



ASEANSAI

## Knowledge Sharing Report

Conducting awareness knowledge sharing on  
good practices about SAI Independence

Prepared by

State Audit Office of the Kingdom of Thailand

(Project leader)

15<sup>th</sup> -17<sup>th</sup> May 2018

Bangkok, Thailand



The summary report is prepared by SAI Thailand as a project leader of the workshop on conducting awareness knowledge sharing on good practices about SAI independence.

The main picture of cover is came from <https://wp.nyu.edu/asdnestegg/2017/10/11/fostering-independence-in-the-classroom/>.

# Summary report

## Workshop on conducting awareness knowledge sharing On good practices about SAI Independence

### I. Background

1. **ASEAN Supreme Audit Institutions (ASEANSAI)** is the organization of ten Supreme Audit Institutions (SAIs) of our ASEAN. ASEANSAI is expected to encourage and promote good governance within the ASEAN region. Therefore, we will focus on capacity development for SAIs of ASEAN member states and technical cooperation dealing with important and common audit issues in our region. Presently, ASEANSAI activities are conducted by four main committees that are, Strategic Planning Committee (SPC), Rules and Procedures Committee (RPC), Training Committee (TC), and Knowledge Sharing Committee (KSC).
2. **For Knowledge Sharing Committee** or KSC, the main mandate is to encourage ASEANSAI cooperation, collaboration and continuous improvement through knowledge sharing. The KSC will facilitate knowledge sharing programs among the ASEANSAI member countries through programs implementation and dissemination of results. This contribution could strengthen knowledge on public sector audits among ASEAN countries.
3. According to 2018 ASEANSAI KSC work plan, State Audit Office of the Kingdom of Thailand (SAO Thailand) has been honored to be a project leader of ***“Conducting awareness knowledge sharing on good practices about SAI Independence”***
4. The content of this topic is prepared by SAI Thailand the project leader which shared knowledge for five areas as follows;
  - a) Forty-one years of Lima Declaration: Magna Charta of Government auditing;
  - b) Mexico Declaration: The development of SAI independence;

- c) Independence principle under the perception of public law;
  - d) Overview of SAI independence: Some findings from research; and
  - e) Interactive sharing experience and discussion.
5. This workshop was held in Bangkok, Thailand during 15<sup>th</sup> – 17<sup>th</sup> May 2018 hosted by State Audit Office of the Kingdom of Thailand.
  6. This workshop has the objective to encourage and develop knowledge sharing about auditing management among ASEANSAI member countries through various perspectives, experience, research, and best practices in the field of public sector audit.
  7. SAI Thailand shared knowledge and experience under **a theme of SAI independence**. Likewise, other SAIs contributed their good practices about SAI independence. AS a project leader, SAI Thailand prepared the summary report of this workshop.
  8. The summary report is consisted of three parts, that is, (I) background, (II) content summary, and (III) lesson learns.

## II. Content Summary

1. This part is consisted of the knowledge sharing from a project leader which shared four topics about basic understanding of SAI independence. Likewise, the report represents country papers from eight SAIs.
2. **For the first session**, SAI Thailand shared four topics that involved basic background about SAI independence. The first topic was ***Forty-one years of Lima Declaration: Magna Charta of Government auditing*** which delivered by ***Professor Dr. Orapin Phonsuwan Sabyeroop***, State Audit Commissioner.
3. Professor Dr. Orapin discussed three issues. Firstly, she started with the birth of Lima Declaration which actually the original concept about SAI independence and principle of government audit began at Palermo, Italy. However, the second issue she represented a classic paper about SAI independence which *Dr. Franz Fiedler* shared his idea in the special



occasion of 50 years INTOSAI anniversary. Lastly, she presented new thing about SAI independence that appeared in 2017 Thai constitution (See appendix 1).

4. The second topic was continued to the Lima Declaration which **Dr. Sirin Phankasem**, the Deputy Auditor General of SAI Thailand, gave her presentation about **Mexico Declaration**. She exemplified the development of SAI independence which related to Lima and Mexico declarations. She mentioned to eight pillars of Mexico declaration also how to make SAI independence a reality. Furthermore, she gave the example from PASAI that explained how to strengthen SAI independence for ASEANSAI lesson learns (See appendix 2).

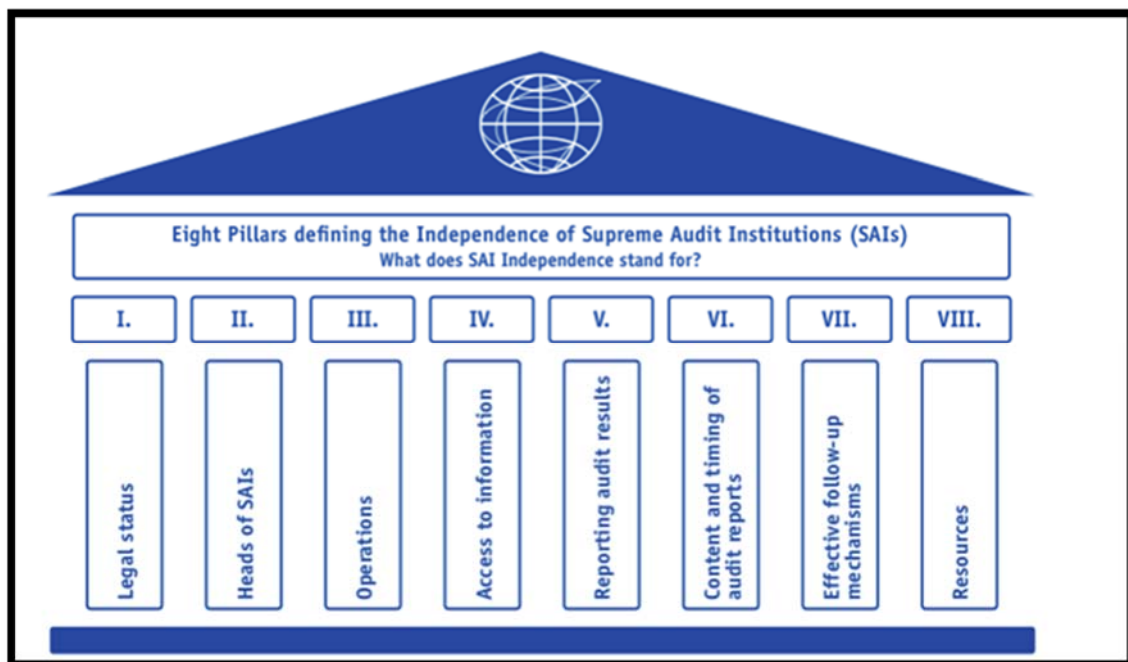


Figure 1 Eight pillars of SAIs independence of Mexico declaration

5. The third topic was delivered by **Professor Dr. Prasit Aekaputra**, Distinguished Professor from Faculty of Law, Thammasat University. He discussed **the SAI independence under legal aspect**. He mentioned to *ISSAI 11* which explained guidelines and good practices related to SAI independence. The guideline served as a source of good practices to share means of increasing and improving SAI independence. Typically, he pointed out the

limitations of independence in practices. Firstly, referring to the conference paper of World Bank Group and the Pacific Association of Supreme Audit Institutions (2016), many SAIs in the Pacific region were originally established as government agencies to audit and report on government accounts. Under this model, the SAI Head is legally independent, but the SAI as an organization is an instrument of the executive government. The SAI's staff are civil servants (as in the Marshall Islands example), and the budget is determined in the same way as for other executive government agencies. Thus, the public sector auditing in the modern era bears little resemblance to that approach. Finally, Professor Prasit concluded that the law is a final answer to the question of independence auditing. SAIs need to have effective laws in order to do its function properly. However, SAIs need to have an accountability to the people and help the government to spend money wisely for the better development and better standard of living in its own country (See appendix 3).

6. The fourth topic was ***the overview of SAI independence: some findings from research*** which presented by ***Dr. Sutthi Suntharanurak***. He explained the journey of SAI Independence. This journey is based on the literature review that he studied and investigated several documents about SAI independence. In addition, he showed some findings from *Open Budget Survey 2017*. Open Budget Survey or OBS is another global indicator which explains the situation of good governance and anti-corruption around the world. Open Budget Survey (OBS) is prepared and developed by *International Budget Partnership or IBP* which is a global civil society organization like Transparency International. The OBS 2017 found that heads of 81 of the 115 SAIs surveyed were appointed in a way that ensured their independence, and 92 cannot be removed solely by the executive branch. Taken together, these findings suggested a fairly high degree of independence for SAIs globally. In spite of this independence, however, SAIs may still fail to play their proper role in the accountability system. In some countries, SAIs lack adequate budgets to carry out their work; analysts raised this concern in 37 percent of

the countries surveyed in 2017. In 38 countries, no audit reports are published; in 41 countries, the legislature does not review audit findings (See appendix 4).

7. **For the second session**, it represented the interactive sharing experience and discussion. Eight SAIs shared their country papers about their SAIs independence. **Theara Sok from SAI Cambodia** explained the overview of **National Audit Authority of the Kingdom of Cambodia or NAA**. The NAA mandate is based on the Law on Audit of the Kingdom of Cambodia. National Audit Authority (NAA) is independent in its operations and responsible for executing the external audit function of the Royal Government. NAA is empowered to carry out independent audits. Audit findings are reported directly to the National Assembly and Senate; and to the Royal Government for informing purpose. Meanwhile, annual activity report of NAA is submitted to the National Assembly, Senate and the Royal Government. The Auditor-General and the Deputy Auditor-Generals are appointed by Royal Decree on the recommendation of the Royal Government and approved by absolute majority of votes of all members of the National Assembly for a term of 5 years and may be reappointed for another 5 years only. The audit law empowers NAA to conduct full range of public sector audit. Audit report on Annual State Budget Settlement is discussed among interested parties such as the second commission of National Assembly, Ministry of Economy and Finance and NAA. All audit reports are recognized by auditees and highly appreciated by the National Assembly and Senate. Audit reports have been presented annually to the public in Audit Reports on Public Financial Management. NAA follows up on recommendation made to auditees. By publishing its auditing results, the NAA strengthens the transparency of the government actions and the application of public funds. In the long run, this transparency will build confidence of the Cambodian citizens towards the Royal Government (See appendix 5).

8. **Dr. Nizam Burhanuddin and Dian Primartanto from SAI Indonesia** presented the independence of **the Audit Board of Indonesia (BPK)**. Actually, BPK is based on the 1945 Indonesian constitution. BPK is one of the importance independence bodies as judicial court and Supreme Court. BPK could manage all audit processes freely and independently: audit policies, audit planning, execution, reporting, recommending. In reporting and monitoring recommendations, BPK submits report to legislature and government, proceeds fraud indications to law enforcers, and monitors and reports audit follow-up. For the code of ethics, BPK issues the Board and all auditors must obey code of ethics. In case of quality control, BPK has the Internal Audit Unit, Chartered Public Accountant, and peer review by other SAIs. Under organisational and structure, it covered by Board, audit unit, representatives, supporting unit. For budget and resource, annual budget proposed and discussed with the legislature and executives ethics. Meanwhile, the auditors are civil servants. Infrastructures and technology were depended on allocated budget. In case of stakeholder relations, BPK has good relations with stakeholders: legislature, executive, judicature, academicians, professionals, public society. It can raise public awareness and education also good cooperation with internal audit units. However, BPK showed the challenges that budget, staff recruitment, and organization structure are consulted with the government. It proposed the mitigation approach that good relations and communications with government yet without compromising BPK's independence. Another challenge is the improper use and comprehension of audit report; however, the mitigation method should regulate upon distribution of audit results, aside from the parliament and the government also educate stakeholders and public society about how to understand and to interpret BPK's audit reports (See appendix 6).
9. **SAI Lao PDR or the State Audit Organization (SAO)** focused on the SAI independence under the 2015 constitution of the Lao PDR and 2016 the audit law of SAO. Under the constitution, the state audit is the management of the budget, financial and assets of the

state. Meanwhile, the President of SAOs are responsible directly to the National Assembly and report to the President, the Prime Minister and the National Assembly about audit work. The rights and duties of the State Audit Organization are: (a) Independence of conducting for confirm financial statement, compliance and performance; (b) report the results of the state budget audit to the national assembly and (c) proposing the relevant financial management agency to take measures against entities violating the law in the use of the budget, financial and asset of the State from the audit results. Based on the 2016 audit law, it issues the auditing principle as follows: (a) independence of conducting and review of the audit results; performing laws and other regulations; (c) realistic facts; (d) transparent; and honest. Likewise, the audit standards are determined in article 6 of the audit law which covered by audit principles, audit procedures, and ethics in audit. One of interesting point is that it is forbidden to appoint the following auditors in the audit team. Those who have contributed capital to, purchased shares from or having relationship or other interests with the audited entity. Those who work in audited entities as leaders, chief accountants or accountants for less than five years before shifting to the new work. Also those who have been relatives with the leaders, chief accountants or accountants in the audited entity (see appendix 7).

10. **SAI Malaysia or Malaysian National Audit Department (NADM)** shared their experience about SAI independence. NADM is in charge of checking whether public funds are being used for intended purposes efficiently, effectively, and economically in compliance with existing rules and regulations. The reliable and objective reporting is critical for NADM to ensure accountability and transparency in public management. Such good quality reporting in turn depends on whether NADM are really independent and insulated from those who that we audit; whether our audit methods are based on scientific and technical standards; and whether our auditors have the necessary professional qualifications and moral integrity. However, NADM had try the best in comply with the ISSAI 11 and UN Resolution A/RES/69/228 (2014) and at the same time

we have to resolve the issues and challenges in audit environment and ecology. NADM also believe that one day our effort to be more independent will be achieved and give the good impact for our nation. The effort to be more independent will take a long journey as this will involve the government legal framework and various parties, whether executive or legislative branch (see appendix 8).

11. **SAI Myanmar or Office of the Auditor General of Union Myanmar (UOAG)** represented their knowledge in SAI independence. Generally, SAI Myanmar is the independence body; however, not totally independence by comparing with eight principles of Mexico declarations. UOAG legal framework still needs to be revised to provide closer alignment with the principles set out in the INTOSAI Mexico declaration on SAI independence practical steps should be taken to enhance the UOAG's independence within the existing legal framework. The extent of the UOAG independence has not included in Constitution and/or the law. Reports have not been published yet, except for media coverage of sessions in the parliament when audit reports are discussed. UOAG has to apply the same procedures for financial resources as the government institutions. In the meantime, financial independence and operational autonomy are not recognized by the parliament. The UOAG is dependent on the Union Civil Service Board, which controls all aspects of staffing in the public sector. However, the UOAG has the right to select higher level staff. The staffs of the UOAG are graded in the same way as staff at government institutions (see appendix 9).

12. **SAI Philippines or Commission on Audit (COA)** explained that the independent status of COA was first mentioned in the 1973 Constitution when the same mentions under section 1(1), Article XII-D that there shall be an independent Commission on Audit. This was further upheld under the 1987 Constitution which specifically states under Section 1, Article IX-A that the COA as one of the Constitutional Commissions shall be independent. In case of financial independence, while COA enjoys fiscal autonomy under the Constitution, its budget process is subject to the budgetary regulations instituted by the

executive branch which could affect the efficient and effective discharge of its mandate. Thus, on 24 July 1998, Joint Resolution No. 49 of the Constitutional Fiscal Autonomy Group (CFAG) was passed and approved wherein COA is among its members to strengthen the group's fiscal autonomy. For organization independence, COA has the liberty to recruit its own personnel and to prescribe qualification standards, which are higher than what the Civil Service Commission prescribes for government personnel. However, subjecting the COA to the Unified Position Classification and Compensation System may undermine its organizational independence. Meanwhile, the independence of the Commission Proper is well-established in the Constitution and applicable legislation. In case of access information, COA auditors are entitled to timely and unrestricted access to documents and information they need for the proper discharge of their responsibilities. For the right and obligation on report, the COA's right and obligation to report its audit findings and recommendation, and the determination of the contents and timing of publication of this report are vested by the Constitution and applicable laws. In case of follow-up mechanisms, the COA has effective follow-up mechanisms on its observations and recommendations. In conclusion, the independence and legal framework of COA substantially complies with the requirements in the international good public practices. However, it is reasonable for the COA leadership to revisit the current condition of the institution's independence and the intent of the provisions of the Constitution, with the aim of further improving its operations to give more value to its stakeholders (see appendix 10).

13. **SAI Thailand or State Audit Office of the Kingdom of Thailand (SAO)** shared perspectives about SAI independence in line with Mexico declaration. Based on principle 1 (legal status), SAO is an independent organ which is received its independent status from Constitution (Chapter 12 Part 1 and 5) and the 2018 Organic Act on State Audit (Section 58). It has been being an independent organ since 1997. Under the principle 2 (heads of SAIs), SAO Thailand has both State Audit Commission and Auditor General (AG). The State

Audit Commission will be selected by Selection Committee then be approved by senate. Actually, the State Audit Commission shall work independently, lawfully, courageously and has no bias. State Audit Commission nominates the name of AG to the senate. Nominated name will be approved by senate. AG shall be independent in performing duties (2017 Thai Constitution Section 243). In fact, State Audit Commission involves in the policy of SAO but AG will be representative of SAO regarding its public affair. In term of prosecution, as government officials, both of them can be prosecuted in criminal case if they exercise their power wrongfully or don't exercise any of their functions or dishonestly exercise or omit to exercise their functions. In contrast, if they exercise their power rightfully, or honestly exercise their function, they will be protected by the law not to be guilty. For the principle 3 (operations), SAO has its own code of ethics which in detail is similar to ISSAI 30. For example, in SAI Thailand code of ethics, it is stated that everyone in SAO, from President of the State Audit Commission to each and every single auditor, shall not involve with the audited agencies except there is a law allow to do so. Based on the principle 4 (access to information), auditors have power to seize and freeze accounts, registers, documents or other evidence of audited agency (Section 93 (2)). Auditors have power to enter any premises between sunrise and sunset or during office hours for the purposes of examining, searching, seizing or attaching accounts, registers, documents or other evidence as is necessary (Section 93 (3)). Practically, some ministries such as Ministry of Defense will not allow auditors to enter without permission by claiming public security. For principle 5 (reporting audit results), normally, SAO will prepare annual report on work performance and submit to House of Representatives, the Senate and the Council of Minister. In case where it is necessary, SAO may prepare report and submit during the year (Section 77). Under the principle 6 (content and timing of audit reports), the content and timing of audit report will be in the prescription of standard rules for the State audit by State Audit Commission (Section 30). The dissemination of audit reports can be done after the audit is finished unless it is necessary and beneficial in stopping



governmental damage, AG can disseminate it within the scope of rules issued by State Audit Commission (Section 56). For principle 7 (effective follow-up mechanisms), SAO monitors the operation of the audited agencies or related organs whether it is in compliance with the audit result (Section 54 (4)). Finally, the principle 8 (resources) which SAO is the government Organ that means it needs money from Bureau of the Budget. However, it has extra rights as follows: (a) all revenues that SAO earns shall be with SAO and will not be sent back to Bureau of the Budget to be Treasury Reserve; and (b) If the allocated budget is not enough, SAO can appeal the appropriate number direct to Budget Estimated Committee of House of Representatives (see appendix 11).

14. **SAI Vietnam or State Audit Office of Vietnam (SAV)** shared their experience in SAI independence as follows; (a) the legal status and necessary independence level shall be specified in the Constitution with details to be included in specific relevant laws and (b) the independence of the Auditor General shall also be specified in the Constitution and shall be elected, dismissed by the National Assembly. In order to promote the independence and responsibility of SAI in the operation, SAI Vietnam should decide the annual audit plan that shall not avoid the topics, issues and areas that are complicated, risky, and easily have corruption potential. Likewise, it must be really independent, objective, not be dominated or impacted by any intervention. Meanwhile, SAI Vietnam should comply with audit standards, procedures and methods. Furthermore, it Identifies and be legally responsible on the accuracy, honesty and objective of the audit decision and request in the audit reports. Finally, it should confirm the legal value of the audit request and force to fine the cases that do not follow the audit decision and request. SAI Vietnam recognized to develop the state auditor team that is qualified on quantity, suitable structure and high quality. Meanwhile, SAI Vietnam should increase the application of technology in audit activities, including applying IT and technology – modern and advanced audit methods. In order to proactively public widely, the audit results should be identify that public widely the audit results is to strengthen the

responsibility of the SAV; the interest of the general public with audit results is the objective measurement to reflect the capacity and reputation of the SAV (see appendix 12).

### III. Lesson learns

1. For this workshop, SAI Thailand attempted to share our knowledge and experience about SAI independence which we started to introduce the concept development of SAI independence. Based on the research, we found that the idea of SAI independence has been derived since 1953 along the lines of the establishment of INTOSAI. However, the obvious concept was emerged at the Lima, Peru as known 1977 Lima declaration. Until 2010 the Mexico declaration or ISSAI 10 could be extended the concrete perspective of SAI independence under eight pillars of SAI independence. Interestingly, after 2010 the studies about SAI independence has been in regional SAIs such as EUROSAI, PASAI, and SAI common wealth countries that shared their experiences, limitations, and challenges about independence issues.
2. Participated SAIs shared their practices which conducted awareness on good practices about SAI independence as following table.

SAIs	Sharing good practices and challenges about SAI independence
Cambodia	To strengthen the transparency by publishing their audit results
Lao, PDR	To issue the independence principles in the 2015 Constitution and 2016 Audit Law
Indonesia	To guarantee independence status in the 1945 Constitution
Malaysia	To secure and preserve the independence status
Myanmar	Financial and operational independence has not been recognized by Myanmar parliament.

SAIs	Sharing good practices and challenges about SAI independence
Philippines	SAI should have internal follow up system in order to enhance monitoring system.
Thailand	Practically and Legally, SAI Thailand have both operational and financial independence.
Vietnam	Independence Assurance under revised audit act



*Figure 2 Formal group photo of workshop on conducting awareness knowledge sharing on good practices about SAI independence*



*Figure 3 Keynote speaker, Professor Dr. Orapin Pholsuwan, the State Audit Commission*





*Figure 4 Dr. Sirin Phankasem, Deputy Auditor General of SAI Thailand, shared the concept about Mexico declaration.*



*Figure 5-6 Participants shared their experiences about SAI independence.*

**Summary Report****Prepared By****The International Academic Division of International Affairs Office****State Audit Office of the Kingdom of Thailand (Project leader)**

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# **Appendix 1**





# FORTY-ONE YEARS OF LIMA DECLARATION : MAGNA CARTA OF GOVERNMENT AUDITING



Prof. Dr. Orapin Phonsuwan Sabyeroop,  
State Audit Commissioner,  
State Audit Office of the Kingdom of Thailand

# OUTLINE



The Birth of Lima Declaration :  
From Italy to Peru



The Independence of SAI  
by Dr. Franz Fiedler



From Lima Declaration to  
Independent Organs in Thai Constitution

## The Birth of Lima Declaration : From Italy to Peru

- In 1974, The Contact Committee of Palermo, Italy was the first time to collect the principles of government audit.
- After that, in May 1974 the Congress of Madrid discussed in detail issues about principles of government audit such as independence, the scope of government audit, pre-audit and post audit, financial audit and performance audit, also the relationship between SAI and parliament.
- The conclusion of Madrid meeting led to establish the Working Group which prepared the fundamental declaration of government audit.



