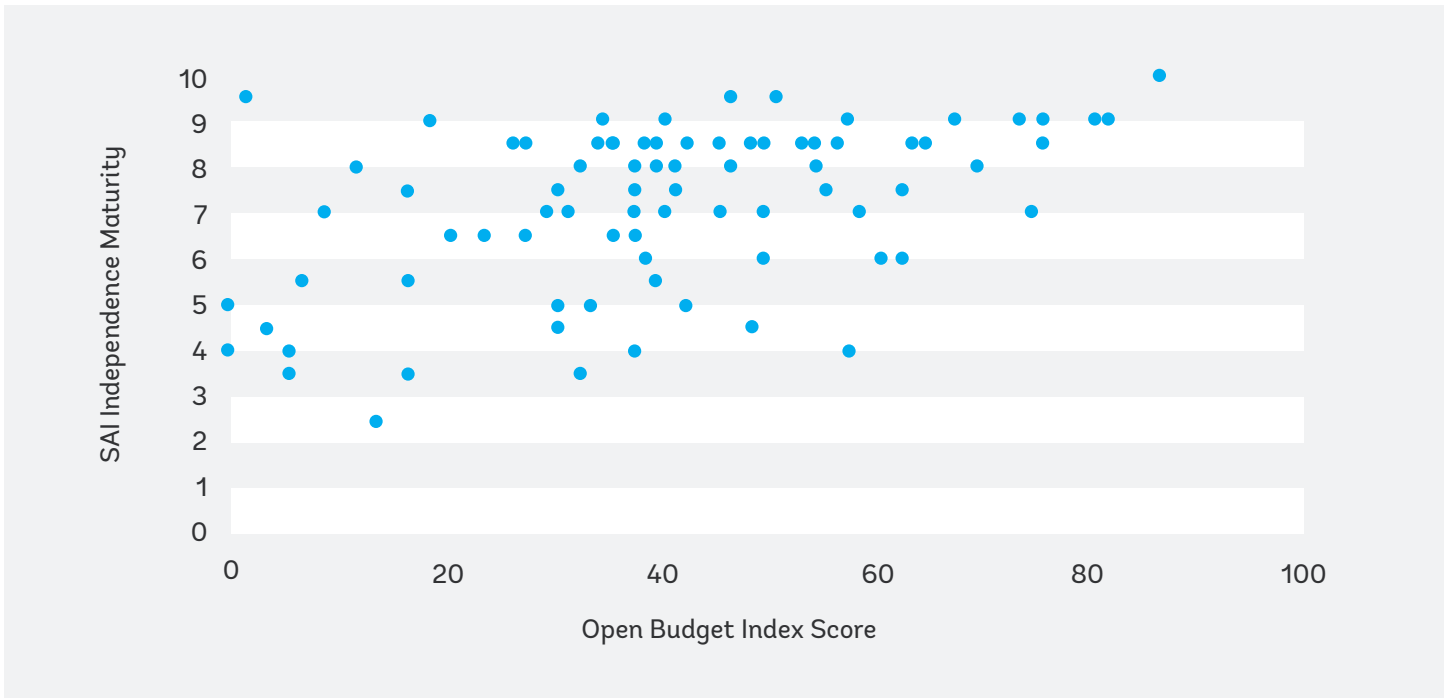
Note: The y axis denotes the score on the individual indicator. GDP = gross domestic product; InSAI = Independence of Supreme Audit Institutions; PPP = purchasing power parity; SAI = Supreme Audit Institution.

Moderate Positive Correlation to Budget Openness

There is a slightly stronger correlation between a country's level of SAI independence and budget openness. The Open Budget Index (OBI), produced by the IBP, is a global, independent, comparative measure of central government budget transparency. In this index, countries are given a transparency score between 0 and 100. A correlation analysis

of the InSAI scores and the 2019 OBI scores had a positive correlation coefficient of 0.51 (see figure 9). This finding suggests that transparency and openness has a greater influence on SAI independence than a country's income level or the perceived level of corruption.

FIGURE 9 - Relationship between InSAI and the Open Budget Index



Source: World Bank.

