

# Independence Resource Kit



*"Pacific Auditors Working  
Together"*



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## Introduction

Supreme audit institutions (SAIs) review government financial reporting to provide oversight and accountability of the use of public funds. SAI independence—or at least a degree of it—is critical for public auditors to properly audit the expenditure of public money and question their governments about the spending.

### What is SAI independence?

SAI independence is:

- a sound constitutional and legal framework that provides for an independent SAI, and the practical application of that framework,
- a pre-requisite to success and
- an evolving construct.

### What SAI independence is not

It is not just a set of rules. Important as they are, rules alone cannot guarantee independence.

It is not something to be “achieved”. It is a journey, or a state of mind that commits to ongoing independence as a key element of professional auditing, and as a framework for leadership and interaction.

It is not isolation. Instead, independence is about effective collaboration and working with other involved parties to reach mutually beneficial solutions.

### PASAI’s role in strengthening SAI independence

The first of PASAI’s five Strategic Priorities is to strengthen SAI independence.

PASAI has prepared this Independence Resource Kit for the benefit of its members to enable them to:

- understand the principles underpinning SAI independence and
- have access to resources and information to establish, enhance or preserve their independence.

PASAI members can use the kit to see where they are on the independence journey and learn from the experience of others.

PASAI will update the kit to reflect developments in SAI independence, both in the Pacific and globally. Pacific SAIs will also be encouraged to share their experiences in relation to independence.

## Part 1 – The global picture

### United Nations and Commonwealth Heads of Government Resolutions

The United Nations and Commonwealth Heads of Government have recognised the importance of independent SAIs for good governance and made resolutions to this effect.

SAIs can use these international resolutions to explain the principles of independence to their governments and members of their legislatures and to promote understanding of why an independent SAI is an important national institution.

UN resolutions are binding on all states that are members of the United Nations. The United Nations General Assembly has adopted two resolutions supporting independence for SAIs:

- [Resolution A/66/209](#) – “Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions on SAI independence”, adopted on 22 December 2011; and
- [Resolution A/69/228](#) – “Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions”, adopted on 19 December 2014.

INTOSAI released statements on both resolutions:

- [INTOSAI statement on the 2011 resolution](#)
- [INTOSAI statement on the 2014 resolution](#)

In addition, the Commonwealth Heads of Government (CHOGM) reaffirmed their commitment to the independence of SAIs at their meeting in Sri Lanka in November 2013. In doing so, they specifically recognised the contribution that strong, properly resourced and independent SAIs play in improving transparency and accountability. Although reaffirmation of SAI independence is not binding on Commonwealth member states, SAIs of Commonwealth countries can use the communique to further reinforce the commitment made through the United Nations resolutions.

- [CHOGM Communique from Sri Lanka 2013](#) (refer to paragraph 45)

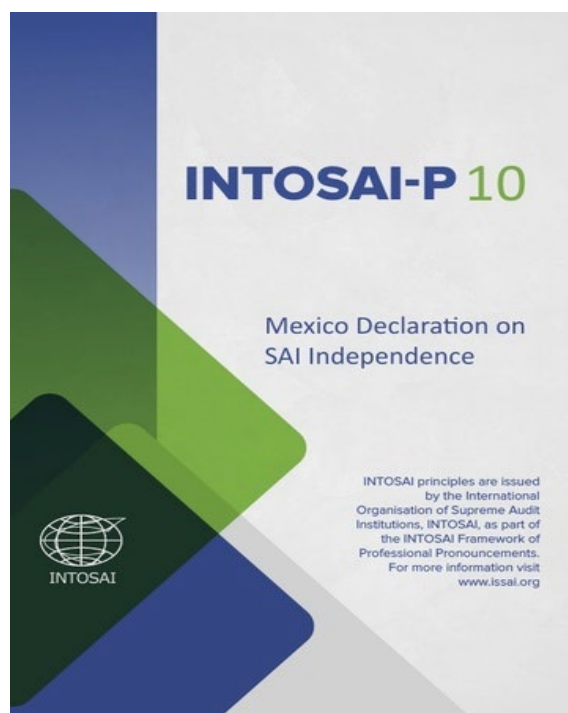
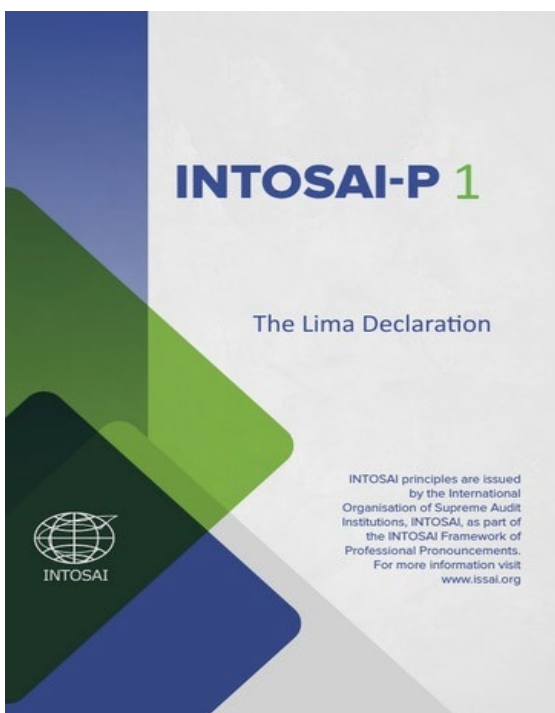
## Part 2 – Guidance from INTOSAI and the IDI on independence

### INTOSAI

The International Organization of Supreme Audit Institutions (INTOSAI) operates as an umbrella organisation for national SAIs. INTOSAI provides a global set of pronouncements, standards and guidance to help SAIs act as effective accountability organisations.

### Independence-related pronouncements, standards and guidance

INTOSAI pronouncements directly relevant to SAI independence are the [Lima Declaration of 1977 \(INTOSAI-P 1\)](#) and the [Mexico Declaration on SAI Independence \(INTOSAI-P 10\)](#). Both set out the fundamental principles of SAI independence.



The other [pronouncements, standards and guidance](#) that relate most directly to SAI independence are:

- INTOSAI-P 12: The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens
- INTOSAI-P 20: Principles of Transparency and Accountability
- ISSAI 130 – Code of Ethics
- ISSAI 140 – Quality Control for SAIs
- ISSAI 200 – Financial Audit Principles
- GUID 9030 Good Practices Related to SAI Independence

INTOSAI issued a handout in February 2019 on the [Independence of SAIs](#). At that time, the INTOSAI Secretary-General encouraged Heads of SAIs to write to their UN permanent missions to promote SAI independence, using the handout as a basis for discussions. Pacific SAIs can use the handout for the same purpose in discussions with other influencers and stakeholders.

The handout notes the link between effective SAIs and the achievement of the UN Sustainable Development Goals (SDGs). It states:

“Supreme Audit Institutions help their respective governments to improve performance, enhance transparency, ensure accountability, maintain credibility, fight corruption, promote public trust, and foster the efficient and effective receipt and use of public resources for the value and benefits of their citizens. Supreme Audit Institutions also make an essential contribution to the success of the 2030 Agenda and the SDGs.”

### The INTOSAI Development Initiative (IDI)

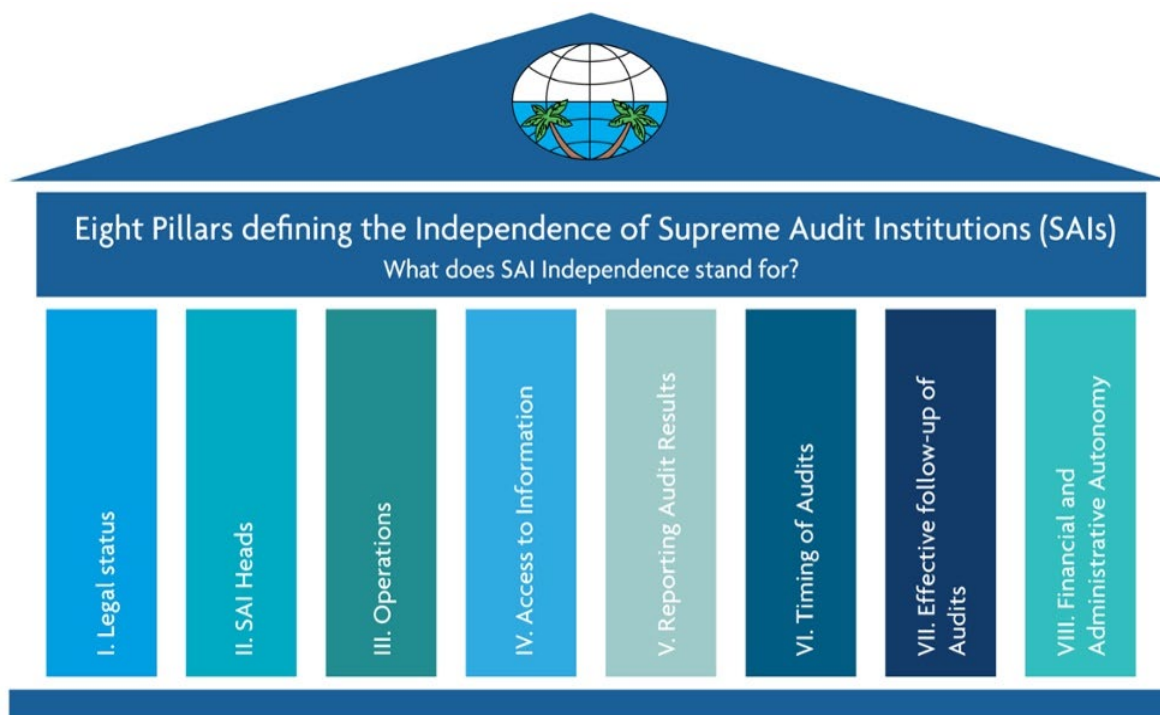
The IDI has initiated a capacity development program to contribute to the ongoing efforts to enhance the independence of SAIs globally. The programme’s draft guidelines [Towards Greater Independence – A Guidance for Supreme Audit Institutions](#) contains a wealth of useful information for SAIs about independence.

The IDI’s [SAI Independence Resource Centre](#) (SIRC) is an online knowledge centre with information and resources about the INTOSAI independence pillars and supporting guidance and documents.