*Then Prince Juan Carlos of Spain declares the 8th ENCOSAI open.*

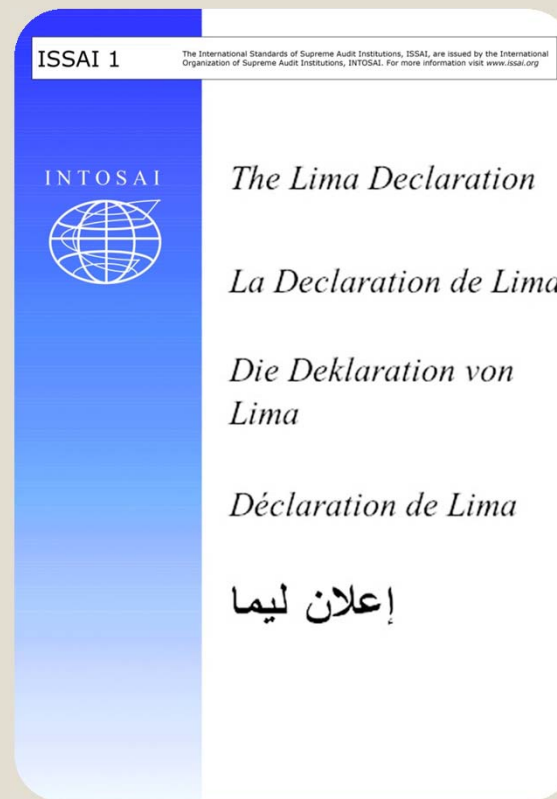
## The Birth of Lima Declaration : From Italy to Peru

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- In 1975, the Working Group had three meetings which were held at Italian Court of Audit in Rome. In the last meeting, the working group proposed the draft of the fundamental declaration of government audit.
- In 1977, this draft was presented in the 9th INCOSAI meeting at Lima Peru. Francesco Sernia from SAI Italy was the rapporteur on the first theme, that is, the Lima Declaration of Guidelines on Auditing Precepts.
- The Lima Declaration was born.

## The Birth of Lima Declaration : From Italy to Peru



## The Independence of SAIs by Dr. Franz Fiedler

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- Dr. Franz Fiedler is the former Secretary General of INTOSAI and President of the Austrian Court of Audit.
- He wrote the classic paper about the independence of supreme audit institutions which published in the anniversary book of INTOSAI 50 years (1953-2003).

## **The essential determinants of Independence of SAIs**

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Without the Independence in the matter of government audit, SAI would only become a tool of the monocratic government. The key determinants of independence of SAI shall be guaranteed in the law of the nation in order for SAI to accomplish their auditing task;

### **Organizational Independence**

- **The independence of SAI itself**

the freedom of SAI to manage and govern its organization means that it is independent as a whole.

- **The independence of the members of SAI**

The appointment, promotion and removal of the members of SAI who are responsible for decision making must be free from any governmental

## **The essential determinants of Independence of SAls (cont.)**

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### **Functional Independence**

- **The independence of planning the audit**

SAls shall remain the absolute power, as much as possible, to design the audit program and the freedom to select the audited entities without any governmental influence. It is also the power of SAls to determine their own methods and techniques of audits under the legal framework provided sufficiently for them to perform their audit tasks.

- **The independence to report**

It is a freedom of SAls to reveal their audit findings through reports. No governmental influence shall prevent SAls from autonomously reporting their audit findings where they



## **The essential determinants of Independence of SAIs (cont.)**

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### **Financial Independence**

- SAIs can achieve their priority tasks as an auditing body provided that they are granted of adequate budget and also capable of using the budget as they think fit without having to get approval from governments.

## **The Independence of SAI portrays the democratic notion of the nation**

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The independence of SAI and Democracy are intertwined. It can be said that only the nation which operates under the rule of law could fulfill the acceptable level of independence of government audit required by the Lima Declaration.

Article XIV of the Declaration of the Rights of Man and the Citizen, set by France's National Constituent Assembly in 1789, demonstrates a good evidence regarding to government audit:

“All citizens have the right to verify for themselves, or through their representatives, the necessity for the public tax. They further have the right to grant the tax freely, to watch over how it is used, and to determine its amount, the basis for its assessment and its collection,

# **From Lima Declaration to the Constitution and the Organic Act on State Audit of the Kingdom of Thailand**

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- The present Constitution of the Kingdom of Thailand lays down the principle regarding to State Auditing in Chapter XII part 5 (Section 238 – 245)
- As clearly states in article 29 of the Organic Act on State Audit, the public sector auditing must be in compliance with the international standards of auditing. Particularly, the concept of independence has been laid down in both the Constitution section 243 and the Organic Act on State Audit section 48 regarding to the power of the Auditor-General to conduct the auditing independently and to be accountable to the State Audit Commission, as the highest superior official of the secretariat of the State Audit Commission.

## **Section 240 of the Constitution and Section 27 of the Organic Act on State Audit of the Kingdom of Thailand**

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- The State Audit Commission shall have the duties and powers as follows:
  1. to set State audit policy;
  2. to prescribe standard rules relating to State audit;
  3. to oversee the State audit compliance with (1) and (2) and the law on financial and fiscal discipline of the State;
  4. to render advice, suggestion or recommendation on the spending of State funds to be in accordance with the law on financial and fiscal discipline of the State, including suggestion to the State agencies to correct defects in the spending of State funds;
  5. to order an administrative penalty in the case of a violation of the law on financial and fiscal discipline of the State.
- The proceedings under paragraph one shall be in accordance with the Organic Act on State Audit.
- A person punished by an order under (5) may appeal to the Supreme Administrative Court within ninety days as from the date of receipt of the order. The Supreme Administrative Court shall, in its consideration, take into account the State audit policy and standard rules relating to the State audit under (1) and (2).



## **Section 243 of the Constitution and Section 48 of the Organic Act on State Audit of the Kingdom of Thailand**

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- The Auditor-General shall be independent in performing duties, be accountable to the State Audit Commission, and be the highest superior official of the secretariat of the State Audit Commission.







## **Appendix 2**



# Mexico Declaration: The development of SAI independence



Dr. Sirin Phankasem  
Deputy Auditor General  
State Audit Office of Kingdom of Thailand



## Outline

- The Independence of SAIs
- Lima and Mexico Declarations
- SAI Independence: From Lima to Mexico
- Eight Pillars of Mexico Declaration : Routes to SAI independence
- Mexico Declaration: Making SAI independence a reality
- UN resolution on SAI Independence
- Strengthening SAI independence for ASEANSAI: Lesson learnt from PASAI



# The Independence of SAIs

- Since its founding in 1953, INTOSAI has been concerned with preserving the independence of the Supreme Audit Institutions
- The members are convinced that without an authentic independence audits cannot be conducted that will guarantee the objectivity of the result
- Without independence, audit reports lack credibility

- To guarantee the audit reports on the resulted that are balanced, reliable and objective which is the utmost importance for the transparent and the effective exercise of control over public administration
- Reinforces the confidence of the population in the state administration



# Lima and Mexico Declarations

- IX Congress of INTOSAI 1977
- The principles of independence known as the "Lima Declaration of guidelines on auditing percepts" established, among other matters, what is to be understood by "independence"

- XIX Congress of INTOSAI 2007
- Help members in the best possible way to achieve a greater independence on the basis of Lima Declaration
- Mexico Declaration on SAI independence

# Mexico Declaration

- ▶ SAs can only be objective and effective if they are independent from the audited entity and are protected from outside influence
  - ▶ Shiela Fraser
  - ▶ Chair
- ▶ INTOSAI Subcommittee on Independence



## SAI Independence: From Lima to Mexico

- In 1977, **Lima Declaration** was the first INTOSAI document to comprehensively set out the importance of SAs' independence
- Not all SAs that are members of INTOSAI meet the demanding requirements of the Lima Declaration in terms of their independence
- Based on an initiative of the Canadian SAI, a task force on the independence of SAs was established at the 44th meeting of the INTOSAI Governing Board in Montevideo, Uruguay, in 1998
- The task force was chaired by the SAI of Canada; its members were the SAs of Cameroon, Egypt, Saudi Arabia, Antigua and Barbuda, Portugal, Uruguay, and Tonga—comprising one representative from each of the seven regional working groups of INTOSAI—and the INTOSAI General Secretariat

## SAI Independence: From Lima to Mexico (Cont.)

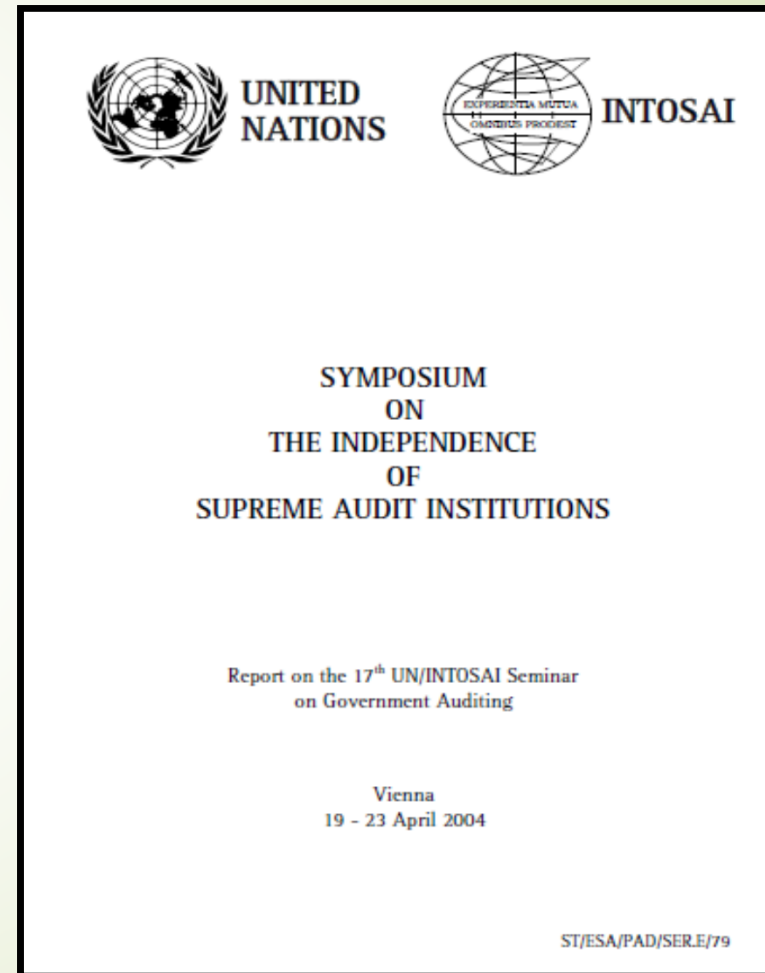


- The task force was mandated to investigate the degree of independence of INTOSAI members and to issue recommendations on possible means of achieving realistic improvements
- After performing extensive surveys among the members and evaluating the report of the 4th EUROSAI Congress, the task force submitted its final report in 2001. On the issue of independence, the task force outlined the eight core principles as essential prerequisites for an effective government audit to be performed by SAIs



## SAI Independence: From Lima to Mexico (Cont.)

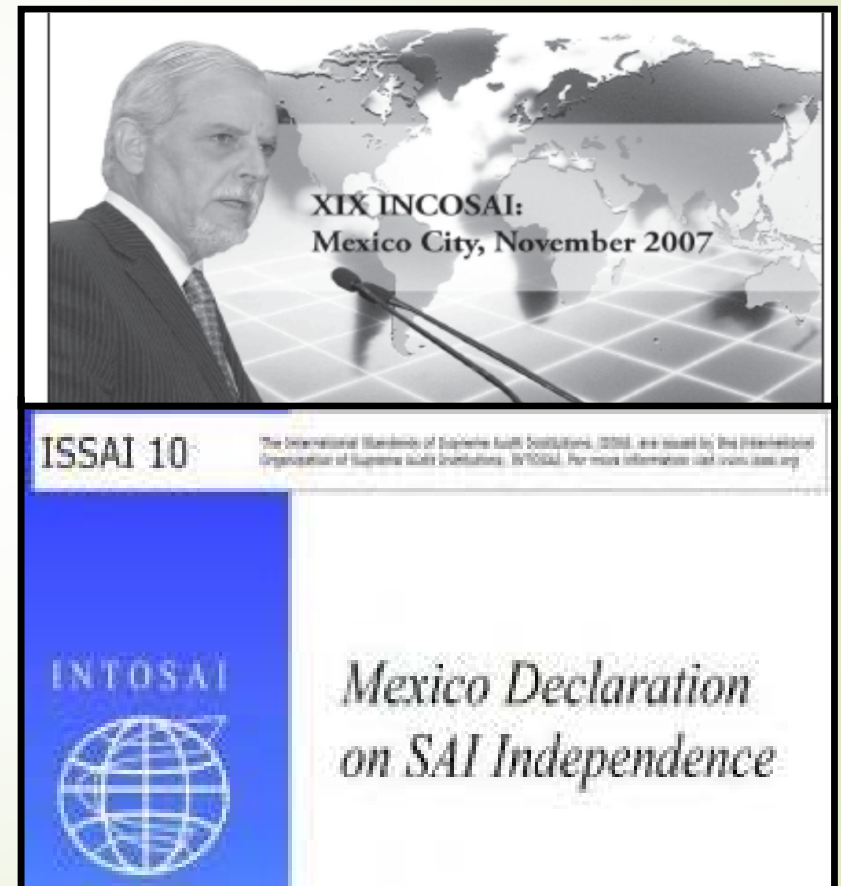
- The task force—with its composition unchanged—was converted into a sub-committee of the Auditing Standards Committee upon completion of its original task in 2001. At the same time, the sub-committee was mandated to continue the effort to reach this high level of independence for INTOSAI members
- The INTOSAI General Secretariat organized a seminar on SAI independence in cooperation with the United Nations in Vienna, Austria, in 2004. These activities undertaken within the framework of INTOSAI impressively confirm the importance attributed to the independence of SAIs
- Since 2004, the subcommittee worked on a charter on SAI independence and has developed guidelines for implementing the eight core principles, taking into account the different types of SAIs. Extensive consultation with SAIs greatly contributed to the quality of the documents.



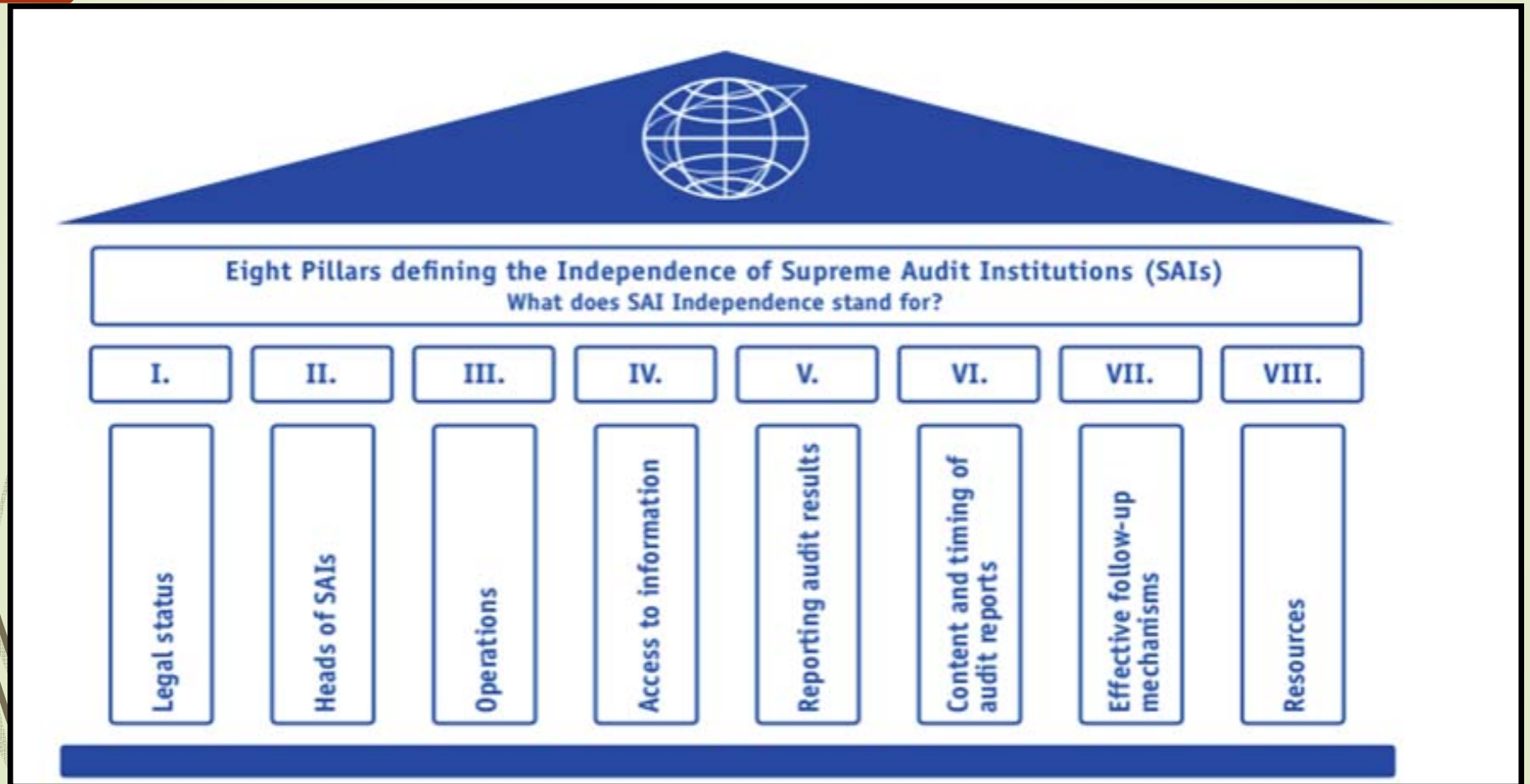


## SAI Independence: From Lima to Mexico (Cont.)

- Finally, the subcommittee proposed the document which sets up eight core principles on SAI Independence, which flow from the Lima Declaration (ISSAI 1) as essential requirements of proper public sector auditing.
- This document was approved at the 19<sup>th</sup> Congress of INTOSAI, Mexico city in November 2007. Therefore, it is known as **Mexico Declaration**.
- Mexico Declaration is the **ISSAI 10** based on level 2 of ISSAI: Prerequisites for the Functioning of Supreme Audit Institutions.
- The purpose is to present eight core principles on SAI independence as an essential requirement for proper public sector auditing.



## Eight Pillars of Mexico Declaration : Routes to SAI Independence



# Principle 1 –The existence of an appropriate and effective constitutional/statutory/legal framework

SAI should be established and mandated by the constitution or other form of legislation.

SAI's independence should be issued in the constitution or other form of legislation.

SAI should be protected from outside influence.

SAI should have functional and organizational independence to carry out its mandate.

## Principle 2–The independence of the SAI head and members of collegial institutions

Head of SAI should be appointed and reappointed by a process that ensures independence from the executive.

Head of SAI can be only removed by a process that ensures independence from the executive.

The independence of head of SAI must be guaranteed in the constitution or legislation.

Head of SAI should be appointed for a sufficiently long period to allow him/her to carry out his/her mandate without fear or interference.

It should be the legal immunity which provided for the head of SAI and staffs in the normal discharge of their duties.

It should be the protection of SAI from political intervention through court action.

## Principle 3-A sufficiently broad mandates and full discretion, in the discharge of SAI functions

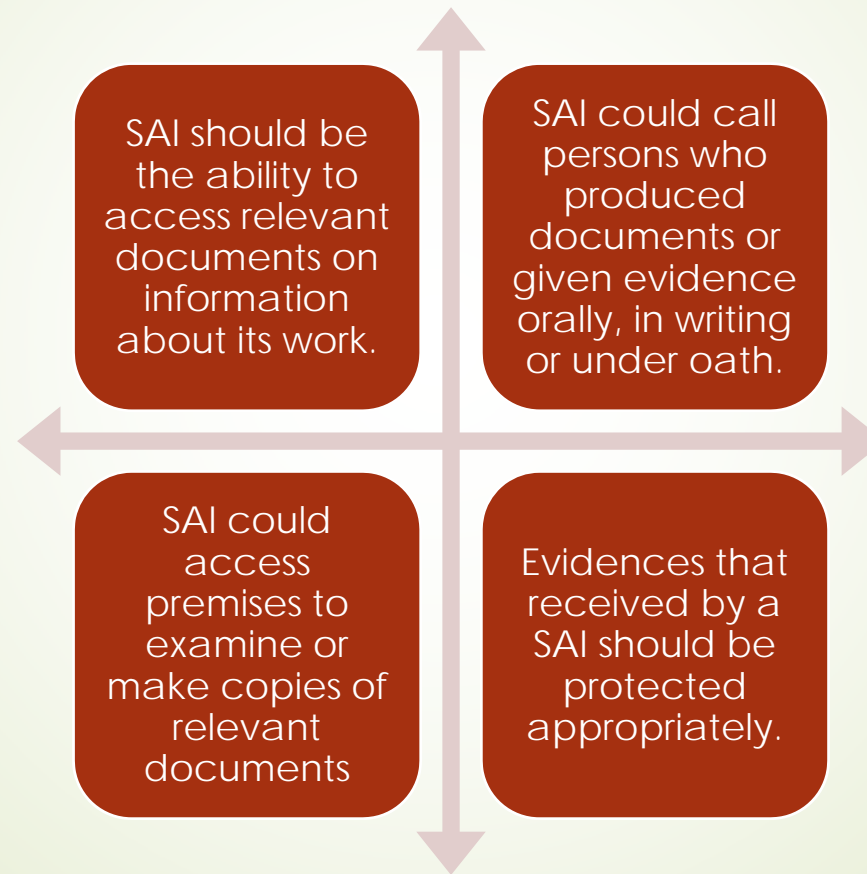
SAI should have a sufficiently broad *functional* mandate to discharge its functions.