Note: The analysis was limited to 64 countries due to the nonperfect overlap between both surveys.

Interestingly, the latest available OBS by the IBP also evaluated the role of formal oversight institutions, such as SAIs and legislatures. For the SAI, the OBS assessed the independence of the appointment and removal of the SAI head, whether there was sufficient funding, and whether audit

systems were subject to external review. In their analysis, only 60 percent of SAIs were considered to have adequate oversight practices, which is consistent with the findings of the InSAI findings.



Conclusion

The importance of an independent SAI has been globally recognized since the Lima Declaration 44 years ago. It clearly stated that SAIs can only accomplish tasks objectively and effectively if they are independent in their organization, members, and officials, and are protected against outside influence. This independence is critical to ensure effective public sector financial management, especially during times of crisis, such as the COVID-19 pandemic.

The results from 118 countries demonstrate that much needs to be done to meet the aspirations of the Lima Declaration. INTOSAI's guidance on strengthening SAIs states that "independence rarely happens to a SAI by accident. Independence needs to be planned for carefully and can take years of persistent work by many different partners to achieve" (INTOSAI 2018, 18). The guidance also notes "to strengthen its independence, a SAI usually needs the support of its parliament, ministry of finance, public service commission (or equivalent body), the business community, citizen groups and its own staff. Each of these groups will need to understand what the SAI is seeking and have their fears allayed."

Strong, independent SAIs are also critical to strengthening accountability mechanisms to allow more resources to use country systems. According to the authors of *The Least Developed Countries Report 2019*:

"For solid transformative results, public investments, whether funded from domestic resources or through external support, should be implemented in the context of national systems, rather than being channeled through structures that bypass government institutions by setting up parallel structures. Acquiring the capacity to do so is a long-term process that requires investment in capacity-building, learning by doing and the strengthening of bureaucratic capabilities" (UNCTAD 2019, 133).

The World Bank will continue to work in conjunction and consultation with client country governments and their SAIs, development partners, relevant elements of INTOSAI including its Standards Committee and its regional chapters, and other stakeholders to further strengthen SAI independence. Each of these groups have their own special capabilities to support SAI independence.

Supreme Audit institutions. SAIs are encouraged to establish processes to monitor and mitigate threats to their independence. Based on experience, there is no “one-size-fits-all” approach, and efforts need to be rooted in the context of each country. SAIs can use this report to assess what needs to be done to meet the desirable standards. The SAIs can then consult with appropriate agencies in their governments on suitable steps to take.

Governments. Good governance is built on trust. Governments are encouraged to periodically assess the independence of their SAIs and strengthen it. If there are constitutional and legal limitations to SAI independence, appropriate actions should be discussed in consultation with the SAI. If independence constraints are of an operational nature and within the control of government, necessary steps could be taken through amending procedures and practices.

Development partners. Development agencies often rely on SAIs to help safeguard development funds that are channeled through governments and their agencies. The more independent the SAI, the greater capability they have to carry out their audit functions. Development partners could

use the findings in this to strengthen their global and regional support of SAI independence and effectiveness, especially in countries where they provide funds for the national budget or rely on SAI reports on the use of project funds.

INTOSAI. The results from this report could be used by INTOSAI to help with the continuing formulation of training programs around the world, especially for SAIs that are not deemed to be fully independent. In particular, INTOSAI could leverage its network of peer learning to scale up knowledge on the emerging trends of SAI independence and finetune its guidance on addressing threats to independence.

Citizens. Citizens and civil society organizations could play a major role in advocating for the full independence of SAIs consistent with INTOSAI standards. A citizen monitoring mechanism over the independence of the SAI could be considered.

Media. Media could play an effective role in identifying any attempts to undermine the independence of SAIs. By monitoring SAI matters, the media could objectively assess and report on any steps that could undermine SAI independence.

The establishment, maintenance, and regular use of the InSAI assessment tool will be a powerful instrument to guide the engagement of the World Bank and other stakeholders to improve SAI independence. With a renewed focus on SAI independence, partner countries will be able to accelerate progress toward the SDGs and make better use of public resources to boost shared prosperity and end extreme poverty.