## Part 3 – Strengthening SAI independence

In the Mexico Declaration on SAI Independence, INTOSAI established eight principles that cover the essential requirements for effective, independent public auditing.

### 8 pillars of independence



The eight principles are:

1. The existence of an appropriate and effective constitutional/statutory/legal framework
2. The independence of the SAI Head and members of collegial institutions
3. A sufficiently broad mandate and full discretion to discharge SAI functions
4. Unrestricted access to information
5. The right and obligation to report on SAI work
6. The freedom to decide the content and timing of audit reports and to publish and disseminate them
7. The existence of effective follow-up mechanisms on SAI recommendations
8. Financial, managerial and administrative autonomy

The next section of the toolkit sets out the principles, supported by legislative examples and guidance notes in the appendices. They are expressed in general terms and should be seen as aspirational, subject to local conditions. The principles and the guidance are also designed to promote independence not just in legal terms but also in terms of how a SAI functions and is funded and managed.

#### Principle one – Legal framework

##### **The existence of an appropriate and effective constitutional/statutory/legal framework**

SAI independence should be firmly established in the Constitution and/or legislation of the country.

It is expected that:

- a SAI is established and mandated by the Constitution or other form of legislation;
- a SAI's independence is set out in the Constitution or other form of legislation;
- a SAI is protected from outside influence; and



- a SAI has functional and organisational independence to carry out its mandate.

Examples of an appropriate and effective constitution and legal framework are in [Appendix 1](#).

## Principle two – Independence of SAI Head and staff

### **The independence of the SAI Head and members of collegial institutions**

SAI heads and members of collegial institutions (such as a court of audit) should have security of tenure and be free to act independently from the Executive.

It is expected that:

- a SAI Head is appointed and reappointed by a process that ensures independence from the Executive
- a SAI Head can only be removed by a process that ensures independence from the Executive
- the SAI Head's independence is guaranteed in the Constitution or legislation
- the SAI Head is appointed for a sufficiently long period to allow them to carry out their mandate without fear of interference
- legal immunity is provided for the SAI Head and staff in the normal discharge of their duties and
- there is protection of the SAI from interference through court action.

Legislative examples are in [Appendix 2](#).

## Principle three – Broad mandate

### **A sufficiently broad mandate and full discretion to discharge SAI functions**

A SAI should have a sufficiently broad mandate and full discretion to discharge its functions.

It is expected that a SAI will have:

- a sufficiently broad functional mandate to discharge its functions; and
- a sufficiently broad coverage mandate to discharge its functions.

A SAI should be fully independent to perform its functions and be free from direction or interference from the Legislature or Executive in the:

- selection of audit issues;
- planning, conduct, reporting, and follow-up of audits; and
- enforcement of decisions made in the exercise of the mandate.

Ideally, the legal framework should also ensure the standards and methodology for the SAI's work are set by the SAI or other independent body rather than by the Executive. This is an important element of independence in functional terms.

Legislative examples are in [Appendix 3](#).

## Principle four – Unrestricted access

### **Unrestricted access to information**

SAIs should have the adequate powers to obtain timely, unfettered, direct and free access to relevant documents and information.

It is expected that:

- a SAI can access relevant documents or information relevant to its work;
- a SAI can call persons to produce documents or give evidence orally, in writing or under oath;
- a SAI can access premises to examine or make copies of relevant documents; and
- evidence received by a SAI is protected from inappropriate disclosure.

Legislative examples are in [Appendix 4](#).

## Principle five – Rights and obligations

### **The right and obligation to report on SAI work**

SAIs should not be restricted from reporting the results of their audits.

It is expected that SAIs:

- are required to report at least once a year on the results of their audit work;
- can report directly to the Legislature on their audit work; and
- can report at any time on any matter they consider warranting such a report.

Legislative examples are in [Appendix 5](#).

## Principle six – Content and timing of audit reports

### **The freedom to decide the content and timing of audit reports and to publish and disseminate them**

SAIs should have the freedom to decide the content and timing of their audit reports.

It is expected that SAIs are free to:

- decide the content and timing of their audit reports;
- disseminate their reports to the public; and
- brief and interact with the public and media on the content of their audit reports.

Legislative examples are in [Appendix 6](#).

## Principle seven – Follow up mechanism

### **The existence of effective follow-up mechanisms on SAI recommendations**

SAIs should have effective follow-up mechanisms to help ensure that audit recommendations are implemented.

It is expected that:

1. arrangements are in place to allow the Legislature, or a legislative committee, to consider an audit report;
2. SAIs have the mandate to do follow-up audits or reports;
3. the Legislature, or a legislative committee, can report publicly on its findings and hold the Executive to account for SAI recommendations; and
4. other systems exist for ensuring SAI findings are followed-up and reported on.

Legislative examples are in [Appendix 7](#).

## Principle eight – Financial and management autonomy

### **Financial and management autonomy and availability of resources**

A SAI should have sufficient financial and administrative resources to fulfil its mandate.

It is expected that:

- a SAI should have available the necessary reasonable human, material and monetary resources;
- a SAI's budget should be set independently of the Executive;
- a SAI should manage their own budget and allocate it as appropriate;
- a SAI should be free to appoint its staff independently of the Executive;
- the SAI Head should have autonomy about how the SAI office is organised and structured; and
- a SAI should have authority to develop its own human resources policy and practices separate from the Executive or other similar administrative body.

In return, a SAI should be demonstrably accountable for its use of resources. Independence cannot be unfettered. A SAI, like any other public sector entity, must be seen to be using public resources efficiently.

Legislative examples are in [Appendix 8](#).

## Being a model organisation through independence

SAI independence is a privilege. A SAI seeking to broaden independence must be able to show that it is a model organisation, is credible, competent and is held to account for its actions and operations.

Being a model organisation means leading by example, which involves:

- Being transparent
- Being accountable
- Having good governance
- Managing operations effectively
- Acting ethically
- Striving for excellence
- Contributing to the wider public sector

SAIs may want to compare their current arrangements in each of these areas against [PASAI's checklist of good practices](#).

In addition, a range of factors relating to SAI transparency, accountability and being a model organisation are set out in:

- INTOSAI-P 12: [The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens](#)
- INTOSAI-P 20: [Principles of Transparency and Accountability](#)

It is noted that SAIs operate under different mandates and models, so these principles may not be equally applicable to all SAIs.

## SAI ethics and independence

To be able to fulfil their functions and ensure their potential value to citizens, SAIs need to be seen as trustworthy, to avoid harmful conflicts of interest and to act ethically.

SAI management has an important role in ensuring the SAI's staff always comply with these principles and act ethically. However, many Pacific Islands have small populations, so are potentially at greater risk of having a conflict of interest or falling below acceptable ethical standards.



The EUROSAI Task Force on Audit & Ethics has produced a range of excellent material on SAI ethics and conflicts of interests. The Task Force has also produced a useful guide on things SAI management can do to ensure a SAI's staff act ethically and avoid conflicts of interests, along with EUROSAI's documents on ethical infrastructure and leadership:

- [Task Force website](#)
- [Task Force guide](#)
- [Supporting SAI to Enhance their Ethical Infrastructure – Pt 1](#)
- [Supporting SAI to Enhance their Ethical Infrastructure – Pt 2](#)
- [The Importance of Ethics Leadership](#)

Other useful documents and examples:

- [INTOSAI's Code of Ethics](#)
- [PASAI's Code of Conduct](#)
- [Bangladesh Code of Ethics](#)

## Part 4 – Learning from others

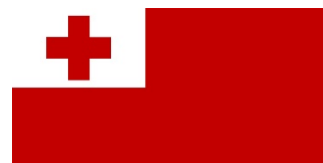
The lessons learnt and practical tips from SAIs that have achieved greater independence are useful for those SAIs trying to do the same. The tips include getting support from the Government about what you want to achieve and working collaboratively with others, including those responsible for the legislative process such as the Attorney-General. The tips also encourage SAIs to use PASAI's resources and experience, and to be patient and realistic about what will be accepted, because achieving independence may be an incremental process. However, independence is worth aiming for no matter how long it takes to achieve.

Below are stories from the SAIs of Tonga, Kiribati, Tuvalu and the Marshall Islands.

### Tonga's Story

Tonga's journey to independence faced the following obstacles:

- the Auditor-General was not independent from the Executive. The Auditor-General was appointed by the Prime Minister with the approval of Cabinet;
- the Auditor-General reported to the Prime Minister and Cabinet;
- the Auditor-General's removal was by Cabinet;
- the Auditor-General's report was to the Prime Minister and formed part of the Prime Minister's report to Cabinet;
- responses to the Auditor-General's reports were often shelved for many years;
- the Auditor-General's staff were appointed by the Public Service Commission who were responsible for remuneration and promotion; and
- the Tongan Audit Office was a Government Department and part of the Executive.



In 1979 there was no specific audit office and audit duties were part of the Civil Service Regulations that set out a government auditor's tasks, and nothing more.

In 1983 the Public Finance Administration Act and Revenue Bill was passed but a drafted Public Audit Bill, providing for some SAI independence, was not passed.

A Public Audit Act 1984 was passed setting out all the functions of the public audit office but providing very little independence for the Auditor-General. For example, the Auditor-General was still appointed and removed by the Prime Minister and staff were appointed by a Public Service Commission.

A new Public Audit Act was passed in 2007 that made significant changes to the accountability, and independence, of the Auditor-General. In particular:

- the Legislature became responsible for the appointment and removal of the Auditor-General;
- the Auditor-General reported directly to the Legislature; and
- the Auditor-General's mandate was broadened to include Public Enterprises.

The Public Audit Act was further amended in 2012 to ensure the Auditor-General directly employed staff and had responsibility for promoting and dismissing staff. Tonga's path to achieving its current independence took 33 years.

### Kiribati's Story

The Office of the Attorney-General drafted the Audit Act 2017 for the Kiribati Audit Office (KAO), which contains provisions recognised as international best practices, with the assistance of the Auditor-General, Matereta Raiman and PASAI's consultant for this toolkit.