- Functional mandate refers to the type of audit work that a SAI can undertake.

SAI should have a sufficiently broad *coverage* mandate to discharge its functions.

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

## Principle 4 – Unrestricted access to information



## Principle 5 – The right and obligation to report on their work



SAI should be required to report at least once a year on the results of its audit work.



SAI should have the ability to report directly to the legislature on its audit work.



SAI should be able to report at any time on any matter when it considers deserving to report.





## Principle 6 – The freedom of decide the content and timing of audit reports and to publish and disseminate them



SAI should be freedom to decide the content and timing of its audit reports.




SAI should disseminate its reports to public without restrictions.

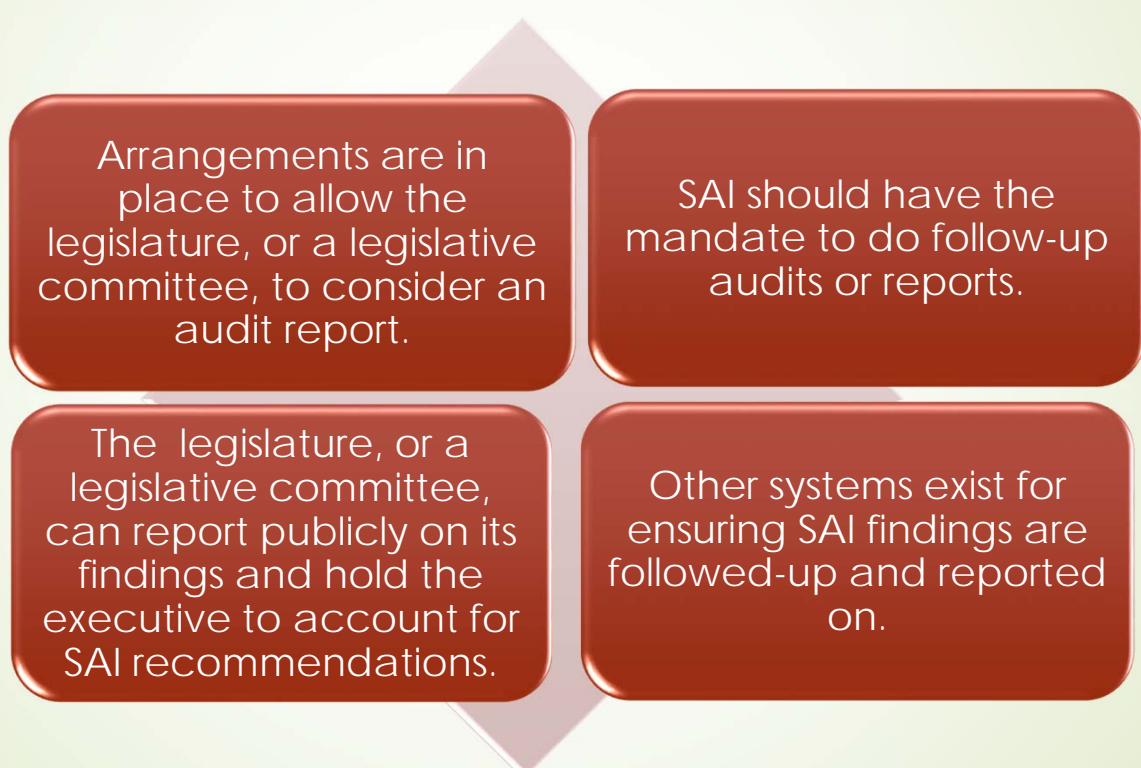
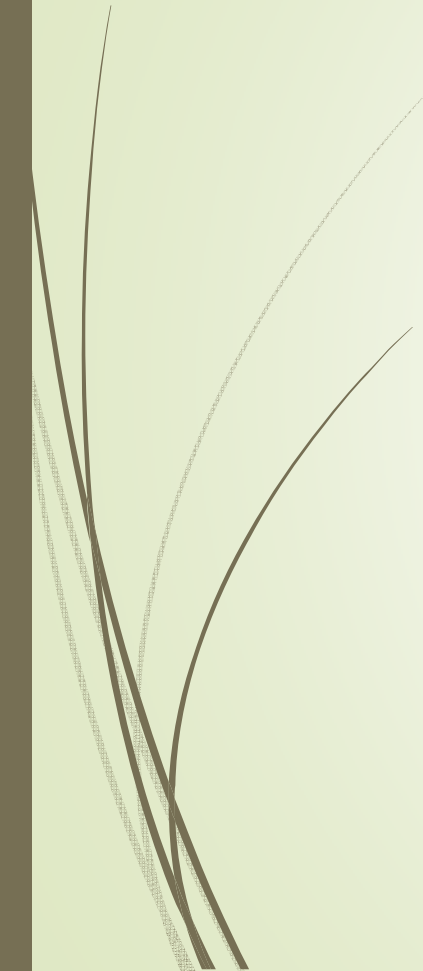


SAI should be free to brief and interact with the public and media on the content of its audit reports.





## Principle 7- The existence of effective follow-up mechanisms on SAI recommendations



Arrangements are in place to allow the legislature, or a legislative committee, to consider an audit report.

SAI should have the mandate to do follow-up audits or reports.

The legislature, or a legislative committee, can report publicly on its findings and hold the executive to account for SAI recommendations.

Other systems exist for ensuring SAI findings are followed-up and reported on.

## Principle 8 – Financial and managerial / administrative autonomy and the availability of appropriate human, material, and monetary resources

SAI should have authority to develop its own human resources policy and practices separate from the executive or other similar administrative body.

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

SAI should have available the necessary reasonable human, material and monetary resources.

A budgetary of SAI should be set independently of the executive.

SAI should manage their own budget and allocate it as appropriate.

SAI should be free to appoint its staff independently of the executive.

Head of SAI should have autonomy about how the SAI office is organized and structured.



## Mexico Declaration: Making SAI independence a reality

- Independence in **the juridical condition** in order to guarantee the proper influence
- Independence in **the financing** in order to guarantee the necessary and appropriate personnel, materials and financial resources
- Independence of **the personnel management** in order to carry out the functions without fear of reprisals
- Independence **when auditing** in order to comply efficiently with their mandate, it is indispensable that SAs can freely determine their topics of audit, their auditing schedules, their methods and conducting, as well as the organization and management of their institutions



## Mexico Declaration: Making SAI independence a reality (cont.)

- Independence in **the supply of information** needed for carrying out the duties
- Independence in **the presentation of the audit reports** without being able to be obstructed
- Independence in **the content and timing of reports**, authorized to publish and disseminate afterwards following the presentation to the corresponding authorities
- Independence via **the efficacy (follow-up mechanisms)** to ensure the enquiries and assessments are taken seriously and the recommendations are applied



# UN Resolution on SAI Independence (1)

- Resolution A/66/209

approved by UN General Assembly,  
22 December 2011:

*“Promoting the efficiency, accountability,  
effectiveness and transparency of public  
administration by strengthening supreme audit  
institutions”*

- *(Initiative of INTOSAI-General Secretariat 2008: supported by INTGov. Board (2009), INCOSAI (2010) as well as by UN-CEPA, UNECOSOC, UN-Panel of External Auditors)*

## UN Resolution on SAI Independence (2)

- The General Assembly of the United Nations explicitly recognizes:
  - SAIs can accomplish their tasks objectively only if independent of the audited entity and protected against outside influence;
  - important role of SAIs in promoting efficiency, accountability, effectiveness and transparency in public administration;
  - SAIs are conducive to the achievement of development objectives including the Millennium Development Goals;
  - the importance of works of SAIs and of INTOSAI;
  - the importance of the Declarations of Lima and Mexico.

## UN Resolution on SAI Independence (3)

- UN Member States are encouraged to:
  - apply the principles set out in the Lima and Mexico Declarations and to
  - continue and intensify their cooperation with INTOSAI in order to promote good governance;
- significance for donors:
  - base for intensified programs for application of principles of SAI-independence




# Strengthening SAI independence for ASEANSAI: Lesson learnt from Strategic Priority of PASAI

- Pacific Association of Supreme Audit Institutions (PASAI) supports and encourages its members to be independent and sustainable institutions that make a difference to the quality of the public sector governance and service delivery for the benefit of their people.
- PASAI sets the strengthening SAI independence as the first priority program because a strong independent SAI is essential for a country's good governance and public financial management.
- In the future, ASEANSAI could prioritize the SAI independence as another development program.





# Strengthening SAI independence for ASEANSAI: Lesson learnt from Strategic Plan of PASAI (Cont.)



Providing resources and guidance on SAI independence

- PASAI provide **independence resource kit** which brings together all existing materials held by the Secretariat on SAI independence and makes it available as a single resource for member SAs.

Educating stakeholders on public auditing

- The PASAI Secretariat (**OAG New Zealand**) together with its member SAs will develop informational materials and deliver awareness workshops highlighting the focus and relevance of SAs' work and assist SAs to convey this information to stakeholders.

Effectively communicate and engage with stakeholders

- PASAI prepared **the regional communication strategy** to improve the communication of their findings and recommendations with stakeholders, including preparation of media releases. Communications training and advice will also be provided to SAI heads and staff, including on how to present findings to public accounts committees and auditees.



**True independence and  
freedom can only exist in  
doing what's right.**

Brigham Young

## **Appendix 3**



# Legal Aspect of SAI Independence

Prof. Dr. Prasit Aekaputra  
Distinguished Professor  
Faculty of Law  
Thammasat University  
Bangkok, THAILAND

# Independence Principle As a Founding Principle of Government Audit

- Independence of SAIs and its members under Lima Declaration (ISSAI Level 1)
  - Lima Declaration's main purpose is to call for independent government auditing. A Supreme Audit Institution which cannot live up to this demand does not come up to standard.
  - Rule of law and democracy are essential premises for really independent government auditing and are the pillars on which the Declaration of Lima is founded.
  - In brief, the declaration point out basics for audits and audit institutions, which are necessary for achieving independent and objective results.

## **3 Types of Independence for SAIs**

- 1. Independence of Supreme Audit Institutions.
- 2. Independences of the members and officials of Supreme Audit Institutions.
- 3. Financial Independence of Supreme Audit Institutions.

# 1. Independence of Supreme Audit Institutions

- Section 5 of Lima Declaration
- 1. Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.
- 2. Although state institutions cannot be absolutely independent because they are part of the state as a whole, Supreme Audit Institutions shall have the functional and organisational independence required to accomplish their tasks.
- 3. The establishment of Supreme Audit Institutions and the necessary degree of their independence shall be laid down in the Constitution; details may be set out in legislation. In particular, adequate legal protection by a supreme court against any interference with a Supreme Audit Institution's independence and audit mandate shall be guaranteed.



## 2. Independence of SAI's Members and Officials

- Section 6 of Lima Declaration - Independence of the members and officials of Supreme Audit Institutions
- 1. The independence of Supreme Audit Institutions is inseparably linked to the independence of its members.....
- 2. The independence of the members shall be guaranteed by the Constitution. In particular, the procedures for removal from office also shall be embodied in the Constitution and may not impair the independence of the members.....
- 3. In their professional careers, audit staff of Supreme Audit Institutions must not be influenced by the audited organisations and must not be dependent on such organisations.



### **3. Financial Independence of Supreme Audit Institutions**

- 1. Supreme Audit Institutions shall be provided with the financial means to enable them to accomplish their tasks.
- 2. If required, Supreme Audit Institutions shall be entitled to apply directly for the necessary financial means to the public body deciding on the national budget.
- 3. Supreme Audit Institutions shall be entitled to use the funds allotted to them under a separate budget heading as they see fit.

# What does SAI independence stand for?

Lima and Mexico Declaration on SAI Independence (ISSAI 10), as a prerequisite for the functioning of SAI, recognize the following.....

## 8 core principles on SAI Independence:

1. **Legal Status of SAI shall be guarantee:** The existence of an appropriate and effective constitutional/statutory/legal framework and the de facto application provisions of this framework are fundamental pathway for SAIs to deliver value and benefits to society and make a difference in the lives of citizens.
2. **Heads of SAI and Members must be protected:** The independence of SAI heads and members of collegial institutions, including security of tenure and legal immunity in the normal discharge of their duties must be protected by law.
3. **Operation must have full discretion:** A sufficiently broad mandate and full discretion, in the discharge of SAI functions, is a must.
4. **Access to Information must be granted promptly and unconditionally:** Unrestricted access to information is quite necessary
5. **Reporting Audit Results must be protected effectively:** The rights and obligation to report on their work must be recognized.
6. **Content and Timing of Audit Reports must not be interfered by any influence:** The freedom to decide the content and timing of audit reports and to publish and disseminate them without any influence.
7. **Effective Follow-Up System needs to be implemented by the SAI:** The existence of effective follow-up mechanisms on SAI recommendations are SAI's routine works and must be effective and conform with the relevant ISSAIs.
8. **Autonomy Resources must be sufficient and effective:** Financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources are necessary and must be recognized by law.

**Finally, it should be noted that Lima Declaration specifies that SAI independence shall be laid down in the Constitution.**

## **ISSAI 11 – Guidelines and Good Practices Related to SAI Independence**

- The guideline serves as a source of good practices to share means of increasing and improving SAI independence
- The examples given in the guideline follow the structure of ISSAI 10
- An Appendix to ISSAI 11 refers to the results of case studies used to test SAI adherence to the draft Mexico declaration on SAI independence and to provide examples of safeguards to be put in place to meet independence application provisions
- For example, where the head of the SAI has a minister's status, the SAI adopts specific organizational behaviour to gain more independence from the Executive. The SAI distances itself from the Executive, by not attending all cabinet meetings or events—only attending when it needs to accomplish its audit work

## UNGA RES 66/209 and 69/228 stipulate importance of independence SAIs

- 1. The UN Resolution 66/209 recognizes that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and protected against outside influence.
- 2. The UN Resolution 69/228 encourages the Member States:
  - To apply, in a manner consistent with their national institution structures, the principle of independence of SAIs as set out in the Declarations of Lima and Mexico, and....
  - To give due consideration to the independence and capacity building of SAIs as well as of the improvement of public accounting systems in the context of the Post 2015 Development Agenda

## **The SAI's Constitutional Position As an Important Legal Basis for SAI Independence in Practice**

- The Mexico Declaration laid down the legal basis for SAI independence as follow:
- 1. The head or members of the SAI should be appointed by a process that ensures their independence from the executive (principle 2).
- 2. The SAI should be free from direction or interference from the parliament and the executive in selection of audit issues(principle 3).
- 3. The SAI submits its report to the parliament (or other equivalent body), as well as the audited entity, and has mechanisms to monitor and issue follow-up reports (principle 7).
- 4. The executive should not control or direct the SAI's access to resources; rather, the parliament is responsible for ensuring that the SAI has the proper resources to fulfill its mandate and the SAI should have direct access to the parliament if the resources provided are insufficient (principle 8).

## The Limits of Independence Principle in Practice

- Referring to the conference paper of World Bank Group and the Pacific Association of Supreme Audit Institutions dated 23-25 November 2016, many SAIs in the Pacific region were originally established as government agencies to audit and report on government accounts.
- Under this model, the SAI Head is legally independent, but the SAI as an organization is an instrument of the executive government.
- The SAI's staff are civil servants (as in the Marshall Islands example), and the budget is determined in the same way as for other executive government agencies.
- Thus, public sector auditing in the modern era bears little resemblance to that approach.

## The Best Practices need to be adopted effectively as follow:

- 1. The SAI must be independent and should be anchored in the constitution and/or legislation. (ISSAI 1/section 3, para2)
- 2. The legal framework should make provision for the SAI being able to obtain information from any entity that uses public funds.
- 3. However, the SAI must have the accountability to the parliament as an essential *quid pro quo* for a funding mechanism that see the SAI's funds determined by the legislature without executive interference.



# Independence Principle in Routine Works of SAI

- 1. Independence Principle in Financial Audit (FA).
- 2. Independence Principle in Performance Audit (PA).
- 3. Independence Principle in Compliance Audit (CA).

# ISSAI 100/36 - Auditors should comply with the relevant ethical requirements and be independent

- Ethical principles should be embodied in an auditor's professional behavior
- The SAls should have policies addressing ethical requirements and emphasising the need for compliance by each auditor
- Auditors should remain independent so that their reports will be impartial and be seen as such by the intended users
- For ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour are defined in ISSAI 30 – Code of Ethics

**ISSAI 200/40. The auditor should comply with the relevant ethical requirements, including those pertaining to independence, when carrying out audits of financial statements.**

- The auditor must have an independence of mind or so-called “independence in fact” which means that he or she must have no bias in performing his or her auditing and must be neutral.
- The auditor must have an independence in appearance which means that he or she must have no close relationship in key position with the audited entity. (Key position means “those who prepare or have ability to influence the financial statement”)
- Therefore, if the auditor has financial interest or conflict of interest or litigation with the audited entity and/or its members who can exercise significant influence over the audited entity, it is not independent audit.
- It should be noted that immaterial interest does not impair independence.

# ISSAI GOV 9140 Internal Audit Independence in the Public Sector

- **The Purpose:** This guideline refers to problems related to independence and objectivity and provisions to achieve independence.
- **The principle:** The document provides information why and how internal audit activity requires to perform its duties without restrictions – free from interference or pressures from the organization being reviewed or the area under audit.
- **The scope and content:** The document....
- Defines independence and objectivity and explains why they are vital for the performance of internal audit activities,
- Emphasizes the role of internal audit in general and for public sector entities in special,
- Provides independence and objectivity criteria and
- Indicates how to achieve or enhance independence and objectivity of internal audit in private and public sector organizations

## **ISSAI GOV 9140 adopted IAA's Standards for the Professional Practice of Internal Auditing as a Guidance for Good Governance of Internal Control**

- The need for independence and objectivity in conducting an audit is essential for both SAs and internal auditors.
- The cooperation and coordination between SAs and internal auditors need for independence and objectivity (INTOSAI GOV 9150), including in determining whether and to what extent SAs can use the work of internal auditors (ISSAI 1610, ISA 610/par.9)
- The Lima Declaration calls for internal audit services to be independent as far as possible within their respective constitutional framework (ISSAI/Section 3, para2).
- In this regard, the IIA's (Institute of Internal Auditing) standards are universal and are intended to apply to all members of the internal audit profession.

# Independence and Objectivity Criteria (INTOSAI GOV 9140 Section 7)

- ISA 610, ISSAI 1610 provides criteria to assess the objectivity of the internal audit function in the public sector. Thus, the criteria laid down under Section 7.2 are follow:
- 1. Is the internal audit function in the public sector established by legislation or regulation?
- 2. Is it accountable to top management, for example the head or deputy head of the government entity, and to those charged with governance?
- 3. Does it report the audit results both to top management, for example the head or deputy head of the government entity, and those charged with governance?
- 4. Is it located organizationally outside the staff and management function of the unit under audit?
- 5. Is it sufficiently removed from political pressure to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal?
- 6. Does not permit internal audit staff to audit operations for which they have previously been responsible for to avoid any perceived conflict of interest? and
- 7. Has access to those charged with governance?

## **ISSAI GOV 9140 Section 7.2- Additional criteria may include**

- Clear and formally defined responsibilities and authorities of internal auditing in an audit charter;
- Functional and personal segregation of internal auditing from responsibilities for management tasks and decisions (e.g. as heads of operational working groups in administrative reform projects);
- Adequate freedom for the CAE in establishing audit plans;
- Adequate payment and grading within the salary scale according to the responsibility and significance of internal auditing; and
- Involvement and participation of the CAE in recruitment of audit staff.
- The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results (ISSAI GOV 9140 Section 7.5).



# INSSAI GOV 9140 Section 9: How to Achieve Independence and Objectivity?

- Section 9.1 recommends the following measures:
- Section 9.2 – Appropriate Placement and Organizational Status by adopting the effective measures such as;
  - 9.2.1 The legal measures that endorse the legal status of independence and objectivity for internal audit within the organization;
  - 9.2.2 The independence of internal audit activity in such organizational status should be recognized by its audit Charter;
  - 9.2.3 The appointment, removal, and compensation considerations of the CAE should be consulted with the independent oversight body;
  - 9.2.4 The CAE should be equal in rank to senior management of the organization and should report to a level in the organization that would allow the internal audit activity to effectively carry out its responsibility;
  - 9.2.5 The CAE should have direct communication with those charged with governance in order to ensure that there is no impairment to independence.
- Finally, Section 9.5 do confirm that the adequate legal protection of internal auditor independence is an important element of a legislative framework. Thus the law, in particular civil service law, must protect effectively the internal auditor independence.

# Conclusion

- Law is a final answer to the question of independence auditing.
- SAls need to have effective laws in order to do its function properly.
- However, SAls need to have an accountability to the people and help the government to spend money wisely for the better development and better standard of living in its own country.