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APPENDIX: Guidance for InSAI Assessment

TABLE 6 - Detailed Methodological Guidance Provided to Assessment Teams for Scoring Decisions

Indicator	Detailed Guidance
<p>1. Constitutional and legal framework. Is the establishment of the SAI as well as the term, removal, and independence of the head of SAI (and members in the case of collegiate bodies) enshrined in appropriate constitutional provisions and implemented?</p>	<p>The constitution should lay down the appropriate level of independence. If there is a gap between the constitutional requirements and the actual practice for extended periods, then there is an impairment of independence. If the unlawful removal of the head of the SAI took place in the past three years, the score should be 0. If the establishment of the SAI is not enshrined in the constitution, the score will be 0. If the removal / dismissal procedure is not enshrined in the constitution, but is provided in the law (such as through an act) and ensures adequate protection against removal /dismissal, a score of 0.5 should be given. A score of 1 should only be given when all the dimensions of this indicator are constitutionally enshrined and operationally implemented.</p>
<p>2. Transparency in the process for appointing the SAI head. Is the head of the SAI appointed in a transparent and objective manner consistent with requirements of the legal framework?</p>	<p>The process of appointing the SAI head should be established through the legal requirements and operational practices. Transparency can also be assessed from how the appointment is perceived from popular opinion. The appointment can be considered fully transparent if there exist operational practices, such as (i) confirmation by the legislature or (ii) selection by a collegiate body involving appropriate multiple stakeholders such as the leader of the opposition, judge of supreme court, professional body, or any constitutional authority. In this case, a score of 1 may be given. If the appointment is entirely within the control of the head of state (such as the president or prime minister) who selects the head without a formal transparent competitive process, a score of 0 is awarded. If the SAI appointment does not satisfy the requirements of score of 1, but is generally conducted by the executive from a shortlist of individuals of appropriate professional standing, experience and neutrality, a score of 0.5 should be given. The score should heavily weigh the previous appointment of the head of SAI and whether the selection was done in a transparent manner.</p>
<p>3. Financial autonomy. Do the legal framework and operational practices ensure that the SAI is free to propose its budget requirements to the public body deciding the national budget, and is the SAI able to make use of the allocated budget without any constraints imposed by the ministry of finance or another body (except those that are generally applicable to all the ministries)?</p>	<p>The SAI should have the freedom to propose its budget, but it is not necessary that the request is fully accepted and budgeted (if there is a reduction in the requested budget, it should be viewed as excessive compared to cuts in the overall aggregate budget). If the SAI has the authority to propose its budget, the approved budget is released, and the SAI has the right to appeal to the legislature directly, a score of 1 should be awarded. If the SAI cannot propose its budget, or is subject to severe delays in releases compared to other MDAs, a score of 0 should be given. If the SAI has the authority to propose its budget, but its approved budget is significantly less than requested, especially compared to other MDAs, or the SAI has no right to appeal directly to the legislature if the approved funds are insufficient, a score of 0.5 should be awarded.</p>