The new provisions include:

- the creation of an Audit Board with six members to provide guidance to the work of the KAO;
- the inclusion of other types of audits as practiced in developed jurisdictions namely performance, environmental and IT audits, which were absent in the existing four pieces of governing legislation covering specific auditable entities;
- the power to instigate legal recovery actions on fraudulent cases and impose a fine and penalty;
- the requirement that the Auditor-General report on the operations of the KAO against the accountability annual work plan and the result/achievements of its audits to Parliament through the Board;
- the expectation the Auditor-General completes the audits and produces the audit reports within three months from the date of receipt of the financial statements;
- the power to obtain timely, unfettered, direct and free access to relevant documents and information (however, the Auditor-General is required to preserve the confidentiality of privileged documents); and
- the requirement for the KAO to apply the INTOSAI Framework of Professional Pronouncements in their audits.

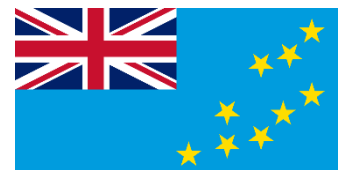
The Audit Board will review the accountability annual work plan of the KAO and evaluate the performance against these plans. However, it is emphasised in the Act the Board will not in any way interfere with the role, functions and independence of the Auditor-General as guaranteed by the Constitution.

The provisions of the new Act will enhance the work of the KAO and assist Parliament in the evaluation of government Ministries' and State-Owned Enterprises' programmes, with expected impacts in improved good governance, transparency and accountability.

“One of the added benefits to the Kiribati Audit Office because of this new Act, is the increase in transparency. The performance of every government office will be assessed by the auditors, and the office will be assessed by an approved oversight body, which is now the KAO Audit Board. The establishment of the Audit Board was fully supported by Cabinet so there will be no exception in the monitoring process. This was seen as the first step to promote good governance,” says Auditor-General Matereta Raiman.

## Tuvalu's Story

SAI Tuvalu has significantly increased its statutory independence with the passing of the Audit Act 2016. The new Act meets many of the principles of SAI independence under the Mexico Declaration on SAI Independence. It provides financial independence for the Tuvalu Office of the Auditor-General (TOAG) through a mechanism that places the funding of the SAI under the control of the Parliament – a significant achievement for both Tuvalu and the Pacific SAI community.



To further ensure its independence, there is a requirement that a minimum of 0.6% of the total annual appropriation (Parliament approved expenditure for the year) is to be provided to the TOAG.

The Government of Tuvalu and its Parliament are to be congratulated for recognising the need for this reform, and for acting to update the legislation in the manner encouraged by the resolutions of the United Nations General Assembly in 2011 and 2014. The resolutions stressed the importance of a strong, properly resourced, and independent SAI in improving transparency, accountability and value for money to ensure public funds are appropriately spent.

TOAG began its journey towards independence through discussions with other SAIs during PASAI Congresses. “The Office learnt during the implementation of its old Audit Act that it was out of date and lacked appropriate independence mechanisms for the SAI. PASAI’s 2015 Accountability and

Transparency study included Tuvalu in the in-depth research and identified the need for the SAI to update its Audit Act” stated Mr Eli Lopati, Auditor-General of Tuvalu.

PASAI’s Legal Consultant, Robert Buchanan, was instrumental in helping the TOAG to review the existing Audit Act and propose drafting of the new legislation, with the TOAG also receiving support and assistance from its twinning arrangements with the Victorian Auditor-General’s Office (VAGO).

The review of the existing Act was undertaken against the Mexico Declaration and best practice clauses from other legislation around the Pacific region. It also used the results of a self-assessment of the SAI’s independence under the SAI PMF performance management system. The drafting also drew on the legislation of Western Australia, which was assessed as having the best “follow the money” clause from the Survey on Australian Auditors-General.

The revised draft Audit Bill was then prepared based on the recommendations from the review and was discussed with and reviewed by the Attorney-General on a line-by-line basis. The Prime Minister was consulted extensively as the sponsor for the Bill, who supported the reasons for the reform (including the benefits of bringing Tuvalu’s legislation into line with international good practices. Cabinet approval was then sought for the Bill to be introduced in Parliament.

The Bill went through the normal legislative process. The Prime Minister presented some amendments in the “Parliament-in-Committee” stage, and these were adopted. The Bill was then given its third reading and was passed.

### Marshall Island’s Story

For SAI Marshall Islands, years of gathering advice, information and momentum did not deliver the imagined happy ending. Instead, the Auditor-General, Junior Patrick, experienced a frustrating almost-win that caused him to reconsider the SAI’s options for independence and reach some different conclusions instead.



For some months, Patrick and his office had been working with PASAI consultant, Mr Robert Buchanan, and legal advisor, Craig Neil, to amend the state’s Audit Act. The goal was to enable the SAI to manage its own human resources function, with full responsibility for all ‘people’ processes including recruitment and development. This would shift SAI HR management from the Government’s department which oversees HR for all members of government.

The ability to hire, pay, grow and deploy its own staff was seen as a major factor underpinning independence, as reflected in INTOSAI’s Mexico Declaration of 2007 for all SAIs which Patrick quoted during his campaign.

The most frustrating aspect for the SAI was the inability to compensate staff at the right levels under civil service pay scales, despite the auditors’ highly specialised skillsets and investment in their training. When another opportunity arose, staff would leave the office. Patrick wanted the opportunity to retain strong players in his team, and even carry out some succession planning, by removing the SAI from the jurisdiction of the Public Service Committee.

And it seemed achievable.

‘Robert and I had drawn up the Bill to change the structure of the department,’ says Patrick. ‘It was a strong proposal, and the Executive agreed to support it and sponsor the Bill. It went through Parliament with a unanimous vote – two thirds of the total membership.’

However, while an amendment to the Audit Act only required a majority vote in Parliament, amendments to the Constitution can only be changed through a referendum.

As a proposal to change the Constitution, the Bill still needed to be considered by the Constitutional Convention but given the efforts the Auditor-General had gone to in ensuring the right checks and balances were brought into the Bill, modelled on the government’s existing practices, Patrick’s optimism seemed reasonable. There were certainly some legitimate concerns raised during the consultation period – a few MPs had questions about the staff appeal process,

and the Speaker felt it might be creating 'a government within a government' – but overall there was no strong objection and therefore a high likelihood of the Bill going through.

The problem came on Voting Day. Normally, 45 elected parties from different districts would gather to consider and vote. A unanimous vote would be required – so 30 positive votes.

On the day the Bill was tabled, 11 members were out of the country, otherwise engaged or not available in some way. Junior Patrick tried to talk to the leadership to see if they could delay, but it was not to be. Of the normal 45 members, only 34 were present. The Bill received 28 votes – more than two thirds of the membership present at the meeting.

Sadly, though, it was two less than the required vote of 30 to pass the Bill.

That day, Patrick returned to the Audit Office in a haze, not quite able to take in that the Bill had fallen on a technicality. He admits he returned, sorely disappointed, to an equally sad office. 'This is a democratic government,' he told his employees. 'The majority rules and we have to respect that.' Still, there is no doubt he saw it as a failure. 'We could have done more on awareness. The Constitution Convention was not Parliament. It was a different set of people with different levels of understanding.'

It took a while to gather himself together again for a renewed approach with any kind of vigour, and Patrick credits legal advisors Buchanan and Neil with providing the support need to enable him and the office to move on.

With hindsight, however, he can view it all in a different light and extract the positive impact.

'Even though the vote was too low, the message went out across the Government,' Patrick states. 'I got a call immediately afterwards from the Public Services Commissioner, who asked to work with me on the issues our Bill had highlighted. We now have a new Communications Officer and three new investigators, and we've been able to increase the pay scales.'

He continues, 'The relationship with the Public Service Commission has changed. SAI staff still remain in the Public Service, but now we should be able to retain them in the longer term, whereas before we had high staff turnover.'

The Bill even influenced other government departments into change. 'Now everyone's trying to make some reforms,' jokes Patrick. 'There was even a proposal to get rid of the PSC altogether! That one was defeated unanimously.'

He is pleased the Bill led to such open discussions. After a full half-day's coverage on TV and radio of the televised debate, fellow citizens reported to the office it was a shame the Bill did not go through. As a result of their independence endeavours, the perception of the office has changed in the eyes, not just of the Government and the PSC, but of the public at large.

Moving forward, what has come about for the RMI Office of the Auditor-General is a more sanguine, softly trodden approach. After the low vote he received good counsel, notably from Robert Buchanan whose clearest message was 'your clients are the ones in control of resources and that doesn't give you independence as an auditor.'

So rather than waiting for another constitutional review which would only take place every ten years, Patrick and Buchanan are now working on a bill to amend the Audit Act such that it will only require a vote in Parliament. This time, they are focussing their attention on a few key areas which are not changes to the constitution – financial autonomy, the vital issue of immunity from prosecution and, hopefully, HR autonomy.

For other SAIs going through this process, the Auditor-General has two clear messages. 'Firstly, don't underestimate your leaders. They are working for the betterment of your country. And secondly, understand your framework. The Constitution is 40 years old – but things have changed and it's time to reflect that.'



The office has come a long way since the dark day of the vote. The SAI still works closely with Robert Buchanan – who strongly advises SAIs to ‘work with what they’ve got’ to achieve ‘independence in mind’ while continuing to promote legislative changes. Independence is a long-term goal – an ‘ongoing process requiring law reforms,’ as Patrick reports.

The drive and commitment to a major shift in the political climate around SAI independence, however, comes from the AG himself. ‘We need to have good staff who are exempt from certain restrictions. As long as I’m here, I’ll continue to align the office.’

It is a salutary tale for all SAIs. It signals that independence is a ‘journey’, and that modernising a SAI’s legal framework is not the only way of achieving independence in practice.

As for Junior Patrick – what happens if it is not possible to achieve the desired legislative reform? ‘We’ll get up and start running again at the next opportunity.’

It seems very likely that SAI Marshall Islands will do just that – as a next step on the ‘journey’ of SAI independence.

## Part 5 – SAI legislation

See below for references to current Pacific SAI legislation and Australasian SAI legislation.