## **Appendix 4**

# Overview of SAI independence: Some findings from research




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International Academic Division  
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State Audit Office of the Kingdom of Thailand

## Discussion Issues

- SAI Thailand and the role of project leader in ASEANSAI KSC
- Literature review about SAI Independence: Journey of SAI Independence
- Some findings from Open Budget Survey 2017

*“Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.”*

(The Lima Declaration, ISSAI 1)



## SAI Thailand and the role of project leader of ASEANSAI KSC

Year	Topics of Knowledge Sharing	Host
2015	Water management auditing in ASEAN countries	Yogyakarta, Indonesia
2016	Audit Public Private Partnerships: Knowledge Sharing for ASEANSAI	Bangkok, Thailand
2017	Auditing Complaint letter: ASEANSAI and Fighting against corruption	Bangkok, Thailand
2018	Conducting awareness knowledge sharing on good practices about SAI independence	Bangkok, Thailand

*Signature*

# Knowledge Sharing Reports



**ASEANSAI**  
**Knowledge Sharing Report**  
WATER MANAGEMENT AUDITING IN  
ASEAN COUNTRIES

Prepared by Office of the Auditor General of Thailand  
(Project Leader)  
18-20 August 2015  
Yogyakarta, Indonesia



**ASEANSAI**  
**Knowledge Sharing Report**  
AUDIT PUBLIC PRIVATE PARTNERSHIPS:  
KNOWLEDGE SHARING FOR ASEANSAI

Prepared by Office of the Auditor General of Thailand  
(Project Leader)  
30 August - 1 September 2016  
Bangkok, Thailand



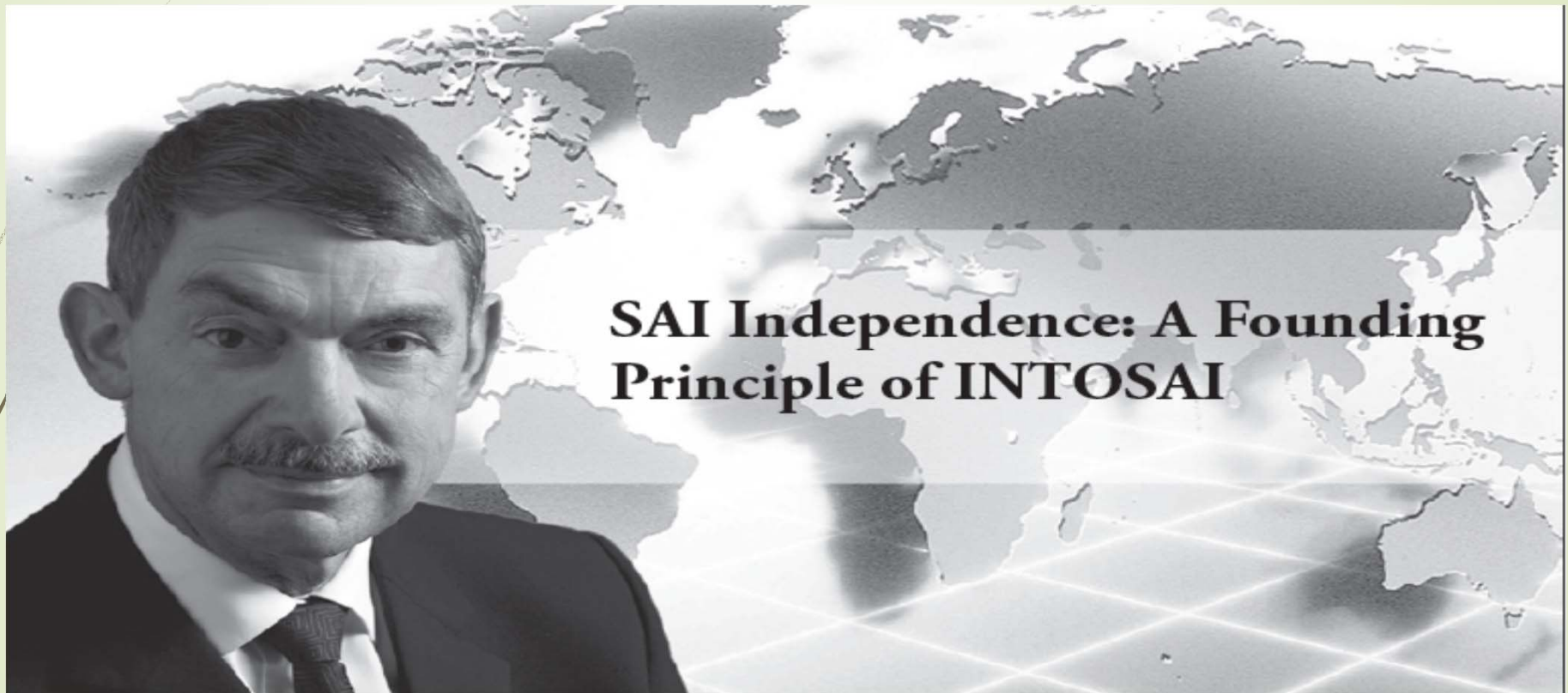
**ASEANSAI**  
**Knowledge Sharing Report**  
AUDITING COMPLIANT LETTER:  
ASEANSAI AND FIGHTING AGAINST CORRUPTION

Prepared by Office of the Auditor General of Thailand  
(Project Leader)  
29-31 August 2017  
Bangkok, Thailand





## Literature review about SAI Independence: Journey of SAI Independence



## Journey of SAI Independence

Year	Journey of SAI Independence
1953	<ul style="list-style-type: none"><li>• The first INTOSAI Congress (INCOSAI) in Cuba already adopted recommendations in 1953 which formed the basis for future action in the field of independence.</li><li>• Member then demanded that SAIs should have the power to "defend and maintain their independence in the case of a violation or non-respect by adopting appropriate measures."</li><li>• Members further stated that SAIs "should be granted the required funding so as to be able to fully meet their mandates".</li></ul>
1956	<ul style="list-style-type: none"><li>• The second INCOSAI in 1956 in Belgium went one step further and recommended that SAIs "should be fully independent from administrative departments and should be protected against any form of outside influence".</li><li>• Members called for the general structure and the nature of SAI work to be protected in the constitution which would include an official statement on the independence of the SAI and the non-removability of its members. It was also recommended to adopt legal provisions governing the reports, document and notes to be published by SAIs.</li></ul>

## Journey of SAI Independence (Cont.)

Year	Journey of SAI Independence
1971	At INCOSAI VII in 1971 in Canada, the members restated that sometimes there were "constraints with regard to their freedom of discretion in administrative questions (e.g. established posts and allocation of funding)". They concluded that it was paramount to "enjoy a maximum degree of independence in respect of their operations, reporting and status....".
1974	At INCOSAI VIII in 1974 in Madrid, the congress of Madrid discussed in detail issues about the principles of government audit which the main principle was focused on the independence of SAI. Finally, the conclusion of Madrid meeting led to establish the working group which prepared the fundamental declaration of government audit.
1975	After Madrid meeting, in 1975 INTOSAI established the working group for preparing the fundamental of government audit. When the draft of the fundamental declaration was finished, it was forwarded to INTOSAI's members for comments.

## Journey of SAI Independence (Cont.)

Year	Journey of SAI Independence
1977	<ul style="list-style-type: none"><li>• The birth of Lima Declaration</li><li>• The independence of SAI is stipulated in section 5 of Lima declaration that SAls can accomplish their tasks effectively only if they are independent of the audited entity and protected against outside influence. However, it recognizes that SAls are part of the state as a whole and therefore cannot be absolutely independent.</li><li>• The Declaration clearly states that the required degree of SAI independence needs to be set out in the Constitution or the law. Section 6 deals with the independence of SAI members in terms of their appointment, term of office and dismissal and calls for constitutional safeguards to ensure such independence.</li><li>• The Declaration also affirms that SAls need a sufficient degree of financial independence to exercise their mandate and a high degree of autonomy in their relation to Parliament.</li><li>• The Lima Declaration also addresses the independence of auditors and clearly stipulates that SAI auditors "...must not be influenced by the audited organisations and must not be dependent on such organisation." (Section 6, Para 3).</li></ul>

## Journey of SAI Independence (Cont.)

Year	Journey of SAI Independence
1998	At the 44th INTOSAI Governing Board meeting in Montevideo, Uruguay, the INTOSAI GB set up a Task Force to survey the status of SAI independence and to elaborate recommendations on how to realistically improve the situation in a proactive and productive manner.
2001	<ul style="list-style-type: none"><li>• The Chairman of the Task Force, Denis Desautels, the former Auditor General of Canada, submitted a report on the activities of the Task Force. The Task Force recommendations contained in that report were adopted at INCOSAI XVII. The report defined eight core principles which are generally considered as essential requirement for sound government audit.</li><li>• One of the recommendations adopted by INCOSAI XVII was to set up a Subcommittee on SAI Independence under the umbrella of INTOSAI's Auditing Standards Committee. The Subcommittee was to be chaired by Canada, the members would be those of the Task Force.</li></ul>

## Journey of SAI Independence (Cont.)

Year	Journey of SAI Independence
2004	The 17 <sup>th</sup> UN/INTOSAI seminar on government auditing : the Symposium topic was the independence of supreme audit institutions. The Symposium on the Independence of Supreme Audit Institutions had two objectives: (1) to provide input to the Sub-committee on its elaboration of application provisions supporting the core principles of independence, and (2) to discuss challenges to the independence of SAIs.
2007	<ul style="list-style-type: none"><li>• The birth of Mexico Declaration on SAI Independence (ISSAI 10)</li><li>• Supreme Audit Institutions generally recognize eight core principles, which flow from the Lima Declaration and decisions made at the XVIIth Congress of INTOSAI (in Seoul, Korea), as essential requirements of proper public sector auditing.</li></ul>
2010	<ul style="list-style-type: none"><li>• During 26-27 May 2010 INTOSAI held the conference at Vienna which discussed the topic on Strengthening External public auditing in INTOSAI region.</li><li>• One of main issues involved SAI independence which several regional SAIs shared their experience and practices about SAI independence.</li></ul>

## Journey of SAI Independence (Cont.)

Year	Journey of SAI Independence
2011	<ul style="list-style-type: none"><li>• The United Nations General Assembly Resolution A/66/209 ; Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions</li><li>• This document explains that the cooperation of INTOSAI and UN recognizes that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.</li></ul>
2013	<ul style="list-style-type: none"><li>• EUROSAI published the paper about SURVEY ON THE INDEPENDENCE OF SUPREME AUDIT INSTITUTIONS which proposed to conduct a survey on independence of SAIs in the EUROSAI community.</li><li>• The questions and findings are classified according to the following four core dimensions of SAI independence, that is, (1) organisational independence; (2) personal / administrative independence; (3) statutory independence; and (4) financial independence.</li></ul>



## Journey of SAI Independence (Cont.)

Year	Journey of SAI Independence
2014	<ul style="list-style-type: none"><li>• The United Nations General Assembly Resolution A/69/228 ; Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions</li><li>• This document still recognizes that supreme audit institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.</li><li>• Also takes note with appreciation of the Lima Declaration of Guidelines on Auditing Precepts of 1977 and the Mexico Declaration on Supreme Audit Institutions Independence of 2007 and encourages Member States to apply, in a manner consistent with their national institutional structures, the principles set out in those declarations.</li></ul>
2015	<ul style="list-style-type: none"><li>• The Commonwealth Auditors General published the survey paper about SAI independence in Commonwealth countries. This paper is Making SAI independence a reality: Some lesson across the commonwealth.</li></ul>

## Journey of SAI Independence (Cont.)

Year	Journey of SAI Independence
2016	<ul style="list-style-type: none"><li>• INTOSAI published the paper which presented the lesson learnt from peer reviews on independence. This paper shows the result of the project "INTOSAI Peer review SAI Independence"</li><li>• The project "INTOSAI Peer Reviews on Independence" was designed jointly by the General Secretariat of INTOSAI and the Austrian Development Agency (ADA). In the framework of the project, auditors of the Austrian Court of Audit and auditors of the SAIs of the Bahamas, Brazil, Egypt, Ghana, Japan and the Republic of Moldova carried out parallel and coordinated peer reviews on the independence of the SAIs of Albania, Bhutan, Ecuador, Ethiopia, Trinidad and Tobago, Tunisia and Vanuatu.</li></ul>
2016	<ul style="list-style-type: none"><li>• PASAI and World Bank held the conference under the theme of <i>the constitutional importance of Parliaments and Supreme Audit Institutions in achieving good governance outcomes for Pacific Island countries</i></li><li>• This paper considers the dimensions that influence the independence and effectiveness of the public institutions responsible for executing the external audit and scrutiny function of a country's PFM system.</li></ul>

## Journey of SAI Independence (Cont.)

Year	Journey of SAI Independence
2017	INTOSAI and SAI Peru held the special event which paid tribute to the 40 <sup>th</sup> years anniversary of Lima Declaration.
2017	IDI published the paper of Towards Greater Independence - A Guidance for Supreme Audit Institutions which IDI has initiated a programme to contribute to the ongoing efforts to enhance independence of SAIs globally.
2017-2022	<ul style="list-style-type: none"><li>• SAI independence in the new INTOSAI Strategic plan 2017- 2022 which it advocates and supports the independence of SAIs appears as the Crosscutting Priority 1 in the new INTOSAI Strategic Plan 2017-2022.</li><li>• INTOSAI strongly advocates for and supports legal frameworks that call for comprehensive audit mandates, unlimited access to needed information, and allows for the unrestricted publication of SAI reports.</li><li>• INTOSAI supports SAI organizational and financial independence because only fully independent, capable, and professional SAIs can ensure accountability, transparency, good governance, and the sound use of public funds.</li></ul>

## Some findings from Open Budget Survey 2017

- What is the Open Budget Survey?
- SAls in Open Budget Survey
- Some findings from Open Budget Survey 2017



### **The 2017 Open Budget Survey**

What the results for  
public participation mean

# Some findings from Open Budget Survey 2017

## Key Budget Documents

**Pre-Budget Statement:** discloses the broad parameters of fiscal policies in advance of the Executive's Budget Proposal; outlines the government's economic forecast, anticipated revenue, expenditures, and debt.

**Executive's Budget Proposal:** submitted by the executive to the legislature for approval; details the sources of revenue, the allocations to ministries, proposed policy changes, and other information important for understanding the country's fiscal situation.

**Enacted Budget:** the budget that has been approved by the legislature.

**Citizens Budget:** a simpler and less technical version of the government's Executive's Budget Proposal or Enacted Budget, designed to convey key information to the public.

**In-Year Reports:** include information on actual revenues collected, actual expenditures made, and debt incurred at different intervals; issued quarterly or monthly.

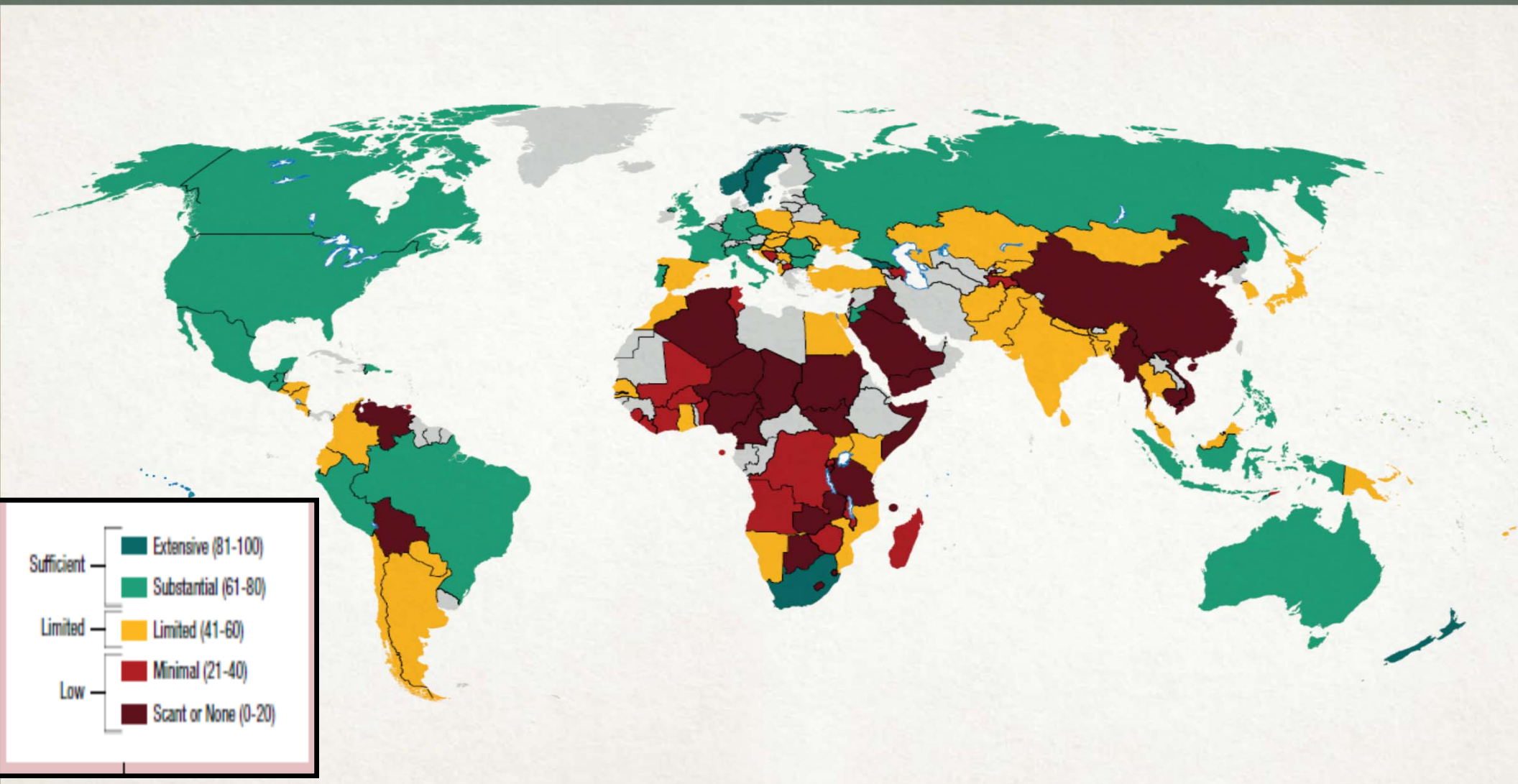
**Mid-Year Review:** contains a comprehensive update on the implementation of the budget as of the middle of the fiscal year; includes a review of economic assumptions and an updated forecast of budget outcomes.

**Year-End Report:** describes the situation of the government's accounts at the end of the fiscal year and, ideally, an evaluation of the progress made toward achieving the budget's policy goals.

**Audit Report:** issued by the supreme audit institution, this document examines the soundness and completeness of the government's year-end accounts.



Figure 2.2: A global picture of budget transparency in 2017



# SAIs in Open Budget Survey

- The fourth stage of the budget process is the audit stage. SAIs can assess whether funds are used in accordance with the law and whether there were failures to comply with government financial procedures.
- Many auditors also carry out additional financial and performance audits to gauge whether the government achieved its goals and whether public spending was efficient.





## OBS questions about SAI

**118:** Did a committee of the legislature examine the Audit Report on the annual budget produced by the Supreme Audit Institution (SAI)?

- a. (100) Yes, a committee examined the Audit Report on the annual budget within three months of its availability, and it published a report with findings and recommendations
- b. (67) Yes, a committee examined the Audit Report on the annual budget within six months (but more than three months) of its availability, and it published a report with findings and recommendations.
- c. (33) Yes, a committee examined the Audit Report on the annual budget, but it did so after the report had been available for more than six months or it did not publish any report with findings and recommendations.
- d. (0) No, a committee did not examine the Audit Report on the annual budget.
- e. Not applicable/other (please comment).

## OBS questions about SAI

119: Was the process of appointing (or re-appointing) the current head of the SAI carried out in a way that ensures his or her independence?

- a. (100) Yes, the head of the SAI may only be appointed by the legislature or judiciary, or the legislature or judiciary must give final consent before the appointment takes effect.
- b. (0) No, the executive may appoint the head of the SAI without the final consent of the legislature or judiciary.
- c. Not applicable/other (please comment).

## OBS questions about SAI

**120:** Must a branch of government other than the executive (such as the legislature or the judiciary) give final consent before the head of the Supreme Audit Institution (SAI) can be removed from office?

- a. (100) Yes, the head of the SAI may only be removed by the legislature or judiciary, or the legislature or judiciary must give final consent before he or she is removed.
- b. (0) No, the executive may remove the head of the SAI without the final consent of the judiciary or legislature.
- c. Not applicable/other (please comment).

## OBS questions about SAI

**121: Who determines the budget of the Supreme Audit Institution (SAI)?**

- a. (100) The SAI determines its own budget (i.e., submits it to the executive, which accepts it with little or no change, or directly to the legislature), or the budget of the SAI is determined by the legislature or judiciary (or some independent body), and the funding level is broadly consistent with the resources the SAI needs to fulfill its mandate.
- b. (67) The budget of the SAI is determined by the executive, and the funding level is broadly consistent with the resources the SAI needs to fulfill its mandate.
- c. (33) The budget of the SAI is determined by the legislature or judiciary (or some independent body), but the funding level is not consistent with the resources the SAI needs to fulfill its mandate.
- d. (0) The budget of the SAI is determined by the executive, and the funding level is not consistent with the resources the SAI needs to fulfill its mandate.
- e. Not applicable/other (please comment).

## OBS questions about SAI

122: Does the Supreme Audit Institution (SAI) have the discretion in law to undertake those audits it may wish to?

- a. (100) The SAI has full discretion to decide which audits it wishes to undertake.
- b. (67) The SAI has significant discretion, but faces some limitations.
- c. (33) The SAI has some discretion, but faces considerable limitations.
- d. (0) The SAI has no discretion to decide which audits it wishes to undertake.
- e. Not applicable/other (please comment).

## OBS questions about SAI

**123:** Are the audit processes of the Supreme Audit Institution (SAI) reviewed by an independent agency?

- a. (100) Yes, an independent agency conducts and publishes a review of the audit processes of the SAI on an annual basis.
- b. (67) Yes, an independent agency conducts and publishes a review of the audit processes of the SAI at least once in the past five years, but not annually.
- c. (33) No, but a unit within the SAI conducts a review of the audit processes of the SAI on a regular basis.
- d. (0) No, the audit processes of the SAI are reviewed neither by an independent agency nor by a unit within the SAI.
- e. Not applicable/other (please comment).



## OBS Survey questions about SAI

124: In the past 12 months, how frequently did the head or a senior staff member of the Supreme Audit Institution (SAI) take part and testify in hearings of a committee of the legislature?

- a. (100) Frequently (i.e., five times or more).
- b. (67) Sometimes (i.e., three times or more, but less than five times).
- c. (33) Rarely (i.e., once or twice).
- d. (0) Never.
- e. Not applicable/other (please comment).



## OBS questions about SAI

140: Does the Supreme Audit Institution (SAI) maintain formal mechanisms through which the public can suggest issues/topics to include in the SAI's audit program (for example, by bringing ideas on agencies, programs, or projects that could be audited)?

- a. (100) Yes, the SAI maintains formal mechanisms through which the public can suggest issues/topics to include in its audit program
- b. (0) The requirements for an "a" response are not met.
- c. Not applicable (please comment).

## OBS questions about SAI

**141:** Does the Supreme Audit Institution (SAI) provide the public with feedback on how citizens' inputs have been used to determine its audit program?

- a. (100) Yes, the SAI provides a written record which includes both the list of the inputs received and a detailed report of how the inputs were used to determine its audit program.
- b. (67) Yes, the SAI provides a written record which includes both the list of inputs received and a summary of the how the inputs were used to determine its audit program.
- c. (33) Yes, the SAI provides a written record which includes either the list of the inputs received or a report or summary on how they were used.
- d. (0) The requirements for a "c" response or above are not met.
- e. Not applicable (please comment).