Indicator	Detailed Guidance
<p>4. Types of audits. Does the SAI in conduct financial audits, compliance audits, and performance audits?</p>	<p>No restriction on standard types of audit - including performance audit, financial audit, and compliance audit by SAI. The assurance that there is no restriction can be obtained by actual operational practices (legal provisions strengthen the assertion, but the focus is on whether audits are conducted in operational practice). If all three types of audit are conducted, score is 1, if any two are conducted score is 0.5 and less than the score is 0.</p>
<p>5. Operational autonomy. Do the legal framework and operational practices ensure that SAI is operationally independent from the legislature and executive in performance of its functions and management of offices?</p>	<p>Operational independence facilitates audit systems to evolve with time, without necessarily having to go through legislative changes for every occasion. The SAI should not be subject to direction or interference from the legislature or executive, and it should be able to decide on its rules, procedures, and audit methods. For example, where the law is silent, the SAI should be able to prescribe the Auditing Standards to be applied. If the law establishes operational independence and it is perceived to be implemented well, a score of 1 should be given. If the law establishes operational independence, but significant constraints exist, a score of 0.5 should be given. If the executive has formal powers to interfere either directly or indirectly into the operational matters of the SAI, a score of 0 should be given.</p>
<p>6. Staffing autonomy. Is the SAI free to decide on all the human resources matters required for its effective functioning within the available budget resources, and does it have power to engage external experts and pay for their services?</p>	<p>Within the allocated budget and overall staffing constraints, the SAI should be free to decide on the composition of the workforce, the expertise required, and its compensation and incentives. A score of 1 should be given if the SAI has the autonomy to decide staff composition, expertise, compensation, and incentives. Unfilled positions within the SAI are not automatically considered as an impairment of independence. If the SAI follows the civil services recruitment and compensation practices, it should be entirely at the discretion and decision of SAI to do so. If the is subject to binding government requirements on compensation and incentives, but has the authority to decide on the composition and expertise of its workforce, a score of 0.5 should be given. A lower level of autonomy should be given a score of 0.</p>
<p>7. Audit mandate. Do the legal framework and operational practices ensure that SAI has the mandate to audit all revenues and expenses in the country's budget, including all central government activities?</p>	<p>The SAI should have a broad audit mandate to cover all national budget items, including revenues, expenditure, assets and liabilities, and other levels of government (including subnational government and parastatals) to the extent emanating from the national budget. A score of 1 should be awarded if the SAI mandate covers all of these activities. If there are institutional arrangements where the SAI mandate can be limited or constrained for certain line items in the national budget, it is considered as an impairment of independence. If the limitation only relates to specific areas, such as subnational governments or parastatals, for which separate audit arrangement exists, a score of 0.5 should be given. A score of 0 should be given if there is any limitation to audit central government revenue, expenditure, assets, or liabilities.</p>

Indicator	Detailed Guidance
<p>8. Audit scope autonomy. Does the SAI have full and unrestricted authority to decide on the nature, scope, and extent of audit and the selection of entities for audit in a particular time period?</p>	<p>The legislature, executive or any other agency should not have the authority to direct the SAI in selection of audit entity, audit procedures, audit conclusions, or the issue of the audit report. Of note, legitimate suggestions, or requests for selecting entities (or themes) for audit, within the legal framework, does not amount to interference. If the SAI alone decides on the selection of a particular unit for audit, the related procedures, the audit conclusions and the issue of the audit report, a score of 1 should be awarded. If the executive or any other agency directs selection of a particular entity for audit, or the nature of audit procedures, audit conclusions, or the issue of the audit report, a score of 0 is given. If it is only the legislature that has the power to direct the SAI to select a particular entity for audit or conduct a particular type of audit, a score of 0.5 should be given.</p>
<p>9. Access to records and information. Does the SAI have unrestricted access, established in law and practice, to all information, records, and explanations necessary in the conduct of an audit, supported by appropriate recourse if denied legitimate requests for access?</p>	<p>The access to records and information can be inferred from legal procedures. In practice, if this access is denied, it restricts the access privilege. If in law and practice all access is ensured, a score of 1 may be given. Isolated actions of denial of access, which are corrected through remedies, is not considered impairment. If the law provides complete access, but in operational practice, it is perceived that the Auditor does not obtain complete access (which can be assessed based on the auditor general's remarks in the report), a score of 0.5 may be given. If the legal right is not established, a score of 0 is given.</p>
<p>10. Right and obligation on audit reporting. Does the SAI have the constitutional right and obligation to report to the legislature, at least annually, its findings in an audit report; the content, form, and timing of which is entirely determined by SAI (except to the extent laid down in law)? Does SAI make the audit reports public?</p>	<p>If the SAI does not submit an annual audit report before the parliament, which subsequently is made public, it is considered an impairment of independence and a score of 0 should be given. If the SAI has the right and obligation to prepare an annual audit report, and it does so, but the executive or legislature influences the content and decision of the audit report, a score of 0.5 should be given. The audit report can be regarded as public if the SAI (or the legislature) makes it available on a publicly available website, or prints the audit report and makes it available for either free or at a reasonable price. If all the dimensions are satisfied in law and practice, a score of 1 should be given.</p>

Source: World Bank.

Note: MDA = ministries, departments, and agencies; SAI = Supreme Audit Institution.