Pacific SAI legislation	
Name	Legislation
American Samoa	<a href="#">American Samoa Code, Title 4, Executive</a> , Chapter 4 Territorial Audit Office
Cook Islands	<a href="#">Constitution of the Cook Islands</a>
	<a href="#">Public Expenditure Review Committee and Audit Act 1995–96</a>
Federated States of Micronesia	<a href="#">Annotated Code 2014 – Title 55 Government Finance and Contracts</a> Chapter 5
FSM – Chuuk	<a href="#">Draft Chuuk State Code, Title 28, Finance, Chapter 3, Office of Fiscal Accountability</a>
FSM – Kosrae	<a href="#">Kosrae State Code, Title 10, Finance, Chapter 4, Required Audits – Office of the Public Auditor</a>
FSM – Pohnpei	<a href="#">Pohnpei Constitution, Article 11, Public Finance</a> , Section 8, Auditor
FSM – Yap	<a href="#">Yap State Code, Title 13 Taxation and Finance, Chapter 7</a> Public Audits, Public Auditor Act
Fiji	<a href="#">Constitution of the Republic of Fiji</a>
	<a href="#">Audit Act 1969</a>
Guam	Guam Code Annotated, <a href="#">Chapter 19, Office of Public Accountability</a>
Kiribati	<a href="#">Kiribati Audit Act 2017</a>
Marshall Islands	<a href="#">Auditor-General (Definition of Duties, Functions and Powers) Act 1986</a>
	<a href="#">Auditor-General’s Compensation Act 1980</a>
Nauru	<a href="#">Audit Act 1973</a>
	<a href="#">Audit Amendment Act 2015</a>
Northern Mariana Islands	<a href="#">Commonwealth Code</a> , Title 1 Government, Division 7 Planning, Budgeting and Auditing, Part 3 Auditing Act, Commonwealth Auditing Act of 1983
Palau	Palau National Code <a href="#">Revenue and Taxation Title 40</a> , Chapter 2 – Public Auditor – Public Auditing Act 1985
Papua New Guinea	<a href="#">Audit Act 1989</a>
Samoa	<a href="#">Audit Act 2013</a>
	<a href="#">The Constitution of the Independent State of Samoa</a>
Solomon Islands	<a href="#">Public Finance and Audit Act</a>
	<a href="#">The Constitution of Solomon Islands</a>
Tonga	<a href="#">Public Audit Act 2007</a>
Tuvalu	<a href="#">Audit Act 2016</a>
Vanuatu	<a href="#">Expenditure Review and Audit Act 2006</a>

<b>Australasian SAI legislation</b>	
<b>Name</b>	<b>Legislation</b>
Commonwealth of Australia	<a href="#">Auditor-General Act 1997</a>
Australian Capital Territory	<a href="#">Auditor-General Act 1996</a>
New South Wales	<a href="#">Public Finance and Audit Act 1983</a>
Northern Territory	<a href="#">Audit Act 1995</a>
Queensland	<a href="#">Auditor-General Act 2009</a>
South Australia	<a href="#">Public Finance and Audit Act 1987</a>
Tasmania	<a href="#">Audit Act 2008</a>
Victoria	<a href="#">Constitution Act 1975</a>
	<a href="#">Audit Act 1994</a>
Western Australia	<a href="#">Auditor General Act 2006</a>
New Zealand	<a href="#">Public Audit Act 2001</a>

## Part 6 – Taking action

### Self-assessing independence

Self-assessing the extent to which your SAI is, or is not, independent will allow you to identify any current barriers to independence, with the aim of removing those barriers through legislative or practical changes. It will also allow you to benchmark your current state of independence against other SAIs.

There are two tools available that allow you to self-assess your current independence status:

#### 1. The SAI Performance Measurement Framework (SAI PMF)



The [SAI PMF](#) is a framework developed by the INTOSAI Working Group on the value and benefits of SAIs. It is intended to be used to establish how well a SAI performs compared to international good practices, as well as to identify its strengths and weaknesses.

The SAI PMF has a broad coverage and includes matters such as SAI internal governance and ethics, audit quality and reporting, financial management, human resources and training, and communication and stakeholder management.

It also includes a section on SAI independence (Domain A) which seeks to assess seven dimensions of a SAI's independence and mandate. They are:

1. appropriate and effective constitutional framework;
2. financial independence and autonomy;
3. organisational independence and autonomy;
4. independence of the Head of the SAI and its officials;
5. sufficiently broad mandate;
6. access to information; and
7. the SAI's right and obligation to report.

These principles are the same as seven of the eight INTOSAI pillars, but with different numbering.

The SAI PMF framework (Domain C) also assesses the SAI's system and processes for following-up audit recommendations (financial, compliance and performance). This helps to assess whether the SAI is meeting INTOSAI Pillar 7 – The existence of effective follow-up mechanisms on SAI recommendations.

A SAI may want to use Domain A (pages 46–54) to assess its independence and legal framework and Domain C (pages 76–77, 97, 112, 126 and following) to assess its follow-up procedures.

## 2. Victorian Auditor General's Office (VAGO) methodology for assessing independence

VAGO commissioned an independent researcher to assess all Australian and New Zealand Auditor General (public sector audit) legislation against the INTOSAI Principles of Independence (INTOSAI-P 10).



The broad aims of the assessment were to add objectivity to the VAGO's bid for reform to its legislation by using an external framework and an external assessor to assess the relevant state of SAI independence in Australia and New Zealand. It had the added benefit of providing Australian and New Zealand SAIs with a

standard framework and common language that could be used to discuss concerns about independence and our legislative reforms.

- [VAGO self-assessment methodology and instructions](#)
- [2009 Australasian assessment](#)
- [2013 assessment update](#)
- [VAGO presentation at 2015 Congress](#)
- [Independence of Auditors-General – A 2020 update of a survey of Australian and New Zealand legislation](#) commissioned by the Australasian Council of Auditors General

### Planning for independence

SAI independence does not happen by chance but will often require a concentrated effort over many years to progress.

This means it is important for a SAI seeking greater independence to develop a realistic plan on how to achieve it. A useful article on the approach a SAI could adopt to achieve greater independence is [Making SAI independence a reality – Some lessons from across the Commonwealth](#).

There is also detailed guidance on developing and implementing an independence strategy in IDI's 2017 draft [Towards Greater Independence: A guidance for Supreme Audit Institutions](#) (Part 2, chapters 4 and 5). The guidance describes an analytical process whereby a SAI assesses its current state of independence, undertakes a comparison against the Mexico Declaration principles (INTOSAI-P 10), identifies its own priorities, then drafts a strategy and implementation plan to achieve greater independence.

The guidance has a useful section on identifying priorities (pages 70–71). It notes it may be unrealistic to expect the SAI can achieve independence across all the matters contemplated by the Mexico Declaration. Therefore, a SAI may need to prioritise those independence matters that are the most important to it and target its effort on those matters. It might also be possible to enhance independence in the practical sense without the need for a lengthy process of seeking constitutional change. This is covered at item 2 in the [SAI independence checklist](#) of issues a SAI should consider when seeking to broaden its independence.

The guidance also deals with:

- the implementation of an independence strategy, including advocacy with key stakeholders and how to argue the case (pages 76–80); and
- some of the practical issues that can arise with legislative reform (page 85).

## Independence Checklist

Issue	Action required	Comments
11. Giving effect to new forms of independence	Ensuring the SAI is ready to meet greater challenges and issues associated with increased independence	<p>The SAI may need new systems to give effect to greater independence, which might have implications for both its resourcing and staff capability. For example:</p> <ul style="list-style-type: none"> <li>• A commitment to adopt independence standards has implications for the SAI’s operational manuals and staff training requirements.</li> <li>• Autonomy in setting audit standards may require new technical expertise.</li> <li>• Staffing autonomy may mean a SAI needs to upskill in running HR processes, such as payroll, leave, recruitment, resolving grievances.</li> <li>• Greater budget autonomy may require different financial management systems and expertise, as well as good financial reporting and accountability processes in the SAI.</li> <li>• An enhanced communications expertise, including website capability.</li> <li>• Expanded mandate, for example, to ‘follow the money’ may require training staff to deal with information from private sector parties and communicating and explaining the changes to the private sector.</li> </ul>

### Independence action plan

The IDI guidance notes it is important to have a plan for implementing an independence strategy and provides a comprehensive template (page 74).

Where a SAI has completed a PMF review it will have completed some of the template content already (such as the content ‘about the SAI’ and the assessment of the SAI’s independence against the eight principles of the Mexico Declaration). For those SAIs, one option would be to use the independence related gaps identified in the PMF review to list constitutional and legislative enhancements to remedy those gaps, and then prioritise the most important/achievable.

A SAI could also list any practical enhancements of independence that do not require legislative change. The SAI could then complete the rest of the implementation strategy template for the priority actions, including who it needs to consult/work with, timing, threats and risks, and the impact on resources and personnel.

Where a SAI has not completed a PMF review, it could use the template in the guidance.

PASAI has developed an editable [SAI Independence Strategy template](#) for SAIs to use. It contains a SWOT analysis table, a letter seeking legislative support and makes a compelling case for pursuing greater SAI independence.

There is also a [Legislative reform policy paper template](#) and [Drafting instructions](#) that a consultant used in the Solomon Islands.

## Understanding and responding to threats to independence

Threats to SAI independence can be caused by both external and internal factors and behaviours. Some specific threats to SAI independence include:

- Low funding levels or staffing levels, meaning the SAI cannot fulfil its mandate
- Poor quality audits leading to reputational risks for the SAI
- Delaying nomination or appointment of a SAI Head (prolonged vacancy)
- SAI accused of ‘politicising’ its work and being biased
- Political interference in the SAI’s work
- The Executive or Legislature frequently imposing new tasks on the SAI without allocating additional resources
- External parties trying to influence inappropriately the results of audits
- Politically engaged media attacking the SAI’s credibility

### Resources

A discussion on threats to SAI independence can be found in pages 81–84 of the INTOSAI paper [Strengthening External Public Auditing in INTOSAI Regions](#) (INTOSAI Conference 26–27 May 2010, Vienna).

The [IDI guidance](#) also discusses common threats to independence (pages 51–55).

The [IDI Global SAI Stocktaking Report 2017](#) shows the independence related results for the PASAI region.

The survey found the biggest threat to independence in the PASAI region is executive interference in budget setting, which has increased from 35% in 2014 to 57% in 2017 (page 56).

Similarly, the survey found:

- 66% of PASAI member SAIs do not have budgetary independence (page 24)
- 62% do not have full budgetary management autonomy (page 25)
- 10% have no budgetary autonomy at all (page 25).