## OBS questions about SAI

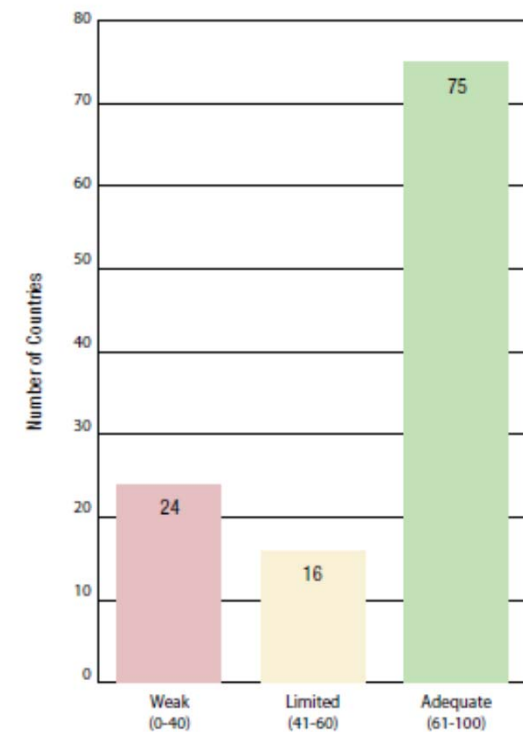
**142:** Does the Supreme Audit Institution (SAI) maintain formal mechanisms through which the public can contribute to audit investigations (as respondents, witnesses, etc.)?

- a. (100) Yes, SAI maintains formal mechanisms through which the public can contribute to audit investigations.
- b. (0) The requirements for an “a” response are not met.
- c. Not applicable (please comment).

## Some findings from Open Budget Survey 2017

- ▶ The basic conditions for SAs to provide adequate oversight are in place in most countries: 75 out of 115 in OBS 2017 (65 percent). SAs remain weak in 24 countries, however, and are of limited scope in the remaining 16.

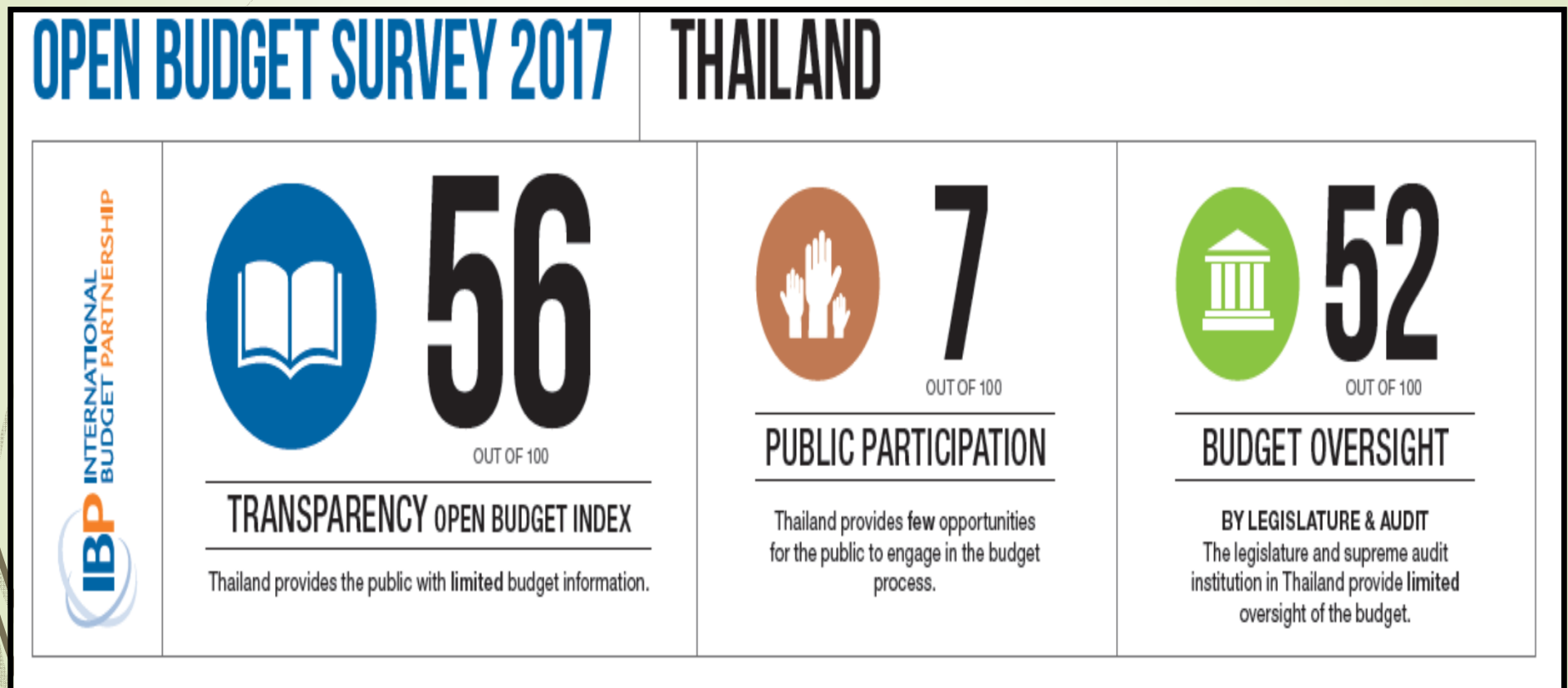
Figure 4.3: Countries grouped by 2017 supreme audit institution oversight score



## Some findings from Open Budget Survey 2017 (Cont.)

- The OBS 2017 finds that the heads of 81 of the 115 SAs surveyed were appointed in a way that ensured their independence, and 92 cannot be removed solely by the executive branch.
- Taken together, these findings suggest a fairly high degree of independence for SAs globally.
- In spite of this independence, however, SAs may still fail to play their proper role in the accountability system. In some countries, SAs lack adequate budgets to carry out their work; analysts raised this concern in 37 percent of the countries surveyed in 2017. In 38 countries, no Audit Reports are published; in 41 countries, as we saw above, the legislature does not review audit findings.

## Example of OBS 2017: Thailand



## Example of OBS 2017: Thailand

**To what extent does the supreme audit institution in Thailand provide budget oversight?**



The supreme audit institution provides **adequate** budget oversight.

- Under the law, it has full discretion to undertake audits as it sees fit.
- Moreover, the head of the institution is appointed by the legislature or judiciary and cannot be removed without legislative or judicial approval, which bolsters its independence.
- Finally, the supreme audit institution is provided with sufficient resources to fulfill its mandate, but its audit processes are not reviewed by an independent agency.



*"We cannot do the role of cheerleaders. We strive to provide objective feedback on the functioning of the various departments of the government."*

*Vinod Rai  
Former CAG India*



# **Appendix 5**



# Workshop on Conducting Awareness Knowledge Sharing on Good Practices about SAI Independence

National Audit Authority of the Kingdom of Cambodia

Hotel Windsor Suits & Convention, BKK, Thailand

16 May 2018



# Content

1. Introduction
2. Appointment of Auditor-General & Deputy Auditor-Generals
3. Types of Audit
4. Power of Gathering Information
5. Audit Report
6. Conclusion



UNOFFICIAL TRANSLATION

Kingdom of Cambodia  
Nation Religion King

No.CS/RKM/0300/10

## ROYAL KRAM

We,

**Preah Bat Samdech Norodom Sihanouk,  
The King of the Kingdom of Cambodia,**

- Having seen the Constitution of the Kingdom of Cambodia;
- Having seen Royal Kram No. NS/RKM/0399/01 dated March 08, 1999 promulgating the Constitutional Law regarding the amendments to the articles 11, 12, 13, 18, 22, 24, 26, 28, 30, 34, 51, 90, 91, 93 and the articles in Chapter 8 to 14 of the Constitution of the Kingdom of Cambodia;
- Having seen Royal Decree No. NS/RKT/1198/72 dated November 30, 1998 regarding the Appointment of the Royal Government of Cambodia;
- Having seen Royal Kram No. 02/NS/94 dated July 20, 1994 promulgating the Law on the Organization and Functioning of the Council of Ministers;
- Having seen Royal Kram No. 01/NS/93 dated December 28, 1993 promulgating the Law on Financial System;
- Having seen Royal Kram No. NS/RKM/0196/18 dated January 24, 1996 promulgating the Law on the Establishment of the Ministry of Economy and Finance;
- Pursuant to the proposal of Samdech Prime Minister and the Senior Minister, Minister of Economy and Finance.

## PROMULGATE

The Law on Audit of the Kingdom of Cambodia was passed by the National Assembly on the 12<sup>th</sup> of January 2000 at its third plenary session of the second legislature and approved by the Senate on all of its forms and legal concepts on the 21<sup>st</sup> of January 2000 at its second plenary session of the first legislature and was declared to be conformed with the Constitution by the Constitutional Council, except the article 40, and is entirely stated as follows:

# 1. Introduction



# Introduction

- Law on Audit of the Kingdom of Cambodia.
- National Audit Authority (NAA) is independent in its operations and responsible for executing the external audit function of the Royal Government.
- NAA is empowered to carry out independent audits.
- Audit findings are reported directly to the National Assembly and Senate; and to the Royal Government for informing purpose.
- Annual Activity Report of NAA is submitted to the National Assembly, Senate and the Royal Government.



## Introduction (Cont.)

- National Audit Authority:
  - is empowered to issue decisions, regulations, circulars, and other instructions.
  - has discretion to decide its audit plan, select auditees, types of audit to conduct, access information unrestrictedly, contents of audit report, and decide to conduct audit on special requests made by stakeholders.
  - has its own separate budget provided by the national budget.
- Only special commission appointed by the National Assembly upon request by the permanent committee of the National Assembly can review activities and operations of NAA.





National Assembly

## 2. Appointment

# Appointment of Auditor-General & Deputy Auditor-Generals



- The Auditor-General and the Deputy Auditor-Generals are appointed by Royal Decree on the recommendation of the Royal Government and approved by absolute majority of votes of all members of the National Assembly for a term of 5 years and may be reappointed for another 5 years only.
- The Auditor-General has the responsibilities to lead the National Audit Authority, as well as in charging of the implementation of policies, goals and objectives of the National Audit Authority and has authority to act in all matters stipulated in this Law.
- The Auditor-General shall regularly report to the National Assembly and Senate on any problem arising from the conduct of his/her duties or the usage of his/her powers as stipulated in this Law.

# Appointment of Auditor-General & Deputy Auditor-Generals (Cont.)

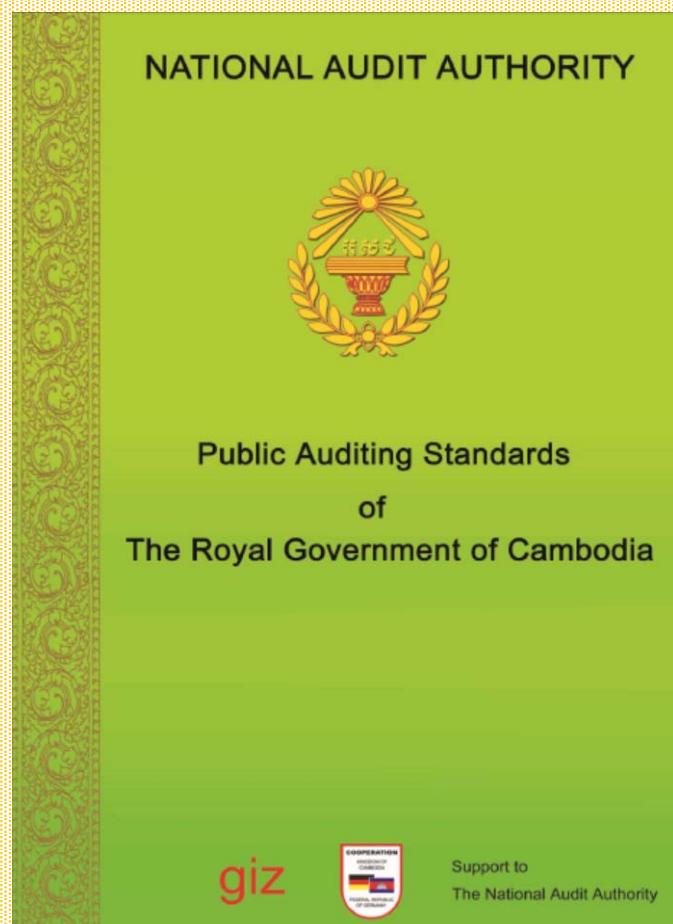


- The Auditor-General's powers include but not limited to appointing, replacing, punishing and determining salaries, benefits and bonus of official and staff of the National Audit Authority.
- The Auditor-General is empowered to conduct audits on accounting records, accounts, management systems, operation controls and programs of government institutions.
- The Auditor-General has rank and privileges equivalent to a Senior Minister and the Deputy Auditor-Generals have rank and privileges equivalent to a Minister.



# The government institutions in the provisions of this Law shall include:

- ministries,
- institutions,
- agencies,
- authorities,
- national bank,
- state financial institutions,
- state and private sector joint venture financial institutions,
- public enterprises,
- public establishments,
- municipal, provincial and local government offices,
- Contractors/suppliers of goods and services to the Royal Government under contracts,
- and other organizations receiving financial assistance from the Royal Government in addition to their own equity and credits such as tax and duty exemptions and other concessions to non-profit organizations and private investment enterprises.



### 3. Types of Audit



# Types of Audit

- As the external audit institution, NAA is empowered to implement the following types of audits:
  - Audit on Financial statements,
  - Audit on evaluation, efficiency and effectiveness of operations,
  - Audit on management systems and operations of all institutions,
  - Audit on the management of credit project financed by external sources,
  - Audit on non-profit organizations, associations, and private investment enterprises, and
  - Audit upon the special request.



## 4. Power of Gathering Information





# Power of Gathering Information

- NAA has power to obtain timely, unfettered, direct, and free access to all the necessary documents and information for the proper discharge of its statutory responsibilities.
- The Auditor-General has the right to verify the accuracy of the information and evidences provided.
- The information shall be provided verbally or in writing and be certified that is legally accurate.
- The Auditor-General or the authorized official is entitled to fully and freely access to documents, reports or properties belonging to auditees; and entitled to examine, make copies or extract documents from any report.



## 5. Audit Report

Audit Report on Public Financial Management  
Fiscal Year 2016



# Audit Report

## Individual Assignment:

- The Auditor-General sends a copy of a proposed report to the head of audited entity.
- If the head of the entity gives the written comments to the Auditor-General within twenty-eight (28) days after receiving the proposed report, the Auditor-General considers those comments before preparing a final report.
- Otherwise, if the head of the entity has not replied within the time period specified above, the proposed report shall be considered valid.



# Audit Report (Cont.)

## Public Financial Management:

- Royal Government submits the annual statements of the budget settlements to the National Audit Authority for auditing.
- The National Audit Authority must certify these statements and issue the audit reports to the National Assembly and Senate.
- During the publication of the Annual Audit Report of NAA, development partners, civil societies and media are always invited.
- The reports issued by the Auditor-General shall be deemed to be public documents.



# Audit Report (Cont.)

## Relationship with Legislative:

- A working group in charge of direct coordinating the contact with the second commission of the National Assembly was established in order to facilitate communications and help assure NAA awareness of parliamentary needs and interests in NAA's audit report.
- Procedures to review audit reports and enforce the implementation of audit recommendations was developed by the National Assembly, Senate, and NAA.



## 6. Conclusion



# Conclusion

- Audit Law empowers NAA to conduct full range of public sector audit.
- Audit report on Annual State Budget Settlement is discussed among interested parties such as the second commission of National Assembly, Ministry of Economy and Finance and NAA.
- All audit reports are recognized by auditees and highly appreciated by the National Assembly and Senate.
- Audit reports have been presented annually to the public in Audit Reports on Public Financial Management.
- NAA follows up on recommendation made to auditees.
- By publishing its auditing results, the NAA strengthens the transparency of the government actions and the application of public funds.
- In the long run, this transparency will build confidence of the Cambodian citizens towards the Royal Government.



## **Appendix 6**



# **THE INDEPENDENCE OF SUPREME AUDIT INSTITUTION – INDONESIAN PRACTICE**

**BY**

**Dr. NIZAM BURHANUDDIN**

**DIAN PRIMARTANTO**

**(THE AUDIT BOARD OF REPUBLIC OF INDONESIA)**

**Country Paper Presented at Workshop on Conducting Awareness Knowledge  
Sharing on Good Practices about SAI Independence**

**15th – 17th May 2018, Bangkok, Thailand**

## **1. History of The Audit Board of Indonesia**

The Audit Board of Republic (BPK) was established in January 1947, headquartered in Magelang Central Java. At that time, BPK only employed 9 staffs while Mr R Soerasno was the first Chairman. To begin its duties, in April 1947, BPK annouced its mandates to all government institutions in the territory of the Republic Indonesia, for while still using the legislation that was applicable by *Algemene Rekenkamer* (Audit Board of Dutch Indies).

In November 1948, the headquarter was moved from Magelang to Yogyakarta, the capital at that time. Mr R Kasiman was appointed as chairman in 1949.

During the period of Federation Republic of Indonesia (RIS), a Financial Supervisory Board was set up under the Constitution of RIS in December 1949 , with Mr R Soerasno as the chairman,who had previously been appointed as Chairman of the BPK in Yogyakarta. The headquarter of RIS Financial Supervisors Board was located in Bogor, at the former office of the *Algemene Rekenkamer*.

Under the 1950 Interim Constitution in October 1950, BPK was merged with the RIS Financial Supervisors Board and located in Bogor.

In July 1959 Indonesia returned to the original 1945 Indonesian Constitution. The Financial Supervisors Board once again became the Audit Board.

In October 1963 the President of Indonesia decided to improve BPK to be an effective tools of control by Government Regulation in Lieu of Legislation No. 6 of 1964 (after ammended) regarding the New Structure of BPK.

In 1965, the Act stipulated that the President of Indonesia has the authority for auditing and the highest decision for the formulation and management of the State

Finance. The Chairman and Vice Chairman of BPK sat as Coordinating Minister and Minister respectively.

Finally, in July 1966 the People's Consultative Assembly issued a decree, returning BPK to its original position and function as Old Structure of BPK. Subsequently, the Audit Board Act Year 1973 repealed to underlying job description of BPK.

During the reform era, BPK gained constitutional support from the People's Consultative Assembly of the Republic of Indonesia (MPR) in the Annual Session of 2002, which strengthened its position as a government external audit institution. The Decree of the Assembly emphasized the position of BPK as the sole external auditor of state finance, and that its role as an independent and professional institution to be strengthened.

Then provisions regulating the BPK in the 1945 Constitution have been amended. Before the amendment, BPK RI was only regulated in one paragraph (Article 23, Paragraph 5). Within the Third Amendment to the 1945 Constitution, this became one separate chapter (Chapter VIII A) consisting of three articles (23E, 23F, and 23G) and seven paragraphs.

To support its duties, BPK RI is supported by a set of Laws on State Finance, i.e.:

- a. The State Finances Act 2003 (No.17 of 2003)
- b. The State Treasury Act 2004 (No.1 of 2004)
- c. The State Financial Management and Accountability Act 2004 (No.15 of 2004)
- d. The Audit Board Act 2006 (No.15 of 2006)

## **2. Mandate and Legal Position**

The mandate of BPK is derived from the third amendment of the 1945 Constitution of the Republic of Indonesia, that is, on chapter VIIIA, Article 23E which stipulate as follows.

- (1) To examine the management and accountability of state finances of the State Audit Board constituted freely and independently.
- (2) The results of the state financial audit are submitted to the House of Representatives, Regional Representatives Council, and the Regional Representatives Council, in accordance with their authority.
- (3) The results of the examination shall be followed by representative bodies and/or entities in accordance with the law.

Furthermore on Article 23F, it is stated as follows.

- (1) Members of the Supreme Audit Board shall be elected by the House of Representatives by taking into consideration the local council, which was inaugurated by the President.
- (2) The Executive Board Audit Board shall be elected from and by members.

On Article 23G, it is stipulate:

- (1) Audit Agency shall be based on the capital city of the state and is represented in every province.
- (2) Further provisions on the Audit Board must be regulated by law.

In addition to what is stated in The 1945 Constitution, BPK's mandate is also fortified by three following laws, namely:

1. Law Of The Republic Of Indonesia Number 15 Of 2006 About Supreme Audit Board
2. Law Of The Republic Of Indonesia Number 15 Of 2004 About The Management Audit And State Financial Responsibility
3. Law Of The Republic Of Indonesia Number 1 Of 2004 About The State Treasury
4. Law Of The Republic Of Indonesia Number 17 Of 2003 About State Finance

### 3. Duties and Function

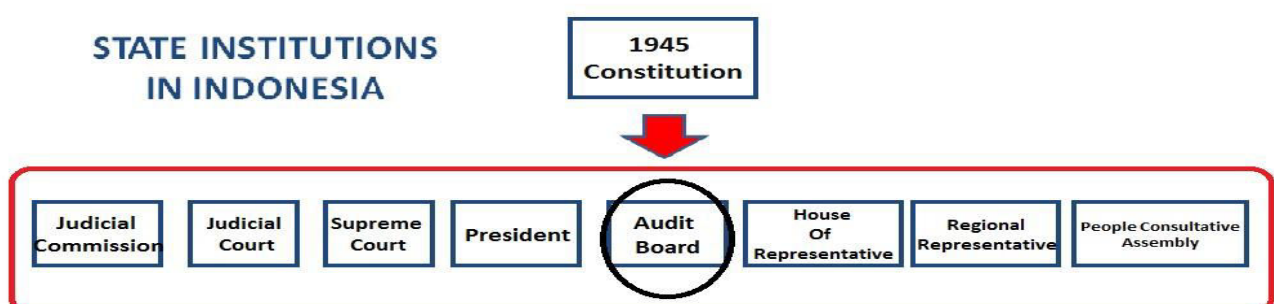
According to The 1945 Constitution BPK has the main duty, that is to examine (or to audit) the management and accountability of state finances. The relevant laws elaborate further several functions that BPK has in order to fulfill its main duty.