There are possible [mitigation strategies](#) for threats to SAI independence.

### Comments or questions

Please contact the [PASAI Secretariat](#) with any comments, feedback or questions about this toolkit.

## Appendices

### Appendix 1: Examples of an appropriate and effective constitution and legal framework

#### **Auditor-General** (Public Audit Act 2007 – Tonga)

4(1) There shall be appointed an Auditor General who shall be the principal auditor for Government, responsible for carrying out the duties and responsibilities conferred on him under this or any other Act and who shall be responsible for the Audit Office.

(2) The Auditor General shall be an independent statutory office holder and shall not be subject to administrative control or direction in the exercise of his functions and duties other than as imposed by law

#### **Officer of the Legislative Assembly and Auditor-General Independence** (Auditor-General Act 1996 – Australian Capital Territory )

6A(1) The Auditor-General is an independent officer of the Legislative Assembly.

7(1) Subject to this Act and to other Territory laws, the Auditor-General has complete discretion in the exercise of the auditor-general's functions.

(2) In particular, the Auditor-General is not subject to direction from anyone in relation to—

- (a) whether or not a particular audit is to be carried out; or
- (b) the way in which a particular audit is to be carried out; or
- (c) the priority to be given to any particular matter

#### **Independence of the Auditor-General** (Auditor-General Act 1997 – Commonwealth of Australia)

8(1) The Auditor-General is an independent officer of the Parliament.

8(4) Subject to this Act and to other laws of the Commonwealth, the Auditor-General has complete discretion in the performance or exercise of his or her functions or powers. In particular, the Auditor General is not subject to direction from anyone in relation to:

- (a) whether or not a particular audit is to be conducted; or
- (b) the way in which a particular audit is to be conducted; or
- (c) the priority to be given to any particular matter

#### **Controller and Auditor-General and duty to act independently** (Public Audit Act 2001 – New Zealand)

7(1) There is an officer of Parliament called the Controller and Auditor-General

(2) The Controller and Auditor-General is appointed by the Governor-General on the recommendation of the House of Representatives.

9 The Auditor-General must act independently in the exercise and performance of the Auditor-General's functions, duties, and powers

#### **Auditor-General and functions of the Auditor-General** (Constitution of the Republic of Fiji)

151(1) The office of the Auditor-General established under the State Services Decree 2009 continues in existence.

(2) The Auditor-General is appointed by the President on the advice of the Constitutional Offices Commission, following consultation with the Minister responsible for finance.

(3) The President may, on the advice of the Constitutional Offices Commission, appoint a person to act as the Auditor-General during any period, or during all periods, when the office of the Auditor-General is vacant or when the Auditor-General is absent from duty or from Fiji or is, for any reason, unable to perform the functions of office (Constitution of the Republic of Fiji)

152(5) In the performance of his or her functions or the exercise of his or her authority and powers, the Auditor-General shall be independent and shall not be subject to the direction or control of any person or authority, except by a court of law or as otherwise prescribed by written law

#### **Establishment of Audit Office** (Auditor General Act 1997 – Commonwealth of Australia)

38(1) There is established an Office called the Australian National Audit Office.

(2) The Audit Office consists of the Auditor-General and the staff referred to in section 40



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## Notes

A SAI is established and mandated by the Constitution or other form of legislation; however, the legal framework of a SAI may vary. For example, legislation may establish an office pertaining to an individual (such as the Auditor-General) or establish the institution of the SAI, or both. In practice, the distinction between the office and institution can be important. For example, terms and conditions of employment would only apply to the office, and not the institution. Also, indemnity provisions may only apply to the office and not the institution, meaning the institution could be subject to litigation.

In some Westminster-model jurisdictions, such as New Zealand and Victoria, the Auditor-General is an Officer of Parliament which provides the Auditor-General with increased status as well as ensuring the Auditor-General is separated from the Executive. The Officer of Parliament status will also usually mean the Auditor-General is responsible and accountable to the Legislature, rather than the Executive, which strengthens the Auditor-General's independence in a legal and/or a practical sense.

The statutory framework should also spell out, and recognise, independence. Matters covered should include the capacity to undertake the role free from interference, independence from audited entities, and functional and organisational independence to carry out a mandate.

Some jurisdictions explicitly recognise independence in their constitution. This is the preferred international best practice, because it gives entrenched protection (amendments to the constitution are often more difficult to make than amending specific legislation). However, other jurisdictions recognise independence through "basic" legislation (such as an audit act) which would usually provide appropriate independence.

The role of a SAI is to hold senior government officials, government ministers and heads of state to account for their actions. Accordingly, it is important that the establishing law recognises the SAI is the pre-eminent financial accountability office or institution in a jurisdiction, and that it has appropriate rank and status within government and the public service.

Also, the individual holding the office should be prohibited from holding any office or having any other occupation on the basis that to do so may create a conflict of interest. However, the legislation could provide for the SAI Head to hold such a position on the approval of the Legislature.

Return to [Principle one](#).

## Appendix 2: Legislative examples of independence of the SAI Head and members of collegial institutions

### **Independence** (Audit Act 2017 – Kiribati)

21 The Auditor-General shall be independent and shall not be subject to the direction of control of any body.

### **Appointment** (Auditor-General Act 1996 – Australian Capital Territory)

8 (1) The Speaker must, on behalf of the Territory, appoint a person as Auditor-General.

(2) The appointment must be made—

- (a) in consultation with the Chief Minister; and
- (b) in consultation with the Leader of the Opposition; and
- (c) in consultation with the leader (however described) of a registered party (other than the party to which the Chief Minister or Leader of the Opposition belongs) if at least 2 members of the Legislative Assembly are members of the party; and
- (d) in accordance with an open and accountable selection process.

(3) The Speaker must not appoint a person as Auditor-General unless—

- (a) the Speaker is satisfied that the person has extensive knowledge of, and experience in—
  - (i) governance and risk management; or
  - (ii) public administration; and
- (b) the public accounts committee agrees to the person's appointment.

### **Term of appointment of Auditor-General** (Schedule 3 of the Public Audit Act 2001 – New Zealand)

(1) The Auditor-General is to be appointed for a term not exceeding 7 years.

(2) Despite sub-clause (1), where the term of office of an Auditor-General expires, that Auditor-General, unless sooner vacating office or being removed from office, continues to hold office until a successor to the Auditor-General is appointed.

(3) The Auditor-General may resign at any time by notice in writing to the Speaker of the House of Representatives, or to the Governor-General if there is no Speaker or the Speaker is absent from New Zealand.

(4) A person who has been appointed as Auditor-General must not be reappointed as Auditor-General.

### **Tenure** (Public Audit Act 2007 – Tonga)

6(1) The Auditor General shall serve —

- (a) for a term of five years and may be reappointed for one additional term upon satisfactory performance; and
- (b) a maximum of two terms.

(2) The Legislative Assembly may remove the Auditor General from office by a two-thirds majority vote for disability affecting the performance of duty, bankruptcy ordered by the Court, neglect of duty or misconduct.

### **Protection of Auditor-General etc from liability** (Auditor-General Act 1996 – Australian Capital Territory)

37(1) A protected person is not personally liable for conduct done honestly and without recklessness—

- (a) in the exercise of a function under this Act or another law; or
- (b) in the reasonable belief that the conduct was in the exercise of a function under this Act or another law

### **Independence of the Auditor-General** (Auditor-General Act 1997 – Commonwealth of Australia)

8(1) The Auditor-General is an independent officer of the Parliament.

**Schedule 1 - Appointment of Auditor-General** (Auditor-General Act 1997 – Commonwealth of Australia)

(1) The Auditor-General is to be appointed by the Governor-General, on the recommendation of the Minister, for a term of 10 years.

**Minister must refer recommendation for appointment of Auditor-General to the Joint Committee of Public Accounts and Audit** (Auditor-General Act 1997 – Commonwealth of Australia)

2(1) The Minister must not make a recommendation to the Governor-General under clause 1 unless:

- (a) the Minister has referred the proposed recommendation to the Joint Committee of Public Accounts and Audit for approval; and
- (b) the Committee has approved the proposal.

**Removal from office etc.** (Auditor-General Act 1997 – Commonwealth of Australia)

6(1) The Governor-General may remove the Auditor-General from office if each House of the Parliament, in the same session of the Parliament, presents an address to the Governor-General praying for the removal of the Auditor-General on the ground of misbehaviour or physical or mental incapacity.

(2) The Governor-General must remove the Auditor-General from office if the Auditor-General does any of the following:

- (a) becomes bankrupt;
- (b) applies to take the benefit of any law for the relief of bankrupt or insolvent debtors;
- (c) compounds with his or her creditors;
- (d) assigns his or her remuneration for the benefit of his or her creditors.

**Controller and Auditor-General** (Public Audit Act 2001 – New Zealand)

7(2) The Controller and Auditor-General is appointed by the Governor-General on the recommendation of the House of Representatives

**Duty to act independently** (Public Audit Act 2001 – New Zealand)

9. The Auditor-General must act independently in the exercise and performance of the Auditor-General's functions, duties, and powers

**Protection from liability** (Public Audit Act 2001 – New Zealand)

41(1) This section applies to--

- (a) the Auditor-General in his or her personal capacity; and
- (b) the Deputy Auditor-General in his or her personal capacity; and
- (c) every person employed by the Auditor-General, whether acting as an appointed auditor or not, in connection with the performance or exercise of the Auditor-General's functions, duties, or powers.

(2) No person to whom this section applies is personally liable for an act or omission in connection with performing or exercising a function, duty, or power under this Act, unless the act or omission was done in bad faith.

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**Notes**

It is important the process of appointing the SAI Head is free of political interference, as a political appointment may compromise the SAI Head's independence from the very start.

There is widespread variation on how SAI heads are appointed, for example, the Executive may make the appointment, or it may be made by the Legislature.

The best practice approach is that the Legislature appoints the SAI Head but, at a practical level, this will not always be possible. However, from an independence perspective the greater the involvement the Legislature can have in the appointment process the better.

The length of appointment is also important. If the appointment period is too short then independence is at risk due to the inability to perform any meaningful work. If it is too long there

may be a risk of collusion or familiarity. As a guide, SAI heads are usually appointed for a period of between 6 to 10 years.

Also, it is common there be no right of re-appointment, normally in conjunction with a longer term of office. This further preserves independence because the SAI Head is not dependent on anyone for a further appointment.

It is also important that the right person is appointed to the position. A SAI Head should have the necessary skills and qualifications required for the position but must also be free of any conflicts of interest. For example, they should not be affiliated to any political party or be a member of government or a political party. If this is the case, it is useful to have minimum period of time between positions.

Because of the small populations in the Pacific, there may be close personal relationships between members of the Executive (for example, ministers) or members of the Legislature and a candidate for SAI Head. Such relationships should not disqualify an appointment, but require the appointment process to be transparent. Also, additional care would need to be taken if the appointed person had close personal relationships with the Executive to ensure conflicts did not arise. If they did arise, potential conflicts could be managed by, for example, providing for a deputy SAI Head to be the decision maker.

Remuneration is another consideration. It is important this is determined independently and free of political interference. There should be a body independent of the Executive established (sometimes under the Constitution) to impartially set remuneration for certain public officials such as judges and the SAI Head. Ideally, to preserve a SAI Head's status, the remuneration should be at least commensurate with government department heads, and should also be the subject of a non-reduction provision for incumbents in office.

Return to [Principle two](#).

### Appendix 3: Legislative examples of mandate and discretion

#### **Functions (Auditor-General Act 1996 – Australian Capital Territory)**

10(1) In addition to the functions given to the Auditor-General by this Act, the Auditor-General has the following functions:

- (a) to promote public accountability in the public administration of the Territory;
- (b) to audit annual financial statements of the Territory, directorates and territory authorities under the Financial Management Act;
- (c) to audit the accounts and records in relation to any person, body or thing ascertained in accordance with the regulations;
- (d) to conduct performance audits in relation to any person, body or thing ascertained in accordance with the regulations;
- (e) any function given to the Auditor-General by or under any other law of the Territory;
- (f) to do anything incidental or conducive to any of the auditor-general's functions

#### **Auditor General's duties and Performance Audit (Public Audit Act 2007 – Tonga)**

10(1) The Auditor General shall, without limiting any other statutory provisions undertake an audit programme, in accordance with section 13(2), to examine transactions, books and accounts, and other financial records of Ministries and Government agencies.

(2) The Auditor General shall undertake an audit programme to review and approve the audited accounts of public enterprises and may conduct audits of any public enterprise that has not had its financial statements audited by a private firm of auditors. Where the Auditor General does not approve the audited financial statements of a public enterprise, he shall commence an independent audit of the public enterprise within 31 days of rejecting the private audit report.

(3) The Auditor General shall undertake an audit programme to audit and examine transactions, books and accounts and other financial records associated with any project, programme, or other activity receiving funding in whole or in part from public money, including public money received by a non-profit organisation (including relevant international organisations)

10A(1) The Auditor-General may at any time examine—

- (a) the extent to which a Government agency, Ministry or public enterprise is carrying out its activities effectively and efficiently;
- (b) any act or omission in order to determine whether waste has resulted or may have resulted or may result; and
- (c) any act or omission showing or appearing to show a lack of probity or financial prudence by a Government agency, Ministry or public enterprise or one or more of its members, office holders, and employees

#### **Functions of Auditor-General (Constitution of the Republic of Fiji)**

152.—(1) At least once in every year, the Auditor-General shall inspect, audit and report to Parliament on—

- (a) the public accounts of the State;
- (b) the control of public money and public property of the State; and
- (c) all transactions with or concerning the public money or public property of the State

#### **Special duties to act to prevent fraud, waste and abuse in the collection and expenditure of public funds (Public Auditor 40 PNCA – Palau)**

224 (a) The Office of the Public Auditor shall specially act to prevent and detect fraud, waste and abuse in the collection and expenditure of all public funds. The Public Auditor may audit any transaction involving the procurement of supplies or the procurement of any construction by agencies of the Republic and the procurement of any supplies and services in connection with such construction.

(b) The Public Auditor may conduct audits and inspections, when necessary, relating to programs and operations involving expenditure of public funds. He may review legislation and regulations relating to programs and operations involving expenditure of public funds and may make recommendations concerning the effect of such legislation or regulation on the prevention and detection of fraud, waste and abuse. He may recommend policies which will assist in the

prevention or detection of fraud, waste and abuse. The person in charge of, or the governing body of any agency of the Republic, involved in the expenditure of public funds for the purpose of procurement of supplies or construction, and the services and supplies in connection therewith, may request the assistance of the Office of [the] Public Auditor with respect to implementation of any suggested policy

**Audit** (Constitution Act 1964 – Cook Islands)

71(1) The Audit Office of [the Cook Islands] shall be the auditor of the Cook Islands Government Account and of all other public funds or accounts, and of the accounts of all Departments and offices of executive government and of such other public, statutory, or local authorities or bodies as may be provided by law.

(2) The Audit Office shall, at least once annually, forward to the Speaker of [Parliament] for presentation to [Parliament] a report containing such information as is required to be submitted by any enactment, together with such other information relating to the Cook Islands Government Account or other funds or accounts which under this Constitution or under any other enactment are required to be audited by the Audit Office as that Office considers desirable

**Reports not to question policy objectives** (Audit Act 1994 – Victoria)

63(1) The Auditor-General must not in a report prepared under this Act or any other Act question the merits of policy objectives of the Government.

**Publication of auditing standards** (Public Audit Act 2001 – New Zealand)

23 (1) The Auditor-General must publish, by way of a report to the House of Representatives, the auditing standards that the Auditor-General applies, or intends to apply, to the conduct of audits and inquiries, and the provision of other auditing services, under this Part.

(2) A report under subsection (1) must be prepared at least once every 3 years.

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**Notes**

It is important for a SAI to have both *functional* and *coverage* mandates.

***Functional mandate***

The functional mandate refers to the type of audit work a SAI can undertake. For example, audit opinions on financial statements and accounts, assurance on management reporting systems, compliance audits and performance audits.

There has been an international trend to broaden the type of audit work a SAI can undertake that extends beyond the SAI's traditional role of financial audits. For example, SAIs are increasingly undertaking performance audits into the efficiency and effectiveness of government department operations.

Undertaking new functions can be risky for a SAI and it is important that a SAI's reputation for high-quality work is preserved. Accordingly, before undertaking new areas of work a SAI should ensure it has the necessary skills to do so.

Some jurisdictions allow the Executive to direct the SAI to undertake an audit or investigation, but this may be a threat to SAI independence as, in these circumstances, the SAI could be regarded as acting for and on behalf of the Executive. Accordingly, a SAI should be cautious about any move to give a power of direction to the Executive.

It is usual, and appropriate, for any matters relating to government policy to be outside a SAI's functional mandate. This is because policy is essentially a political activity which a SAI should stay away from. This matter is most relevant to a SAI's performance audit function that often examines an organisation's non-financial performance.

In recent years there has been an increased government focus on identifying and prosecuting bribery, fraud, and corruption. Traditionally, the primary responsibility for these matters has been with government organisations such as the police, serious fraud offices, anti-corruption commissions, and Ombudsman offices, rather than SAIs.

However, the public has considered that SAIs seek to detect bribery, fraud and corruption which is not the case. In some jurisdictions this has led to a public expectation gap between what the public thinks a SAI does and what it actually does.

It is important that SAIs address this expectation gap. They could do this by making the separation of responsibilities between auditors and law enforcement agencies clear. Also, mandates permitting, SAIs should consider if they can play a greater role in improving public sector governance standards and ethical behaviour in the public sector.

### ***Coverage mandate***

Coverage mandate refers to the type of organisation or entity a SAI can audit.

Historically, a SAI's coverage mandate has been limited to "core" public sector entities such as government departments. However, governments are now funding and delivering public services through a variety of different legal entities such as State-Owned Enterprises, Crown entities, and Trusts. It is important that SAIs have a sufficient coverage mandate to audit a broad range of entities to ensure they are accountable for what they do.

It may be inappropriate for a SAI's full functional mandate to apply to all entities. For example, some jurisdictions limit a SAI's mandate for State-Owned Enterprises to auditing the financial accounts on the basis that the Board of Directors of the State-Owned Enterprise is responsible and accountable for its non-financial performance.

Some SAI mandates allow the SAI to "follow the money" which gives the SAI authority to investigate a matter concerning public funding regardless of the legal nature of the recipient of the funding. This means the SAI could, potentially, examine a non-public sector entity to determine if its funding was applied for the purposes it was given.

### ***Independence in giving effect to its mandate (full discretion to discharge its functions)***

A SAI should also have full discretion about how to give effect to its mandate, both in terms of selecting audit issues and planning, conducting, reporting and following up audits, and in applying standards and methodology. A SAI should be free from direction or interference from the Legislature or Executive in these matters.

That said, a SAI should not determine its work programme in a vacuum. There should be scope for the SAI to discuss its intended work programme with the Legislature, and for the SAI to be open to considering requests for particular audits or areas of emphasis. But it is important that decision-making about audit work rests with the SAI, and there is the ability to say "no" to requests from politicians or others where there is good reason to do so. Ideally, this would be clear in the legal framework, with a provision along the lines that a SAI/Head of SAI is free from direction from any person or body in selecting and reporting on audits.

Independence in relation to mandate should also extend to audit standards and broader audit methodology. In some systems, the Executive sets the accounting standards for the government's financial reporting. It would not be appropriate for the Executive to also set the standards for auditing the financial reports, as this would be inconsistent with auditor independence. Better options are for the SAI Head or an independent body to set the auditing standards, preferably with reference to international standards with a power to adjust for local circumstances. In either case, the standards should be publicly available.

The SAI should also be free to determine its own broader audit methodology, and to set standards and expectations for how its staff will conduct themselves.

Principle eight also addresses the autonomy of the SAI to allocate resources to audit activity as necessary.

Return to [Principle three](#).