- a. Audit function, BPK examines (or audits) the management and accountability of state finances
- b. Recommendation function, BPK gives recommendations to the audited entities and BPK monitor the follow-up actions;
- c. Quasi-judicial function, BPK processes any case of state loss that involve state treasures
- d. BPK provides its opinion or judgment to its stakeholders regarding the scope of stet finances;
- e. BPK presents consideration upon the draft of Government accounting standards and the draft of government internal control system;

### 4. Constututional Position of The Audit Board of Indonesia

BPK is one of state institutions in Indonesia. It has equal position level to the executive body (the government), and the legislative bodies (the parliaments) and also the judicative body (the supreme court and the constitutional court).

The position of BPK can be illustrated as follows.



Having position as a state institution enables BPK to perform and carry out its duties and functions independently. BPK is not responsible either to the President or to the parliament, or any of the other state institutions. The 1945 constitution states that BPK is free and independent.

This position also gives advantage to BPK that it can emphasize the importance of audit report and encourage the audited entities to follow up audit recommendations.

Currently, The Audit Board consists of:

- Chairman;
- Vice Chairman, and;
- 7 Members

## **5. Scope of audits**

According to the relevant laws, BPK's duties and functions has covered all scope of state finances. The scope of BPK's audit comprise :

- Central government, ministries and agencies, including Ministry of defence and State Intelligence Agency;
- Regional and local governments,
- State-owned enterprises, including regional and local government-owned companies;
- Central bank of Indonesia and state-owned commercial banks
- Any agency or institution involved in using or managing state finances

## **6. The Independence of Supreme Audit Institution in ISSAI**

International Organisation of Supreme Audit Institution (INTOSAI) has mentioned independence of supreme audit institution (SAI) in the following documents.

### **a. ISSAI 1 : Lima Declaration**

#### **Independence**

#### **Section 5. Independence of Supreme Audit Institutions**

1. Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.
2. Although state institutions cannot be absolutely independent because they are part of the state as a whole, Supreme Audit Institutions shall have the functional and organisational independence required to accomplish their tasks.
3. The establishment of Supreme Audit Institutions and the necessary degree of their independence shall be laid down in the Constitution;

details may be set out in legislation. In particular, adequate legal protection by a supreme court against any interference with a Supreme Audit Institution's independence and audit mandate shall be guaranteed.

#### **Section 6. Independence of the members and officials of Supreme Audit Institutions**

1. The independence of Supreme Audit Institutions is inseparably linked to the independence of its members. Members are defined as those persons who have to make the decisions for the Supreme Audit Institution and are answerable for these decisions to third parties, that is, the members of a decision-making collegiate body or the head of a monocratically organised Supreme Audit Institution.
2. The independence of the members, shall be guaranteed by the Constitution. In particular, the procedures for removal from office also shall be embodied in the Constitution and may not impair the independence of the members. The method of appointment and removal of members depends on the constitutional structure of each country.
3. In their professional careers, audit staff of Supreme Audit Institutions must not be influenced by the audited organisations and must not be dependent on such organisations.

#### **Section 7. Financial independence of Supreme Audit Institutions**

1. Supreme Audit Institutions shall be provided with the financial means to enable them to accomplish their tasks.
2. If required, Supreme Audit Institutions shall be entitled to apply directly for the necessary financial means to the public body deciding on the national budget.
3. Supreme Audit Institutions shall be entitled to use the funds allotted to them under a separate budget heading as they see fit.

#### **b. ISSAI 10 : Mexico Declaration on SAI Independence**

##### **Principle 1**

**The existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework.**

Legislation that spells out, in detail, the extent of SAI independence is required.

##### **Principle 2**

**The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties.**

The applicable legislation specifies the conditions for appointments, re-appointments, employment, removal and retirement of the head of SAI and members of collegial institutions, who are

- appointed, re-appointed, or removed by a process that ensures their independence from the Executive (see ISSAI-11 Guidelines and Good Practices Related to SAI Independence);
- given appointments with sufficiently long and fixed terms, to allow them to carry out their mandates without fear of retaliation; and
- immune to any prosecution for any act, past or present, that results from the normal discharge of their duties as the case may be.

### **Principle 3**

#### **A sufficiently broad mandate and full discretion, in the discharge of SAI functions.**

SAIs should be empowered to audit the

- use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature;
- collection of revenues owed to the government or public entities;
- legality and regularity of government or public entities accounts;
- quality of financial management and reporting; and
- economy, efficiency, and effectiveness of government or public entities operations.

Except when specifically required to do so by legislation, SAIs do not audit government or public entities policy but restrict themselves to the audit of policy implementation.

While respecting the laws enacted by the Legislature that apply to them, SAIs are free from direction or interference from the Legislature or the Executive in the

- selection of audit issues;
- planning, programming, conduct, reporting, and follow-up of their audits;
- organization and management of their office; and
- enforcement of their decisions where the application of sanctions is part of their mandate.

SAIs should not be involved or be seen to be involved, in any manner, whatsoever, in the management of the organizations that they audit.

SAIs should ensure that their personnel do not develop too close a relationship with the entities they audit, so they remain objective and appear objective.

SAI should have full discretion in the discharge of their responsibilities, they should cooperate with governments or public entities that strive to improve the use and management of public funds.

SAI should use appropriate work and audit standards, and a code of ethics, based on official documents of INTOSAI, International Federation of Accountants, or other recognized standard-setting bodies.

SAIs should submit an annual activity report to the Legislature and to other state bodies—as required by the constitution, statutes, or legislation—which they should make available to the public.



#### **Principle 4**

##### **Unrestricted access to information**

SAIs should have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of their statutory responsibilities.

#### **Principle 5**

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

SAIs should not be restricted from reporting the results of their audit work. They should be required by law to report at least once a year on the results of their audit work.

#### **Principle 6**

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

SAIs are free to decide the content of their audit reports.

SAIs are free to make observations and recommendations in their audit reports, taking into consideration, as appropriate, the views of the audited entity.

Legislation specifies minimum audit reporting requirements of SAIs and, where appropriate, specific matters that should be subject to a formal audit opinion or certificate.

SAIs are free to decide on the timing of their audit reports except where specific reporting requirements are prescribed by law.

SAIs may accommodate specific requests for investigations or audits by the Legislature, as a whole, or one of its commissions, or the government.

SAIs are free to publish and disseminate their reports, once they have been formally tabled or delivered to the appropriate authority—as required by law.

#### **Principle 7**

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

SAIs submit their reports to the Legislature, one of its commissions, or an auditee's governing board, as appropriate, for review and follow-up on specific recommendations for corrective action.

SAIs have their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations as well as those made by the Legislature, one of its commissions, or the auditee's governing board, as appropriate.

SAIs submit their follow-up reports to the Legislature, one of its commissions, or the auditee's governing board, as appropriate, for consideration and action, even when SAIs have their own statutory power for follow-up and sanctions.

## Principle 8

### **Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources**

SAIs should have available necessary and reasonable human, material, and monetary resources—the Executive should not control or direct the access to these resources. SAIs manage their own budget and allocate it appropriately.

The Legislature or one of its commissions is responsible for ensuring that SAIs have the proper resources to fulfill their mandate.

SAIs have the right of direct appeal to the Legislature if the resources provided are insufficient to allow them to fulfill their mandate.

## **7. Independence of The Audit Board of Indonesia**

Since its establishment in 1947, BPK has been designed as a state institution with full of authorities yet being independent in auditing state finances. Despite its changing format during the 1950s and 1960s, BPK has gained a position as the State External Auditor since 1970s.

By having such position, BPK has set up its core values ***“Integrity, Independence, and Professionalism”*** to be brought up alongside the performance of its audit mandate and other functions. The value of independence itself has been maintained in several following aspects.

### **a. Constitutional Position**

Regarding its position among the state institutions, BPK is at the same level to President (Government), Parliament (legislature), and Supreme Court (judicature). By having such position, it is clearly possible that BPK is independent from either executive, or legislative, and judicative bodies.

The BPK members are selected by a certain commission within House of Representative through public contest. Then, the elected nominees will be authorized by President and sworn by the Chairman of Supreme Court. The chairman and vice chairman of BPK are selected among the members.

### **b. Performing Audit duties and other functions**

The Constitution and laws have guaranteed BPK to be able to carry out its main duty, that is to audit the management and accountability of state finances. The relevant laws have stipulated that BPK can, manage all necessary processes to fulfill its audit mandate freely and independently. The processes that can be conducted by BPK will comprise :

- Strategic planning, containing audit policies ;
- Audit planning;
- Audit execution (field work);
- Audit reporting, including providing audit recommendations;

- Monitoring follow-up actions

In order to carry out such processes independently, BPK is given sufficient access to all information needed. BPK can receive as much information as it needs from all stakeholders, in all forms or media. When performing audit tasks, the audited entities are required to provide all documents and information that BPK auditors require. Rejection to provide such information may lead to criminal charges.

BPK is also given privilege to set up the auditing standards and all the necessary audit manuals.

In addition to performing its audit duties, BPK is also independent in presenting its considerations and judgement upon particular objects as follows.

- Opinion or judgement to government or any stakeholder regarding particular issues within scope of state finances;
- Consideration on the draft of government accounting standards;
- Consideration on the draft of government internal control system.

When performing the normal discharge of its duties and functions, BPK Chairman, Vice Chairman, and Members are guaranteed by the laws to have legal immunity of any criminal charges.

#### **c. Reporting and monitoring audit recommendations**

Parallel to the independence in performing audit duties, BPK has also its independence in reporting its audit results. BPK has all the prerogative to determine the content of its audit reports. BPK are obliged to submit its audit reports to The Legislature and The Government. In addition, BPK can also provide its audit reports available to any stakeholders.

When audit results reveal any indications of fraud, BPK will proceed such indications to law enforcement agencies, they are the Attorney General Office, the State Police Department, and the Corruption Eradication Commission. When those agencies follow up such indications into further investigations, BPK will assist and help them in calculating the state losses resulted from the underlying cases.

In addition to reporting, The audited entities is obliged to do follow up actions upon BPK's audit recommendations. BPK has its duty to monitor the audit recommendations and submit its progress or status of follow-up to the Legislature.

Besides audit recommendations, BPK also deals with any case of state loss involving state treasurers. Having such a quasi-judicial right, BPK acts as the court for treasurer state losses. Furthermore, BPK also monitor the recovery of state losses in all government agencies

#### **d. Code of Ethics**

In order to maintain its independence, BPK has published its Code of Ethics. The Code of Ethics consist of all the rights and obligations that The Audit Board and

its auditors must obey. Independence is one of the elements that the Code of Ethics elaborate. The Audit Board and its auditors must be independent regarding their relationship to their audited entities (independence in fact) as well as being independent when performing their audit works (independence in appearance). The Code of Ethics also specify the sanctions imposed on those who violate the ethics.

**e. Quality Control**

To ensure the quality of its works, BPK develops its quality control standards following ISSAI 40. The quality control of BPK involves :

- Review of BPK's internal audit unit upon internal processes;
- Audit of Chartered public accountant upon BPK's annual financial statements;
- Peer review of SAI of INTOSAI members upon quality control system

**f. Organizational structure**

In order to support its duties, the relevant laws has given advantage to BPK to arrange its organizational structure. The Audit Board is supported by the following structures:

- Secretariat General
- Audit departments;
- Representative offices;
- Supporting units;

BPK can form any structure that it needs, yet BPK still needs to consult with the government in order to assure that the proposed structure can be proceeded.

**g. Budget and resources**

Like any other organization, BPK needs sufficient resources so that the Audit Board can carry out its duties to meet the stakeholders' expectations. The resources needed by BPK can be as follows.

**1) Financial Budget**

BPK plans annual budget that are necessary to finance its audit works as well as supporting activities. Then, the proposed budget will be discussed with the Parliament as well as the Government (in this case with Ministry of Finance).

Until now, BPK does not face any significant problems in financing its audit works. However, because state budgeting is the domain of the Executive (Government), BPK's proposed budget may still be affected by policies designed by the Government in the upcoming years.

**2) Human Resources**

BPK has set up plans its human capital developmen plans (HCDP). The HCP consist of, among others, the amounts of audit staff needed. This amount will

be the basis for BPK to request the Government to provide or to recruit staffs considering all necessary competencies.

Like state budgeting, staff recruitment is also the domain of the Executive (Government), since most of the BPK's audit staff are civil servants. Therefore there is a risk that the proposed amount of staff may be affected by policies designed by the Government in the upcoming years.

### **3) Infrastructures and Technology**

BPK develops its capacity of infrastructures and technologies at such level that meet the requirement of audit works.

Until now, the infrastructures and technologies BPK have been sufficient enough to support BPK's audit works. Still, the development of infrastructures and, especially, technologies may depend on the budget allocated to BPK by the Government in the upcoming years.

#### **h. Stakeholders Relations**

BPK maintains its good relationship with any stakeholders :

- The Government, including its internal audit units;
- The Legislature (Parliament);
- The Judicature (Supreme Court);
- The Law Enforcement Agencies
- Academicians and professional societies;
- Public society

In maintaining good relationships, BPK holds various activities that invite those stakeholders to discuss further about BPK's works or to communicate their ideas or suggestions to BPK.

BPK also maintains good cooperation with the internal audit departments and the association of internal auditors in order to share mutual perspectives and understandings regarding the accountability of state finances. When BPK auditors perform their audits on certain entities, they communicate initially with internal audit of the entities.

## **8. Challenges to Independence**

Despite the successful efforts, BPK still needs to face some challenges :

- The BPK's budgeting and staff recruitment process, as well as organization structure, involve consultation with the Executive (Government) and may be affected by the Government policies;

- Due to the increasing demand of public disclosure of audit report, there is a risk that BPK audit result will be comprehended or used improperly by certain groups of stakeholders.

Therefore, to mitigate those risks, BPK has undertaken following steps.

- Maintaining good relations and communications with the Government, yet without compromising BPK's independence;
- Regulate upon distribution of audit results, aside from those of eligible recipients, they are the Parliament and the Government;
- Educate stakeholders and public society about how to understand and to interpret BPK's audit reports

## **9. Conclusion**

BPK as the supreme audit institution of Indonesia is required by laws and ISSAI to be an independent institution. So far, BPK has been successfully maintained its independence despite the challenges that the Audit Board has to deal with. In the future, good communications and relations with any stakeholders are very important factors for BPK to uphold its independence and also to develop its capacity to meet stakeholder's expectations.



# **THE INDEPENDENCE OF SUPREME AUDIT INSTITUTION — INDONESIAN PRACTICE**

**Dr. NIZAM BURHANUDDIN  
DIAN PRIMARTANTO  
(THE AUDIT BOARD OF REPUBLIC OF INDONESIA)**



# **AGENDA**



- 1. Brief description of The Audit Board of Indonesia**
- 2. The Independence of The Audit Board of Indonesia**

# **THE AUDIT BOARD OF REPUBLIC OF INDONESIA (BPK)**



- ☐ **BPK was established in 1947**
- ☐ **BPK consist of Chairman, Vice Chairman, 7 Members**
- ☐ **Mandate of BPK :**
  - **1945 Constitution**
  - **The State Finances Act 2003 (No.17 of 2003)**
  - **The State Treasury Act 2004 (No.1 of 2004)**
  - **The State Financial Management and Accountability Act 2004 (No.15 of 2004)**
  - **The Audit Board Act 2006 (No.15 of 2006)**

# **THE AUDIT BOARD OF REPUBLIC OF INDONESIA (BPK)**



- ❑ **Duties & functions :**
  - **Audit function**
  - **Recommendation function & monitor**
  - **Quasi-judicial function : state loss (treasurer)**
- ❑ **Scope of audit**
  - **Central government, ministries and agencies, including Ministry of defence and State Intelligence Agency;**
  - **Regional and local governments,**
  - **State-owned enterprises, including regional and local government-owned companies;**
  - **Central bank of Indonesia and state-owned commercial banks**
  - **Any agency or institution involved in using or managing state finances**

**Independence, Integrity, Professionalism**



# THE INDEPENDENCE OF BPK



## Constitutional Position

STATE INSTITUTIONS  
IN INDONESIA

1945  
Constitution



Judicial  
Commission

Judicial  
Court

Supreme  
Court

President

Audit  
Board

House  
Of  
Representative

Regional  
Representative

People Consultative  
Assembly

## Audit Duties

- **BPK manages all audit processes freely and independently : audit policies, audit planning, execution, reporting, recommending**

## Reporting & monitoring recommendations

- **Submit report to Legislature & Government**
- **Proceed fraud indications to Law Enforcers**
- **Monitor & report audit follow-up**

# THE INDEPENDENCE OF BPK



## Code of Ethics

- The Board & all auditors must obey Code of Ethics
- Independence in Code Ethics : In Fact & In Appearance

## Quality Control

- Internal Audit Unit
- Chartered Public Accountant
- Peer Review by other SAI

## Organizational Structure

- Structure : Board, audit unit, representatives, supporting
- Structure development needs to consult with the Government



# THE INDEPENDENCE OF BPK

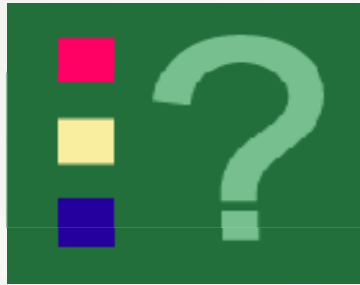


## Budget & resources

- Annual budget proposed & discussed with the Legislature & Executives Ethics
- The Auditors are civil servants
- Infrastructures & technology depend on allocated budget

## Stakeholder Relations

- Good relations with stakeholders : legislature, executive, judicature, academicians, professionals, public society
- Public awareness & education
- Good cooperation with internal audit units



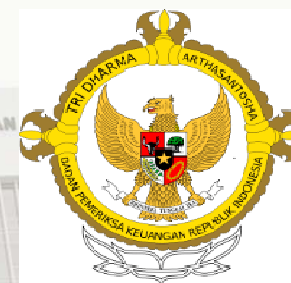
# *challenges*



CHALLENGES	MITIGATION
Budget, staff recruitment, organization structure are consulted with the	Good relations and with the Government, yet compromising BPK's
Improper use and of audit report	<ul style="list-style-type: none"><li>▪ Regulate upon distribution of results, aside from the and the Government;</li><li>▪ Educate stakeholders and society about how to to interpret BPK's audit</li></ul>



# ASEANSAI INDEPENDENCE CHECKLIST



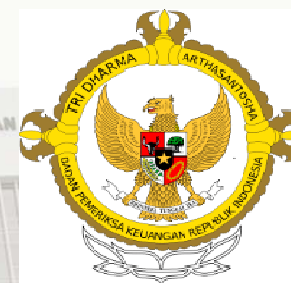
No.	Issues	YES	NO
1	Legislation spells out the extent of SAI Independence required by ISSAI 10 Ref : Constitution 1945, Audit Act 2004, SAI Act 2006	✓	
2.	If legislative framework does not establish sufficient independence to meet this standard, have you developed practice to ensure as much distance as possible is maintained between the SAI and the Executive	Ref to answer No.1	
3.	Legislation specifies conditions of appointment, re-appointment, removal and retirement Ref : SAI Act 2006	✓	
4.	Legislation includes immunity from prosecution in relation to acts in the normal discharge of duties Ref : SAI Act 2006	✓	
5.	Your SAI has an approved broad mandate and full discretion to discharge functions Ref : Audit Act 2004, SAI Act 2006	✓	

# ASEANSAI INDEPENDENCE CHECKLIST



No.	Issues	YES	NO
6.	Your SAI is not involved or appearing to be involved in the management of the organisations you audit Ref : SAI Act 2006, Code of Ethics	✓	
7.	Do you have systems in place to ensure personnel do not develop too close a relationship with the entities they audit such as rotation policies and personnel independence declaration systems? Ref : Code of Ethics, Audit Management System, HR rotation & promotion, Court of Ethics, Whistleblowing system	✓	
8.	Does the SAI complete an annual activity report to the legislature that is also made public Note : Individual audit report & Biannual Summary of Audit Result are sent to Government & Parliament and open for public	✓	
9.	Is the importance of independence emphasised to SAI staff through training courses and other mechanisms that embed its importance into the organisation's culture Ref : Core Values IIP (Integrity, Independence, Professionalism), Code of Ethics, Auditing standards, audit trainings & workshops	✓	
10.	Does the SAI have adequate powers to obtain timely, unfettered, direct and free access to all necessary documents and information Ref : Audit Act 2004, SAI Act 2006	✓	

# ASEANSAI INDEPENDENCE CHECKLIST



No.	Issues	YES	NO
11.	There are no restriction on the reporting of the results of the SAI's audit work Ref : Audit Act 2004, SAI Act 2006	✓	
12.	Are the results of audits required by law to be reported at least once a year Note : Individual audit report & Biannual Summary of Audit Result are sent to Government & Parliament and open for public	✓	
13.	Is the SAI free to decide the content and timing of audit reports? Ref : Audit Act 2004, SAI Act 2006	✓	
14.	Is the SAI free to publish and disseminate their reports once they have been tabled? Ref : Audit Act 2004, SAI Act 2006	✓	
15.	Does the Legislature have a review and follow up system for audit recommendations Ref : Audit Act 2004, Parliament Act 2018	✓	
16.	Does the SAI have a review and follow up system to ensure audited entities properly address recommendations? Ref : Audit Act 2004, SAI Act 2006, SAI Regulation 2017, Information System for Monitoring Recommendation Follow-up	✓	
17.	Does the SAI have the necessary resources and ability to control its own budget? Ref : SAI Act 2006	✓	

BADAN PEMERIKSA KEUANGAN  
REPUBLIK INDONESIA



ขอบคุณ

kòp kun

thank you

# **Appendix 7**

# **Conducting Awareness Knowledge Sharing on Good Practices about SAI Independence**

**From 15<sup>th</sup> – 17<sup>th</sup> May 2018**



SAO of Lao PDR

# The principle of independence of the State Audit Organization

The activities of the State Audit Organization have been legislated as a reference to the activities of the audit :

1. The Constitution of the Lao PDR in 2015;
2. The Audit Law of SAO in 2016.



SAO of Lao PDR



# The Constitution of the Lao PDR

The Constitution of the Lao PDR in 2015 contain audit work such as:

1. State Audit is the management of the budget, financial and assets of the state
2. President of SAO are Responsibility directly to the National Assembly and report to the President , the Prime Minister and the National Assembly about Audit work.



SAO of Lao PDR

# The Constitution of the Lao PDR

## 3. The Rights and Duties of the State Audit Organization are:

- Independence of conducting for confirm financial statement , compliance and performance;
- Report the results of the State budget audit to the National Assembly
- Proposing the relevant financial management Agency to take measures against entities violating the law in the use of the budget, financial and asset of the State from the audit results.