## Appendix 4: Legislative examples of unrestricted access to information

### **Power to obtain information etc** (Auditor-General Act 1996 – Australian Capital Territory)

14(1) For this Act, the Auditor-General may, by written notice, require a person to do any 1 or more of the following:

- (a) to give stated information to the Auditor-General within a stated reasonable time;
- (b) to produce a stated document in the possession or control of the person to the Auditor-General within a stated reasonable time;
- (c) to attend and answer questions before the Auditor-General at a stated reasonable time and place

### **Power of Auditor-General to obtain information** (Auditor-General Act 1997 – Commonwealth of Australia)

32 (1) The Auditor-General may, by written notice, direct a person to do all or any of the following:

- (a) to provide the Auditor-General with any information that the Auditor-General requires;
- (b) to attend and give evidence before the Auditor-General or an authorised official;
- (c) to produce to the Auditor-General any documents in the custody or under the control of the person

### **Access to information**

24 The chief executive and the governing body of a public entity must ensure that the Auditor-General has access at all times to the documents of the entity relating to the performance and exercise of the Auditor-General's functions, duties, and powers.

### **Power of Auditor-General to obtain information** (Public Audit Act 2001 – New Zealand)

25(1) For the purposes of exercising or performing the Auditor-General's functions, duties, or powers, the Auditor-General may require a public entity or any person to:

- (a) produce to the Auditor-General a document in the entity's or person's custody, care, or control;
- (b) provide the Auditor-General with information or an explanation about any information

### **Access to records, information etc** (Public Finance and Audit Act 1983 – New South Wales)

36(1) The Auditor-General, an auditor or a person authorised by the Auditor-General:

- (a) for the purposes of any inspection or audit authorised or required to be carried out by the Auditor-General pursuant to this Act or any other law in relation to any person, group of persons, body, fund or account, or
- (b) for the purpose of exercising any other function conferred or imposed on the Auditor-General pursuant to this Act or any other law, is entitled at all reasonable times to full and free access to the books, records, documents and papers of or relating to the person, group of persons, body, fund or account or relating to public money, other money, public property or other property and may make copies thereof or take extracts therefrom

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## Notes

An emerging practical issue is a government requirement that SAI employees hold appropriate security clearances before being allowed access to certain documents. Related to this, some government departments will not allow certain documents to leave their premises – either physically or electronically.

It is important that SAIs plan for these issues and ensure staff have the necessary security clearances before an audit commences.

Return to [Principle four](#).

## Appendix 5: Legislative examples of the right and obligation to report on SAI work

### **Reports for Legislative Assembly** (Auditor-General Act 1996 – Australian Capital Territory)

17(1) The auditor-general may at any time prepare a report for the Legislative Assembly on any matter arising in connection with the exercise of the auditor-general's functions.

17(2) The report must include the substance of any comments received by the auditor-general under

### **Reports to Minister, committees, etc** (Public Audit Act 2001 – New Zealand)

21 The Auditor-General may report to a Minister, a committee of the House of Representatives, a public entity, or any person on any matter arising out of the performance and exercise of the Auditor-General's functions, duties, and powers that the Auditor-General considers it desirable to report on

### **Report on Audit** (Kiribati Audit Act 2017)

35(1) The Auditor General may prepare a report on any audit conducted under this Act.

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## **Notes**

A SAI should not be restricted from reporting its audits results and most SAIs are required to report at least once a year to the Legislature.

The Legislature should be the primary audience of the SAI's report. That reflects the principles of independence of the SAI and its responsibility to the Legislature. The SAI may also be required to send copies of its reports to the Executive or a Minister. That is not unacceptable if the primary recipient is the Legislature.

It is also important that a SAI make the most of its audit reports and achieves the greatest impact from them. This requires that the SAI also make its reports public. To achieve this, a SAI should identify its target audience and distribute the audit report to them. The target audience would usually include the media, and public and special interest groups.

SAIs need to consider different ways to distribute and publicise their audit findings and technical developments provide opportunities for this. For example, some SAIs are using YouTube videos to discuss audit findings. Some use Facebook or Twitter feeds to inform the public of audit results. Others have email distribution lists to alert registered users to new audit reports.

Return to [Principle five](#).

## Appendix 6: Legislative examples of freedom to decide content and timing of audit reports

### **Independence** (Audit Act – Northern Territory of Australia)

12A(1) In performing or exercising the Auditor-General's functions or powers, the Auditor-General:

- (a) is not subject to the direction of any person; and
  - (b) must act independently, impartially and in the public interest.
- (2) Without limiting subsection (1), the Auditor-General is not subject to direction in relation to any of the following:
- (a) the type of audit to be performed;
  - (b) how an audit is to be performed;
  - (c) whether a report on an audit is to be made;
  - (d) what is to be included, or not included, in a report;
  - (e) the priority of matters to be considered

### **Report on audit** (Auditor-General Act 2009 – Queensland)

54(1) The Auditor-General may prepare a report on any audit conducted under this Act.

(2) An authorised auditor, other than the Auditor-General, must give the Auditor-General a report on every audit conducted by the authorised auditor.

(3) A report under subsection (1) or (2) may contain observations and suggestions about anything arising out of the audit.

(4) If the Auditor-General considers that observations or suggestions made under subsection (3) require attention or further consideration, the Auditor-General must give them, and any comments on them—

- (a) if they arose out of an audit of the consolidated fund accounts—to the Treasurer and any other person whom the Auditor-General considers to have a special interest in the report; or
- (b) if they arose out of an audit of a department—to the accountable officer of the department and any other person whom the Auditor-General considers to have a special interest in the report

### **Independence of Auditor-General** (Audit Act 2008 – Tasmania)

10 (1) The Auditor-General is authorised and required to act independently in relation to the performance of the functions of the Auditor-General and, subject to this Act and other written laws, has complete discretion in the performance of those functions.

(2) In particular, the Auditor-General is not subject to direction from anyone in relation to –

- (a) whether or not a particular audit is to be conducted; or
- (b) the way in which a particular audit is to be conducted; or
- (c) whether or not a particular report is to be made; or
- (d) what is to be included in a particular report; or
- (e) the priority to be given to any particular matter

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## Notes

It is usual for SAIs to be able to determine the content and timing of their audit reports.

There can be practical impediments to timely audit reports. This is especially a problem when audit arrears arise, either because of delays in preparing financial statements for audit or due to a lack of capacity or resources to complete an effective and timely audit.

SAIs can improve the timeliness of audit reports by, for example, undertaking audits for multiple years at the same time.

Return to [Principle six](#).

## Appendix 7: Legislative examples of effective follow-up measures

### **Annual Reports** (Public Audit Act 2007 – Tonga)

24(1) The Auditor General shall, without limiting the right to report at any other time, by 31 March of each year forward to the Speaker and to the Prime Minister, an annual report relating to the reviews and audits undertaken according to law.

(2) The Speaker shall, when the Legislative Assembly is in session, forthwith present the annual report to the members of the Legislative Assembly and give the members the opportunity to comment on the annual report. Where the Legislative Assembly is not in session the Speaker must forthwith present the annual report to the members at the start of the next ensuing session of the Legislative Assembly and give the members the opportunity to comment on the annual report.

(3) The Auditor General shall, without limiting the generality of subsection (1), provide in the annual report a signed statement in respect of every Ministry, Government agency, public enterprise or other organisation account audited that shall —

(a) comment on the audit undertaken, containing such information as will fairly disclose the Ministry's, Government agency's, public enterprise's or other organisation's compliance with the matters referred to in section 10(4)(a), (c) and (d) and section 14 together with such other information and comments relating thereto as the Auditor General thinks fit; and

(b) include a statement or statements containing such matters as the Auditor General thinks fit relating to —

(i) any accounts or transactions that are required to be audited under this Act; or

(ii) the performance or exercise by the Auditor General of any of the functions, duties, or powers under this or any other Act.

(4) The Auditor General may publish and disseminate any annual report or any special report that has been presented to the Legislative Assembly

### **Audit reports of public bodies** (Audit Act 2013 – Samoa)

40(1) The Controller and Auditor General must, in each year, prepare and submit to the Speaker an audit report of any audit of public bodies, related entities or audited subsidiaries of public bodies conducted under this Act or any Act or law.

(2) The Controller may include in the audit report under subsection (1):

(a) a list of public bodies, related entities or subsidiaries of public bodies that are not audited by the Controller for that particular year; and

(b) any deficiency or function that is not properly performed under generally accepted accounting principles and practices which the Controller considers to be significant; and

(c) any significant change in the Controller's auditing approach from the previous year's audit.

(3) The Controller must:

(a) notify the Prime Minister and the relevant Minister responsible of the contents of the audit report; and

(b) invite the, public body, related entity or subsidiary, statutory or local authority or other body to whom the audit report relates to make submissions or comments on the content of the audit report before a specified date; and

(c) within sixty days from the date to be specified in paragraph (b), forward the audit report with any comment received to the Speaker who must present it to the Legislative Assembly under section 42

### **Annual report to Parliament** (Audit Act 2016 – Tuvalu)

33(2) For each financial audit in relation to a public sector entity in the preceding financial year, the report under subsection (1) shall —

(a) state —

(i) whether or not the audit has been completed; and

(ii) the results of the audit;

(b) draw attention to any case in which the functions relating to the financial management of the public sector entity were inadequately performed and if the matter is of sufficient significance to require inclusion in the report;

- (c) report on what action (if any) was taken by the public sector entity to remedy significant deficiencies reported in previous reports on audits of the entity; and
- (d) make such other observations and recommendations as the Auditor-General thinks appropriate.
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## Notes

It is rare for SAI legislation to explicitly provide that a SAI should follow-up its recommendations. However, a SAI is often required to provide its audit report to the Legislature, or a committee of the Legislature (for example a Public Accounts Committee), which can review the report and support the SAI in the follow-up process.

Some Public Accounts Committees may lack expertise or resources to adequately undertake their tasks. In the case of the former, a SAI could help the Public Accounts Committee by providing training sessions to the Committee to allow them to better understand audit reports and relevant technical terms. In the latter case, other international organisations may be willing to provide financial support or temporary staff to assist a Public Accounts Committee.

A Public Accounts Committee may be more engaged in the follow-up process if it has full confidence in the SAI, the SAI Head and the SAI's work. Accordingly, it is important the SAI develops a strong professional relationship with the Public Accounts Committee. Factors that may contribute to establishing such a relationship include getting the Public Accounts Committee involved in the development and review of a SAI's work programme, providing the Public Accounts Committee with training on the SAI's role and how to read an audit report, and ensuring that audit reports are well written and easy to read. It is particularly important that a SAI establish a strong relationship with the Chair.