# The Audit Law in 2016

## 1. Auditing Principle

- Independence of conducting and review of the audit results;
- Performing laws and other regal;
- realistic facts;
- Transparent;
- Honest;



# The Audit Law in 2016

2. The audit standards are determined in Article 6 of the Audit Law

- Principle
- Audit procedure
- Ethics



# The Audit Law in 2016

## 3. The usefulness of the audit report

- The National Assembly, to use for the consideration, the adoption of the State Budget estimate, the allocation of State Budget, those of the programs and projects of national importance financed by the State Budget;
- The administrative agencies and other concerned organizations, to use for administrative management and the performance of their duties, including control activities;



# The Audit Law in 2016

## 3. The usefulness of the audit report (continue)

- The people's courts, the people's prosecutor offices and other investigative organizations, to use as data and evidence in the lawsuit process
- The management bodies over the auditees, to use for the purpose of education or imposing sanctions over the audited entities;
- The audited entities, to use as reference for attesting and reinforcement of the effectiveness of the operations as well as improvement and resolution of the weaknesses and deficiencies mentioned in the audit report



# The Audit Law in 2016

## 4. The Rights and Duties of the State Audit Organization

- Independence of conducting for confirm financial statement , compliance and performance;
- Report the results of the State budget audit to the National Assembly
- Proposing the relevant financial management Agency to take measures against entities violating the law in the use of the budget, financial and asset of the State from the audit results.
- Create and upgrade personnel to serve auditing;
- Create a coordinating mechanism with relevant parties in the audit work;





# The Audit Law in 2016

## 4. The Rights and Duties of the State Audit Organization (continue)

- Connect the financial and account information system of the Audit entities through the electronic system;
- To propose to the concerned parties to take measures toward the audited entities, e.g. the education on civil rights, the imposition of sanctions, legal proceedings of civil or penal offences;
- Report the results of the State Budget audit to the President, the Standing Committee of the National Assembly, Prime Minister and report to the National Assembly
- Use of other rights and duties as required by law.



# The Audit Law in 2016

5. The President of the State Audit Organization was elected or dismissed by the sessions of the National Assembly upon proposal of the Standing Committee of the president, with a mandate of five years;
6. The President of the State Audit Authority has the rights and duties set out in Article 35 of the State Audit Law.



# The Audit Law in 2016

7. Access to information is defined in Article 56 of the Goal Verified:

- To appoint a team to work with the Audit team;
- Send a monthly report to the State Audit Organization;
- Provide information and clarify the audit work on the recommendation of the Audit Committee;
- Facilitate the State Audit Organization to connect the accounting system, finance with an electronic system;



# The Audit Law in 2016

8. It is forbidden to appoint the following auditors in the audit team

- Those who have contributed capital to, purchased shares from or having relationship or other interests with the audited entity;
- Those who work in audited entities as leaders, chief accountants or accountants for less than five years before shifting to the new work;
- Those who have been relatives with the leaders, chief accountants or accountants in the audited entity.



# The Audit Law in 2016

9. The audit report can be divulged only after reporting to and after authorization of the concerned State authorities case by case as follows:

- To organize a press conference;
- To publish in newspapers, bulletins, televisions, radios and other mass media;
- To insert in the web site of the State of Audit Organization



**Thank you**  
**ຂໍຂອບໃຈ**

## **Appendix 8**





# MALAYSIAN NATIONAL AUDIT DEPARTMENT (NADM)



CONDUCTING AWARENESS  
KNOWLEDGE SHARING ON GOOD  
PRACTICES ABOUT SAI  
INDEPENDENCE



## INTRODUCTION

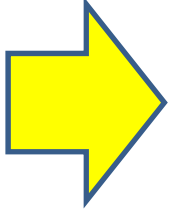
The Supreme Audit Institutions (SAIs) is a key government agencies responsible for auditing how public funds are being spent;

SAI constitute a key component of accountability and the separation of powers between the executive, legislative and judiciary;

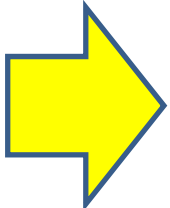
The UN stressed that SAIs "...can accomplish their tasks objectively and effectively only if they are independent of the audited entity and protected against outside influence.";

The World Bank calls SAIs "the pillars of integrity."

## BACKGROUND OF MALAYSIAN NATIONAL AUDIT DEPARTMENT (NADM)



Malaysia was independent in 1957 and the Reid Commission Federal Constitution was drafted accordance to the British system known as the Westminster model.



The country is headed by the Prime Minister and there are four branches, namely Legislative, Executive, Judiciary and Audit. Under the Westminster model, the work of Audit Institution is intrinsically linked the system of parliamentary accountability.

# CONSTITUTIONAL AND STATUTORY MANDATE



- Features of NADM are The National Audit Office (NAO).
- The Malaysian Federal Constitution gave special status to Auditor General as laid down in Articles 105 to 107, Part VII (Public Finance). The Audit Act, 1957.
- early stage of the independent of Malaysia, the Audit is an independence office. This can be approved as per:

*1. have been taken to safeguard the collection and custody of payments were made in accordance with authority, and were properly chargeable and supported by sufficient*

*2. make recommendations and generally comment*

*3. The Auditor-General occupies an entrenched position independent Executive and is expected to impartially scrutinise and report accounts of the government (Malaysia Official Year Book 1961, 1962 & 1963)*



Under the Article 160 (definition), Federal Constitution, NADM also determining as Office of Profit. An Office of Profit is a term in a executive as a means to secure the *independence* of the legislature and *preserve the separations of power*.

Based on the theory of separation of powers and was enacted with the salutary object of enabling the 'representatives of the people'

## DEVELOPMENT TO STRENGTHEN INDEPENDENCE



Independence comprise independence of mind and independence in appearance;

Guarantee free and objective reporting on issues relating to both financial reporting and to ensure the efficiency, effectiveness, economy, accountability, transparency and integrity of public administration;

Institution independence but also affects the entire audit process. Independence relates to freedom as to the selection of audit subject;

effectively hold government accountable for its stewardship of public resources, operate on the fundamental principles of independence, transparency and accountability, ethics ;

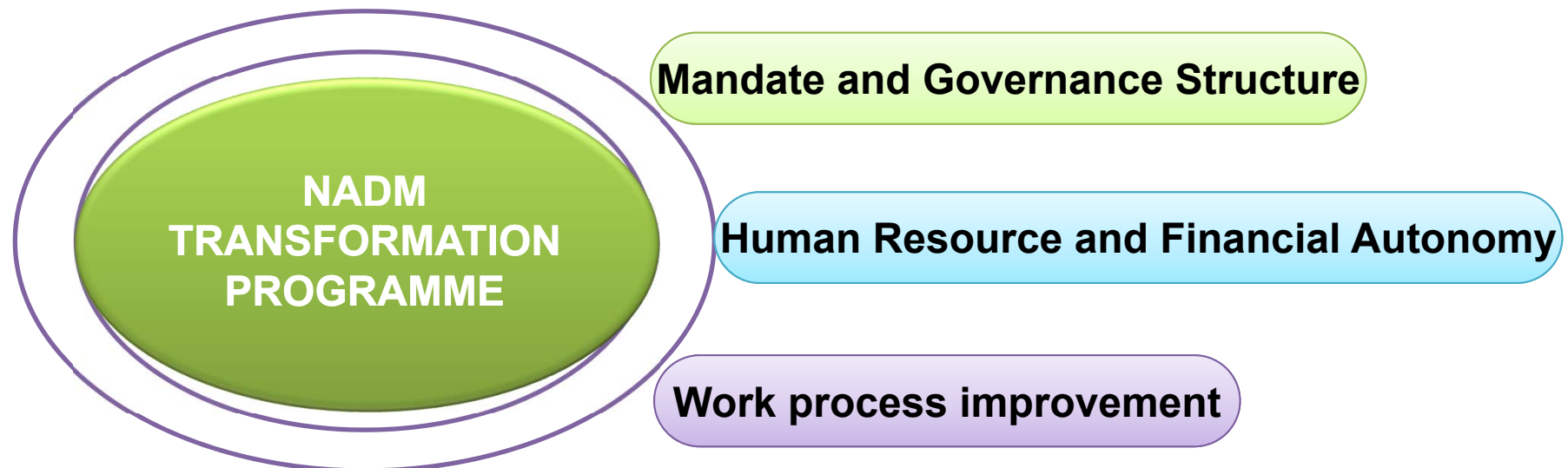
Each individual country has the responsibilities to ensure that a framework for its independence is in place and at the same time, SAIs are under an obligation.

# NADM TRANSFORMATION PROGRAMME



In line with the government policy and motivation to comply with the ISSAI 10, NADM has taken steps to initiate the transformation programme started on November 2014.

NADM'S transformation Programme had focused on three key areas;



In line with the NADM Transformation programme, an auditing by peer review was conducted by the UK NAO



### REVIEW FOUND:

UK NAO

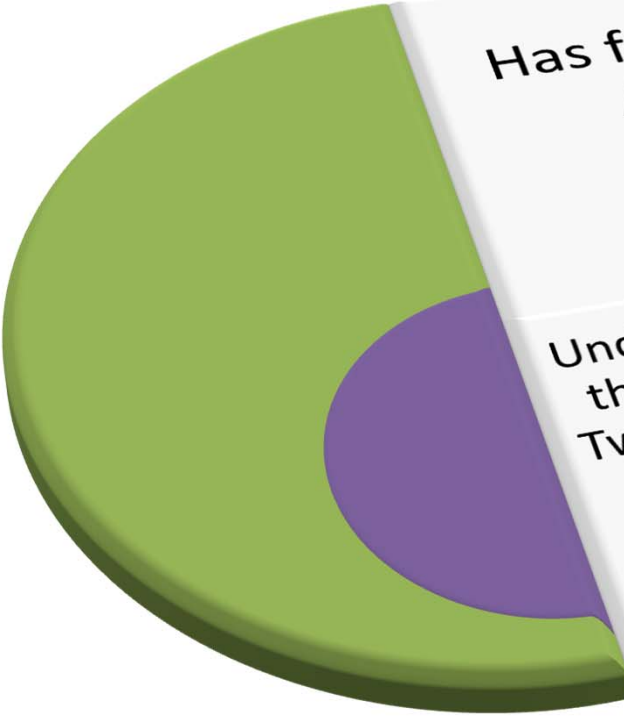
- Principle 5 : The right and obligation to report on their work;

UK NAO

- Principle 7 : The existence of effective follow-up mechanisms on SAI recommendations.

OTHER PEER  
REVIEW

- The Nad is within the government structure and this is a clear conflict of interest as it is managed by a government entity. One of the by-products of being within the government structure is that the AG is dependent on the Ministry of Finance (MoF).

A 3D pie chart is positioned to the left of the text box. It consists of a large green section representing approximately 75% of the total, and a smaller purple section representing approximately 25% of the total.

Has focused to be an independence  
Audit Institution and always  
responsive in relationship

Under the legal aspect strategic thrust focus to ensure  
that NADM's independence status is well-respected.  
Two strategic objectives has been set to strengthening  
the independence of Audit Institution in the Public  
Service; and secondly, to enhancing the Auditing  
Mandate the Audit

## LIMITATION



NADM also face limitations because of constitutional, legal, political, social, and economic systems, making it impossible to comply with the 8 principles. The main limitations are:

- Limits on independence legal;
- A shortage of qualified and technical expert;
- A lack of financial and human resource autonomy
- Limits on the scope of audits. NADM need to get MOF's approval and gazette the government companies or state enterprises in order to audit government link- company.

NADM are in charge of checking whether public funds are being used for intended purposes efficiently, effectively, and economically in compliance with existing rules and regulations.

Reliable and objective reporting is critical for NADM to ensure accountability and transparency in public management. Such good quality reporting in turn depends on whether NADM are really independent and insulated from those who that we audit; whether our audit methods are based on scientific and technical standards; and whether our auditors have the necessary professional qualifications and moral integrity.

NADM had try the best in comply with the ISSAI 11 and UN Resolution A/RES/69/228 (2014) and at the same time we have to resolve the issues and challenges in audit environment and ecology. NADM also believe that one day our effort to be more independent will be achieved and give the good impact for our nation. The effort to be more independent will take a long journey as this will involve the government legal framework and various parties, whether executive or legislative branch.

## **Appendix 9**

# **Appendix 10**

COUNTRY PAPER  
OF  
SAI - PHILIPPINES  
(COMMISSION ON AUDIT)

“Workshop on Conducting Awareness  
Knowledge-Sharing on Good Practices  
about SAI Independence”

Bangkok, Thailand  
15th - 17th May 2018

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## SAI BACKGROUND

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### A. SAI Philippines' Power and Mandate

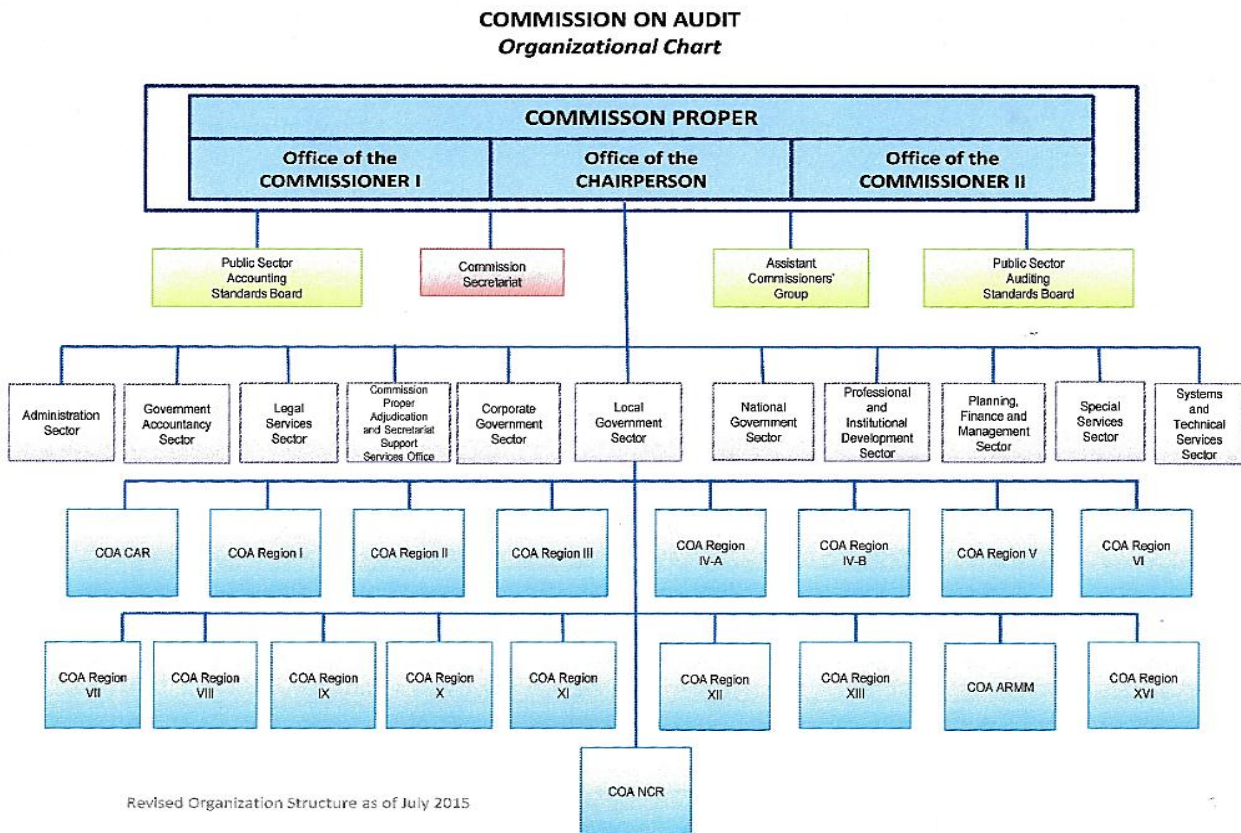
The establishment of the Commission on Audit (COA) – SAI Philippines as the Supreme Audit Institution of the Philippines, as well as its vested powers and defined mandate, are found in the supreme law of the land, The 1987 Philippine Constitution. Its significance as a partner in nation building is manifested on its evolvement from mere office to a constitutional commission. Section 2, Article IX-D of the said Constitution provides that the COA shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations with original charters, and on a post-audit basis, and shall have the exclusive authority to, subject to the limitations in this Article, to define the scope of its audit and examination, establish the techniques and methods required therefore. Further, Sections 3 and 4 state that no law shall be passed exempting any entity of the Government or its subsidiaries in any guise whatever, or any investment of public funds, from the jurisdiction of the Commission on Audit, and that the Commission shall recommend measures necessary to improve their effectiveness and efficiency.

### B. SAI Philippines' Legal and Institutional Framework and Organizational Structure

As a Supreme Audit Institution, COA sets its mission, vision and strategic plan aligned with its mandate under Article IX-D of the Philippine Constitution and the Government Auditing Code of the Philippines [Presidential Decree (PD) No. 1445]. It is composed of a Chairperson and two Commissioners termed as the Commission Proper (CP). The CP is assisted by ten (10) Assistant Commissioners from the different sectors of COA.

The organizational chart of the COA is shown in Figure 1:

Figure 1. Organizational Chart of the Commission on Audit



## C. Defining the Independence of SAI Philippines

### I. Appropriate and Effective Constitutional Framework

The establishment of COA and its basic features of independence and mandate are entrenched in the Constitution and enabling law.

Section 5.3 of ISSAI 1 states that the establishment of Supreme Audit Institutions and the necessary degree of their independence shall be laid down in the Constitution. Further, Principle 1 of PPSSA 10 mentions that a legislation that spells out, in detail, the extent of SAI independence is required.

An unnumbered memorandum signed on May 8, 1899, created the Office of the Auditor for the Philippine Islands. In the 1935 Constitution, it provided for a General Auditing Office (GAO), thereby elevating the audit institution to a constitutional body. Under the Constitution promulgated in 1973, the GAO was renamed to Commission on Audit (COA) and was granted broader powers. In this Constitution,



COA was given an expanded jurisdiction of audit coverage by including the accounts of all subdivisions, agencies, instrumentalities of government and government-owned and controlled corporations among those to be examined, audited and settled. In 1987, the COA again found itself working under a new government, under a new Constitution and with an even broader scope of authority with the inclusion of the following under its jurisdiction: (a) constitutional bodies, commissions and offices that have been granted fiscal autonomy under this Constitution; (b) autonomous state colleges and universities; (c) other government-owned or controlled corporations and their subsidiaries; and (d) such non-governmental entities receiving subsidy or equity, directly or indirectly, from or through the Government, which are required by law or the granting institution to submit to such audit as a condition of subsidy or equity. Thereby establishing COA as the supreme auditing institution of the Philippine government.

The independent stature of COA was first mentioned in the 1973 Constitution when the same mentions under Section 1(1), Article XII-D that there shall be an *independent* Commission on Audit. This was further upheld under the 1987 Constitution which specifically states under Section 1, Article IX-A that the COA as one of the Constitutional Commissions shall be independent.

Section 1(2), Article IX-D of the 1987 Constitution provides for the appointment and term of the heads stating that the Chairman and the Commissioners shall be appointed by the President with the consent of the Commission on Appointments for a term of seven years without reappointment. The Constitution also provides for the quasi-judicial power of the Commission. Section 7, Article IX-A states that each Commission (i.e. Civil Service Commission, Commission on Elections, and Commission on Audit) shall decide by a majority vote of all its Members any case or matter brought before it within sixty days from the date of its submission for decision or resolution. Unless otherwise provided by the said Constitution or by law, any decision, order, or ruling of each Commission may be brought to the Supreme Court on *certiorari* by the aggrieved party within thirty days from receipt of a copy thereof.

The COA Chairman and Commissioners may be removed from office, on impeachment for, and conviction of, culpable violation of the Constitution, treason, bribery, graft and corruption, other high crimes, or betrayal of public trust.

The Supreme Court and in such lower courts as may be established by law which are vested with judicial power have the duty to settle any actual controversies involving rights which are legally demandable and enforceable, and to determine whether or not there has been a grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government (Sec. 1, Article VIII, Constitution). Thus, any acts or omissions of any branch or instrumentalities of the Government that will undermine or pose danger on the independence of the Commission as well as in carrying out its constitutional mandate are well within their province.

The Commission is not without remedy when there arise any matters that may affect its ability to perform its mandate. Sections 127 and 128 of PD No. 1445, the enabling law of the Commission known as the "State Audit Code of the Philippines," provide for possible actions which can be settled thru its adjudicatory function or before a regular court as the case may require.



Based on the foregoing, it can be said that the independence and mandate of COA are entrenched in the Philippine Constitution and the enabling law.

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## II. Financial Independence / Autonomy

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While COA enjoys fiscal autonomy under the Constitution, its budget process is subject to the budgetary regulations instituted by the Executive Branch which could affect the efficient and effective discharge of its mandate. Thus, on 24 July 1998, Joint Resolution No. 49 of the Constitutional Fiscal Autonomy Group (CFAG) was passed and approved wherein COA is among its members to strengthen the group's fiscal autonomy.

Section 7 of ISSAI 1 states that SAIs shall be provided with the financial means to enable them to accomplish their tasks. If required, Supreme Audit Institutions shall be entitled to apply directly for the necessary financial means to the public body deciding on the national budget. Supreme Audit Institutions shall be entitled to use the funds allotted to them under a separate budget heading as they see fit. Further, Principle 8 of PPSSA 10 states, among others, that SAIs should have available necessary and reasonable monetary resources and that the Executive should not control or direct the access to these resources.

In Section 5, Article IX-A of the Constitution, it provides that the Commission shall enjoy fiscal autonomy and that its approved annual appropriations shall be automatically and regularly released.

In *Bengzon v. Drilon*,<sup>1</sup> the Philippine Supreme Court defined the scope and extent of fiscal autonomy in the following manner:

As envisioned in the Constitution, the fiscal autonomy enjoyed by the Judiciary, the Civil Service Commission, the Commission on Audit, the Commission on Elections, and the Office of the Ombudsman contemplates **a guarantee of full flexibility to allocate and utilize their resources with the wisdom and dispatch that their needs require**. It recognizes the power and authority to levy, assess and collect fees, fix rates of compensation not exceeding the highest rates authorized by law for compensation and pay plans of the government and allocate and disburse such sums as may be provided by law or prescribed by them in the course of the discharge of their functions.