It is also good practice for a SAI to follow-up with the auditee to see if the auditee has implemented the SAI's recommendations. This follow-up action could take place 12 to 18 months after the original report has been made public and could be done by:

- writing to the auditee and asking them whether it has implemented audit recommendations and requesting relevant audit evidence; or
- undertaking a short-follow up audit to examine whether the auditee has implemented audit recommendations.

In both circumstances, the follow-up work could be presented to the Legislature for further examination (for example, in the next annual report on audits).

Return to [Principle seven](#).

## Appendix 8: Legislative examples of financial and management autonomy and availability of resources

### **Estimates** (Auditor-General Act 2009 – Queensland)

21(1) The Auditor-General must prepare, for each financial year, estimates of proposed receipts and expenditure relating to the audit office.

(2) The Auditor-General must give the estimates to the Treasurer.

(3) The Treasurer must consult with the parliamentary committee in developing the proposed budget of the audit office for each financial year

### **Audit priorities, budgets and expenditure** (Audit Act 1994 – Victoria)

77(1) In performing or exercising the Auditor-General's functions or powers, the Auditor-General must—

(a) consult with the Parliamentary Committee; and

(b) have regard to any audit priorities determined by the Parliamentary Committee.

(2) The Auditor-General's budget for each financial year is to be determined in consultation with the Parliamentary Committee concurrently with the annual plan under section 73.

### **Staff subject only to direction of Auditor-General** (Auditor-General Act 2009 – Queensland)

27(1) The staff of the audit office are not subject to direction by any person, other than the Auditor-General, the deputy Auditor-General or a person authorised by the Auditor-General, about—

(a) the way in which the auditor-general's powers in relation to audit are to be exercised; or

(b) the priority to be given to audit matters

### **Staff not subject to direction from others** (Auditor General Act 1996 – Australian Capital Territory)

9DA(1) The auditor-general's staff are not subject to direction from anyone other than the following people in relation to the exercise of the auditor-general's functions:

(a) the Auditor-General;

(b) another member of the auditor-general's staff authorised by the Auditor-General to give Directions

### **Employees of the Auditor General** (Public Audit Act 2007 – Tonga)

8(1) The Auditor General may employ such persons as are necessary for the performance of the Auditor General's functions, duties and powers under such terms and conditions of employment that the Auditor General may determine.

### **Establishment of the Audit Office** (Audit Act 2013 – Samoa)

11(3) The Controller has sole power to employ, which includes power to structure, appoint, manage, and fix remuneration and salaries of the Assistant Auditor, officers, employees and other persons of the Audit Office on terms that the Controller thinks fit.

(4) The power under subsection (3) to appoint includes the power to transfer (within the Audit Office), promote, suspend, discipline or dismiss officers and employees, and to vary, suspend or terminate contracts for consultants or contractors

### **Functions of Auditor-General** (Constitution of the Republic of Fiji)

152(6) The Auditor-General shall have the authority to appoint, remove and discipline all staff (including administrative staff) in the office of the Auditor-General.

152(7) The Auditor-General has the authority to determine all matters pertaining to the employment of all staff in the office of the Auditor-General, including—

(a) the terms and conditions of employment;

(b) the qualification requirements for appointment and the process to be followed for appointment, which must be an open, transparent and competitive selection process based on merit;

- (c) the salaries, benefits and allowances payable, in accordance with its budget as approved by Parliament; and
- (d) the total establishment or the total number of staff that are required to be appointed, in accordance with the budget as approved by Parliament
- (8) The salaries, benefits and allowances payable to any person employed in the office of the Auditor-General are a charge on the Consolidated Fund.
- (9) Parliament shall ensure that adequate funding and resources are made available to the Auditor-General, to enable him or her to independently and effectively exercise his or her powers and perform his or her functions and duties.
- (10) The Auditor-General shall have control of the budget and finances of the office of the Auditor-General, as approved by Parliament.

**Employees of Auditor-General** (Public Audit Act 2001 – New Zealand)

Schedule 3 - 8(1) The Auditor-General may employ such persons as are necessary for the performance of the Auditor-General's functions, duties, and powers.

(2) Except as otherwise stated in this Act, the terms and conditions of employment of any employee are as agreed by the Auditor-General with the employee

**Staff of Audit Office** (Public Finance and Audit Act 1983 – New South Wales)

33B(1) The Auditor-General may appoint, as members of staff of the Audit Office, such persons as may be necessary to enable the Auditor-General to exercise the Auditor-General's functions.

(2) Those persons are taken to be employed by the Government of New South Wales in the service of the Crown, except as provided by section 33E.

(3) Each person who is appointed as a member of staff of the Audit Office continues, subject to the provisions of this Division and the terms of the person's appointment, to be employed in the Audit Office at the discretion of the Auditor-General.

(4) The provisions of the Government Sector Employment Act 2013 relating to the employment of Public Service employees do not apply to a member of staff of the Audit Office.

**33C Auditor-General may determine employment conditions**

(1) The Auditor-General may from time to time make determinations fixing the conditions and benefits of employment of the members of staff of the Audit Office and their salary, wages and other remuneration. Such a determination can provide for redundancy and severance payments and for remuneration packaging

**Notes**

There are three aspects of a SAI's independence under this principle:

- adequacy of resources;
- financial independence, especially from interference by the Executive; and
- operational autonomy.

There is also the related concept of accountability in return for financial and operational autonomy.

***Adequacy of resources***

It is important for a SAI to have sufficient financial resources to fulfil its mandate. Inadequate resourcing can result in a SAI:

- lacking the capacity to perform audits across its mandate;
- being unable to produce quality audits, in a timely manner;
- being unable to follow-up its audit recommendations effectively, or to provide support to the Legislature and its committees, often because of a lack of time or capacity;
- being unable to attract and retain staff because of inadequate levels of remuneration; and
- falling behind in its use of technology and being unable to keep up to date with technical accounting and auditing developments.

SAIs can adopt a range of strategies to address resourcing issues, including:

- advocating with the Government or the Legislature to emphasise the important role of the SAI, highlighting the challenges faced and seeking additional resources;
- creating financial incentives to attract and retain staff, where possible;
- enhancing the skills of staff, for example through regional training programs, or enrolling staff in colleges to improve their technical skills; and
- outsourcing audits where permitted or practicable.

### ***Financial independence***

The SAI budget setting process is an important independence matter. Ideally, the setting of a SAI's budget should be free from Executive control and the Legislature should play a significant role in reviewing a SAI's budget proposal and determining the amount of the SAI's budget before the budget is finalised and presented. The best practice approach is that the SAI's budget should be determined by the country's Legislature with reference to the SAI's independently determined work plan intentions.

There are good reasons why a SAI should consult with the Legislature in this way:

- It provides the Legislature with an opportunity to inform the SAI of what the Legislature considers to be important for the SAI to examine (subject to the SAI having the final say as to the content of its work plan);
- It provides the SAI with an opportunity to discuss its business with the Legislature, which could also include budgetary matters, staffing, audit timeframes and backlogs, and audit recommendations; and
- It enables ongoing development of the relationship between the SAI and the Legislature (such as the Public Accounts Committee) to generate an understanding of the respective roles of the Legislature and the SAI in relation to holding the executive government to account.

Accordingly, where a SAI is reviewing its legislation, it should also consider its budget setting process. The best practice approach is set out above but, at a practical level, this may not be possible for a SAI to attain. However, there are a range of "half-way" houses that, although may fall short of the best practice approach, may provide the SAI with some financial independence. For example, having the Legislature, or a committee of Parliament, having input into the SAI's budget process. This could include:

- a committee of Parliament considering draft SAI budgets and then making a recommendation to the Legislature and/or the Executive; or
- requiring the Executive to obtain the views of a committee of Parliament before the Executive determines the SAI's budget.

### ***Operational autonomy***

It is also important that SAI heads have appropriate organisational and operational autonomy to:

- Protect the SAI from undue influence in performing its mandate; and
- Allow the SAI to operate efficiently and effectively.

Pacific SAIs generally have a significant level of practical independence in the way they operate and are free to use resources as they see fit.

One exception is procurement where Pacific SAIs are often subject to the same procurement rules and processes as the wider civil service. There are arguments for and against SAIs being subject to the formal government procurement rules. However, SAIs often oversee and monitor a government's procurement rules and making them subject to them may undermine this function. Also, it may require a SAI to audit itself in respect of its procurement practices.

If a SAI is exempted from the government's procurement rules, it should still be required to follow equivalent principles and standards of the government system.



A SAI Head should have independence in all employment matters. However, this is uncommon in the Pacific with most SAIs regarded as part of the civil service and staffing and employment matters generally being the responsibility of a public service commission, or similar organisation.

Having a public service commission, or similar organisation, overseeing the SAI's recruitment activities may create the potential for interference in SAI staffing matters. Other potential problems may include:

- delays in recruiting staff; and
- civil service pay bands and job sizing meaning SAIs must offer less money to potential staff than other government organisations for similar positions.

The lack of autonomy in employment matters is a significant and widespread matter in the Pacific and is not easily solved as, often, the Public Service Commission involvement is due to a statutory authority. However, where a SAI's legislation is being reviewed, it should seek to ensure those responsible understand the importance of the SAI Head having the authority to determine all matters pertaining to the employment of SAI staff.

Alternatively, if it is not possible to have employment autonomy enshrined in law, the SAI could look to have a greater involvement in employment matters within the existing constitutional or legal framework. For example, it could enter a "Memorandum of Understanding" (or equivalent agreement) with the Public Service Commission ensuring:

- the SAI can be represented on interview panels for the appointment of new staff;
- the SAI Head will be consulted before any staff are re-assigned elsewhere in the public service; and
- pay rates the SAI can offer are commensurate with the skills and competencies required of auditors and/or are no less than for equivalent positions in other Ministries.

It is also noted that SAIs are often permitted to use contracted professional services to undertake financial, or other, audits.

### ***Accountability***

It is important for SAIs to demonstrate they are accountable for their use of resources, especially where they have been entrusted with financial independence and operational autonomy. This can include reporting annually to the Legislature on the SAI's own financial results and performance, with an external audit to ensure transparency and objectivity, subject to country specific reporting requirements. Accountability is an important part of being a model organisation, as noted in the section of this toolkit following the eight principles.

Return to [Principle eight](#).



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