**Fiscal autonomy means freedom from outside control.** Xxx (Emphasis supplied)

In accordance with the Joint Resolution No. 49 of the CFAG dated 24 July 1998, fiscal autonomy encompasses, among others, budget preparation and implementation, flexibility in fund utilization of approved appropriations, use of savings and disposition of receipts.

The appropriations of COA from preparation, legislation, execution to budget accountability, follow the budget process applicable to all bureaucracy in the Philippine Government. On such process, the

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<sup>1</sup> G.R. No. 103524, April 15, 1992, 208 SCRA 133.



Executive, through the Department of Budget and Management (DBM), plays an important role as it requires its validation, confirmation and consolidation of the proposed budget before the same reaches the Legislative for its deliberations and submission back to the Executive, for the approval of the President. Moreover, the Executive through the President may veto or set conditions for the implementation of certain items in the approved budget.

As to authority on the incurrence of obligation, the Executive through the DBM issues allotment to agencies, including COA, and thereafter, it issues disbursement authorities, such as the Notice of Cash Allocation (NCA) for the payment of incurred obligations. Monies are paid out from the Executive through the Treasury Department to settle obligations that the government incurred for the delivery of services to citizens.

There are no provisions in the Constitution or any laws granting the COA a right to appeal to the Legislature if the resources provided are insufficient to allow it to fulfil its mandate.

The budget process instituted by the Executive Branch could possibly affect the efficient and effective discharge of COA's mandate.

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### III. Organizational Independence / Autonomy

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**COA has the liberty to recruit its own personnel and to prescribe qualification standards, which are higher than what the Civil Service Commission prescribes for government personnel. However, subjecting the COA to the Unified Position Classification and Compensation System may undermine its organizational independence.**

Paragraph 2, Section 5 of ISSAI 1 states that the Supreme Audit Institutions shall have the functional and organizational independence required to accomplish their tasks. Principle 3 of PPSSA 10 states that while respecting the laws enacted by the Legislature that apply to them, SAIs are free from direction or interference from the Legislature or the Executive in the organization and management of their office, among others.

Section 4, Article IX-A of the Constitution provides that the Constitutional Commissions shall appoint their officials and employees in accordance with the law. Section 27 of PD No. 1445 further mentions that the Commission Proper shall appoint, subject to Civil Service Law, the officials and employees of the Commission wherever they are stationed or assigned.

Without approval of the DBM, the Commission, although a member of the fiscal autonomy group, is not vested with the authority to reclassify, upgrade, nor create positions. While the members of the said group are authorized to formulate and implement the organizational structures of their respective offices and determine the compensation of their personnel, such authority is not absolute and must be exercised within the parameters of the Unified Position Classification and Compensation System established Republic Act (RA) No. 6758 known as the "Compensation Standardization Law." Any reorganization must



be with the conformity of the DBM in as much as it is the government arm tasked by law to implement the Salary Standardization Law<sup>2</sup>.

Section 6(3) of the PD No. 1445 states that the Chairman shall act as the presiding officer of the Commission Proper and the Chief Executive Officer of the Commission. As such, he shall be responsible for the general administration of the Commission. Further, Section 2, Rule II of the 2009 Revised Rules of Procedure of COA provides that as Chief Executive Officer of the Commission, the Chairman shall (1) control and supervise the general administration of the Commission, (2) direct and manage the implementation and execution of policies, standards, rules and regulations promulgated by the Commission, and (3) control and supervise the audit of highly technical or confidential transactions or accounts of any government agency.

The required approval from the DBM on any changes on organizational structure, puts the Commission under the control of the Executive Branch. Thus, its organizational independence may be undermined.

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#### IV. Independence of the Head of the SAI and its Members

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**The independence of the Commission Proper is well-established in the Constitution and applicable legislation.**

Paragraph 2, Section 6 of ISSAI 1 states that the independence of the members and officials of SAIs shall be guaranteed by the Constitution. Further, Principle 2 of PPSSA 10 mentions that the applicable legislation specifies the conditions for appointments, re-appointments, employment, removal and retirement of the head of SAI and members of collegial institutions, who are: (1) appointed, re-appointed, or removed by a process that ensures their independence from the Executive; (2) given appointments with sufficiently long and fixed terms, to allow them to carry out their mandates without fear of retaliation; and (3) immune to any prosecution for any act, past or present, that results from the normal discharge of their duties as the case may be.

The 1987 Philippine Constitution provides for the appointment, re-appointment, terms and removal of the Commission Proper. Moreover, their qualifications are provided in the said Constitution under Section 1(1), Article IX-D which states that there shall be a Commission on Audit composed of a Chairman and two Commissioners, who shall be natural-born citizens of the Philippines and, at the time of their appointment, at least thirty-five years of age, certified public accountants with not less than ten years of auditing experience, or members of the Philippine Bar who have been engaged in the practice of law for at least ten years, and must not have been candidates for any elective position in the elections immediately preceding their appointment. But at no time shall all Members of the Commission belong to the same profession. Furthermore, Section 5 of PD No. 1445 specifies the qualifications, appointments, terms and salary of the members of the Commission Proper. The members of the Commission Proper are appointed by the Executive through the President in accordance with Section 16, Article VII of the

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<sup>2</sup> *Commission on Human Rights Employees Association (CHREA) v. Commission on Human Rights*, G.R. No. 155336 dated July 21, 2006





Constitution, with the consent or confirmation of the Commission on Appointments, consisting of the selected members of the Legislative, pursuant to Section 18, Article VI of the said Constitution.

Aside from the express provision of the Constitution, Section 126 of PD No. 1445 also supports the Commission's objective of maintaining its independence when it imposes on every person the duty to respect, protect and preserve the independence of the Commission.

Although COA auditors are reporting to their assigned audited agencies on a residency basis, safeguards against potential undue influence and dependence with the entities they audit are also put in place such as instituting a code of ethics for auditors (COA Resolution No. 86-50) and the reshuffling of auditors. In connection with the eventual withdrawal of auditors from their assigned audited agencies, the Commission is accelerating the construction of Provincial Satellite Auditing Offices (PSAOs) that will provide work places for the auditors. As of June 30, 2017, 26 PSAOs are already completed, 13 are ongoing construction, 10 are approved under the 2017 budget and 7 more are approved and included in the 2018 National Expenditure Program.

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## V. Sufficiently Broad Mandate

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**The COA's mandate is laid down in the Constitution and enabling law.**

Paragraph 3, Section 18 of ISSAI 1 states that all public financial operations, regardless of whether and how they are reflected in the national budget, shall be subject to audit by Supreme Audit Institutions. Excluding parts of financial management from the national budget shall not result in these parts being exempted from audit by the Supreme Audit Institution. Further, Principle 3 of PPSSA 10 mentions that SAs should be empowered to audit the use of public monies, resources, or assets by a recipient regardless of legal nature; the collection of revenues owed to the government; the legality and regularity of government or public entities accounts; and economy, efficiency, and effectiveness of government or public entities operations.

As to the coverage of audit, Section 2, Article IX-D of the Constitution provides that the COA shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations with original charters, and on a post-audit basis, and shall have the exclusive authority to, subject to the limitations in this Article, to define the scope of its audit and examination, establish the techniques and methods required therefore. Further, Sections 3 and 4 state that no law shall be passed exempting any entity of the Government or its subsidiaries in any guise whatever, or any investment of public funds, from the jurisdiction of the Commission on Audit, and that the Commission shall recommend measures necessary to improve their effectiveness and efficiency.

The Philippine Supreme Court restates the powers vested by law and jurisprudence in COA and its agents, thus:





The 1987 Constitution has made the COA the guardian of public funds, vesting it with broad powers over all accounts pertaining to government revenues and expenditures and the use of public funds and property, **including the exclusive authority to define the scope of its audit and examination; to establish the techniques and methods for the review; and to promulgate accounting and auditing rules and regulations.**<sup>3</sup> Its exercise of its general audit power is among the constitutional mechanisms that give life to the check and balance system inherent in our form of government.<sup>4</sup> (Emphasis supplied)

The primary objectives of COA are enumerated in Section 25 of PD No. 1445 which include the determination whether or not the fiscal responsibility that rests directly with the head of the government agency has been properly and effectively discharged, and the development and implementation of a comprehensive audit program that shall encompass an examination of financial transactions, accounts, and reports, including evaluation of compliance with applicable laws and regulations among others. Moreover, Section 41 states that COA shall recommend measures necessary to improve the efficiency and effectiveness of the audited agencies.

Also stated in Section 26 of the said decree that the authority and powers of the Commission shall extend to and comprehend all matters relating to auditing procedures, systems and controls, the keeping of the general accounts of the Government, the preservation of vouchers pertaining thereto for a period of ten years, the examination and inspection of the books, records, and papers relating to those accounts; and the audit and settlement of the accounts of all persons respecting funds or property received or held by them in an accountable capacity, as well as the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities. The said jurisdiction extends to all government-owned or controlled corporations, including their subsidiaries, and other self-governing boards, commissions, or agencies of the Government, and as herein prescribed, including non-governmental entities subsidized by the government, those funded by donation through the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government.

Clearly, the mandate of COA is laid down in the Constitution and enabling law.

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## VI. Access to Information

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**COA auditors are entitled to timely and unrestricted access to documents and information they need for the proper discharge of their responsibilities.**

Paragraph 1, Section 10 of ISSAI 1 states that SAIs shall have access to all records and documents relating to financial management and shall be empowered to request, orally or in writing, any information

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<sup>3</sup> *Yap vs. Commission on Audit*, G.R. No. 158562, 23 April 2010, 619 SCRA 154, citing Sec. 2 (1) and (2), Art. IX-A, 1987 Constitution.

<sup>4</sup> *Olague vs. Domingo*, G.R. No. 109666, 411 Phil. 576 (2001).



deemed necessary by the SAI. Further, Principle 4 of PPSSA 10 meanwhile states that SAIs should have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of their statutory responsibilities.

There are basis for the COA auditors' right to access documents and information they need in the proper discharge of their responsibilities. Section 26 of PD No. 1445, in effect, states that x x x the examination and inspection of the books, records, and papers relating to [the general] accounts [of the government] are covered by COA's audit jurisdiction, thereby affirming COA's right to access the information or documents relating thereto.

Sections 39 to 41 of the said decree further state that the Commission shall have the power, for purposes of inspection, to require the submission of the original of any order, deed, contract, or other document under which any collection of, or payment from, government funds may be made, together with any certificate, receipt, or other evidence in connection therewith. If an authenticated copy is needed for record purposes, the copy shall upon demand be furnished. The Chairman or any Commissioner of the Commission, the directors and auditors of any agency are with investigatory and inquisitorial powers. Incidentally, such powers include the issuance of subpoena and subpoena *duces tecum* when the circumstances require. The auditee is also required to submit trial balances and other supporting or subsidiary statements as may be required by the Commission.

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## VII. Right and Obligation to Report

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**The COA's right and obligation to report its audit findings and recommendation, and the determination of the contents and timing of publication of this report are vested by the Constitution and applicable laws.**

Paragraph 1, Section 16 of ISSAI 1 states that the Supreme Audit Institution shall be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published. Principle 6 of PPSSA 10 also provides for the SAI's freedom to decide the content and timing of audit reports and to publish and disseminate them.

The Commission is mandated under Section 4, Article IX-D of the Constitution to submit to the President and the Congress, within the time fixed by law, an annual report covering the financial condition and operation of the Government, its subdivisions, agencies, and instrumentalities, including government-owned or controlled corporations, and non-governmental entities subject to its audit, and recommend measures necessary to improve their effectiveness and efficiency. It shall submit such other reports as may be required by law.

As to the date of submission of the said annual report, it is stated in Section 41(1) of PD No. 1445 that the Commission shall submit it not later than the last day of September of each year.

In addition to the annual report, the head of each auditing unit through the Commission is also required under Section 43(2) of the said decree to submit a report of audit for each calendar year to the head or



the governing body of the agency concerned, and copies thereof shall be furnished the government officials concerned or authorized to receive them. Subject to such rules and regulations as the Commission may prescribe from time to time, the report shall set forth the scope of audit and shall include a statement of financial condition; a statement of surplus or deficit analysis; a statement of operations; a statement of changes in financial position; and such comments and information as may be necessary together with such recommendations with respect thereto as may be advisable, including a report of any impairment of capital noted in the audit. It shall also show specifically any program, expenditures, or other financial transaction or undertaking observed in the course of audit which in the opinion of the auditor has been carried out or made without authority of law. Moreover, Section 56 thereof prescribes the reporting standards the auditors must comply with in preparing the reports.

Volume I of the 2017 General Appropriations Act, under the Special Provisions, obliges the COA to submit annual reports for each agency and instrumentality of the National Government, including GOCCs, LGU's and non-government entities subject to its audit. Specifically, Volume II thereof, further discloses the required dates for the submission of Annual Audit Reports, Annual Financial Reports and other Budget Reports.

In relation to COAs reportorial function, the Commission regularly publishes its reports, subject to limitations imposed by laws, in its website. In fact, COA Memorandum No. 2014-006 dated May 8, 2014, has been issued to facilitate the timely and responsive reporting through publication of pertinent COA reports/documents.

COA is free to decide the content of its audit report depending on the nature of its audit (e.g. financial and compliance audit, value for money audit, and fraud audit).

The foregoing proves the right and obligation of the Commission as regards reporting its audit findings and recommendations, as well as the determination of the content and timing of publication of these reports.

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## VIII. Follow-up Mechanisms

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**The COA has effective follow-up mechanisms on its observations and recommendations.**

Principle 7 of PPSSA 10 states that SAIs should have their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations as well as those made by the Legislature, one of its commissions, or the auditee's governing board, as appropriate.

The COA has issued Memorandum No. 2014 – 002 dated March 18, 2014 on the enhancement of monitoring of compliance with recommendations in the Annual Audit Report (AAR) through the Agency Action Plan and Status of Implementation (AAPSI) Form and Action Plan Monitoring Tool (APMT).



The Agency Action Plan (AAP) is prescribed in the Integrated Results and Risk-Based Audit Manual (IRRBAM). It is a tool for government agencies to indicate action plans on the audit observations and recommendations contained in the AAR, and for the auditor to monitor the said action plans. Likewise, under the General Provisions of the annual General Appropriations Act (GAA), the audited agencies are required to submit within 60 days upon receipt of the AAR a status report on the actions taken on the audit observations and recommendations.

Within 30 days upon receipt of the AAPSI from the agency, the auditor shall validate the same, and submit a report to the Cluster/ Regional Director concerned for monitoring purposes, using the revised Action Plan Monitoring Tool, within 30 days from validation. Further, for Government-Owned and/or Controlled Corporations (GOCCs) under the jurisdiction of the Governance Commission for GOCCs (GCG), copies of validation reports including the respective AARs shall also be furnished the latter.

The foregoing proves that the COA has independent procedures for follow-up audits to ensure that audited entities properly address its observations and recommendations and that corrective actions are taken.

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### Overall Conclusion and Recommendation

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The Independence and Legal Framework of COA substantially complies with the requirements in PPSSAs 1 and 10, and other international good public practices. However, it is reasonable for the COA leadership to revisit the current condition of the institution's independence and the intent of the provisions of the Constitution, with the aim of further improving its operations to give more value to its stakeholders.

Respectfully submitted.

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# **Appendix 11**

# SAI Independence in the Perspective of SAO Thailand

# Principles of ISSAI 10

- The existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework
- The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties
- A sufficiently broad mandate and full discretion, in the discharge of SAI functions



## Principles of ISSAI 10 (con.)

- Unrestricted access to information
- The right and obligation to report on their work
- The freedom to decide the content and timing of audit reports and to publish and disseminate them
- The existence of effective follow-up mechanisms on SAI recommendations
- Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

# Principle 1

- SAO is an independent organ which is received its independent status from Constitution (Chapter 12 Part 1 and 5) and Organic Act on State Audit (Section 58)
- It has been being an independent organ since 1997

## Principle 2

- SAO Thailand has both State Audit Commission and AG
- State Audit Commission consists of 7 persons from persons who have qualifications
- Be Selected by Selection Committee then be approved by Senate
- 7 Commissioners to be will select 1 among themselves as President
- These 7 persons will be appointed by the King as President of State Audit Commission and State Audit Commissioners respectively
- Holds office for the term of 7 years Non-renewable term
- State Audit Commission shall work independently, lawfully, courageously and has no bias

## Principle 2 (con.)

- State Audit Commission nominates the name of AG to the Senate
- Nominated name will be approved by Senate
- King, with the advice of the Senate, appoints AG
- AG holds office for 6 years non-renewable term
- AG shall be independent in performing duties (Constitution Section 243)

## Principle 2 (con.)

- State Audit Commission involves in the policy of SAO but AG will be representative of SAO regarding its public affair
- In term of prosecution, as government officials, both of them can be prosecuted in criminal case if they exercise their power wrongfully or don't exercise any of their functions or dishonestly exercise or omit to exercise their functions
- In contrast, if they exercise their power rightfully, or honestly exercise their function, they will be protected by the law not to be guilty

# Principle 3

- State Audit Commission formulates audit policies and prescribes standard rules for the audit
- AG lays down the audit plan
- SAO audits the audited agencies
- Audit what?
  - Audit revenues, receipt, disbursement, utilization, retention, and administration of the money, property, right whether it is in compliance with the laws, rules, regulations, resolutions of the Council of Ministers and practices observed in the performance of official functions

## Principle 3 (con.)

- Audit whether the disbursement and utilization of the money are in compliance with the objectives, economical, successful and efficient
- Audit reports on State money under annual appropriations and give opinion whether they are in compliance with the laws and are correct
- Audit annual currency reserve account and give opinion whether it is in compliance with the laws and is correct
- Audit confidential budget



## Principle 3 (con.)

- SAO has its own Code of Ethics which in detail is similar to ISSAI 30
- For example, in our Code of Ethics, it is stated that everyone in SAO, from President of the State Audit Commission to each and every single auditor, shall not involve with the audited agencies except there is a law allow to do so

## Principle 4

- Auditors have power to seize and freeze accounts, registers, documents or other evidence of audited agency (Section 93 (2))
- Auditors have power to enter any premises between sunrise and sunset or during office hours for the purposes of examining, searching, seizing or attaching accounts, registers, documents or other evidence as is necessary (Section 93 (3))
- In practice, in some Ministry such as Ministry of Defense will not allow auditors to enter without permission by claiming public security issue

## Principle 5

- Normally, SAO will prepare annual report on work performance and submit to House of Representatives, the Senate and the Council of Minister
- In case where it is necessary, SAO may prepare report and submit during the year (Section 77)

## Principle 6

- The content and timing of audit report will be in the prescription of standard rules for the State audit by State Audit Commission (Section 30)
- The dissemination of audit reports can be done after the audit is finished unless it is necessary and beneficial in stopping governmental damage, AG can disseminate it within the scope of rules issued by State Audit Commission (Section 56)

## Principle 7

- SAO monitors the operation of the audited agencies or related organs whether it is in compliance with the audit result (Section 54 (4))

# Principle 8

- SAO is the government Organ = It needs money from Bureau of the Budget
- However, it has extra rights as follows:
  - All revenues that SAO earns shall be with SAO and will not be sent back to Bureau of the Budget to be Treasury Reserve
  - If the allocated budget is not enough, SAO can appeal the appropriate number direct to Budget Estimated Committee of House of Representatives (Section 68)

# **Appendix 12**

# **THE INDEPENDENCE OF STATE AUDIT OFFICE OF VIETNAM AND THE EXPERIENCE IN INDEPENDENCE ASSURANCE OF SAV**

*State Audit Office of Vietnam*

## **General introduction of State Audit Office of Vietnam**

The State Audit Office of Vietnam (SAV) was established in accordance with Decree No. 70/CP of the Government on 11 July 1994. During the beginning period (1994-2005), SAV was legally a subordinate agency to the Government of Vietnam. Its operation was under direct control from the Prime Minister (low level of independence).

After 10 years of operation, in 2005, the Vietnam National Assembly approved the State Audit Law that took effectively as from 01 January 2006 which led to a new development stage of SAV, with the improvement in legal status and independence: “SAV was a specialized agency of the State financial inspection set up by National Assembly, operated independently and acted only to the law”.

In particular, after almost 20 years of operation, from an agency that had not yet been ever precedently operated in Vietnam, SAV has become an independent constitutional institution. The legal status of SAV and Auditor General has been regulated in Constitution of the Socialist Republic of Vietnam – the key laws of Vietnam.

With the continuously improvement of the legal framework and capability, the operation of SAV has been strengthened on scale, diversified on types and audit methods, the audit quality has been improved. After 20 years of operation (from 1994 to 2017), SAV has detected a lot of violation of policies, economic and financial management procedures and proposed to financially get back to State hundreds of trillions Vietnam dong. SAV has also proposed to amend, supplement, replace and cancel hundreds of legal documents issued by local authorities or ministries that violate the State regulations or no longer be suitable with the current management. This would help to avoid the losses, corruption, waste and contribute to strengthen the effectiveness of use of public finance and assets. In 2017, SAV has requested to financially get back to the State over 90,907 billion VND (equal to 4.2 billion USD), which is the highest amount requested since the establishment of SAV.

## **The independence of State Audit Office of Vietnam**

In accordance with Lima Declaration of financial assessment of INTOSAI, the independence of the SAV is the preliminary issue to ensure the effectiveness of the public financial assessment. The independence of SAV must be ensured legally on main contents: independence on legal status, independence on human resources and independence on operation budget; among those, the



legal status of SAV shall be laid down in the Constitution of the Socialist Republic of Vietnam.

Currently, in Vietnam, the legal status of SAV has been specified in Article 118 of Constitution of Vietnam 2013, as below:

***“Article 118:***

*1. The State Audit Office shall be the agency established by the National Assembly, operate independently and abide only by the law, and audit the management and use of public finance and assets.*

*2. The Auditor General is the head of the State Audit Office and shall be elected by the National Assembly. The term of office of the Auditor General shall be prescribed by the law.*

*The Auditor General shall be responsible, and report on his or her work to the National Assembly. When the National Assembly is not in its meetings, he or she shall be responsible, and report on his or her work to the Standing Committee of the National Assembly;*

*3. The organization and specific tasks and powers of the State Audit Office shall be prescribed by the law.”*

For the first time in Vietnam, the legal status of SAV and the Auditor General has regulated in the Constitution and the independent audit operation and only obey the law has become constitutional rule.

To timely concretize the regulation of SAV in the Constitution, the National Assembly has promulgated the State Audit Law 2015 (effective from 1st January 2016) with many new rules to ensure the independence of SAV , in particular:

- SAV shall function to evaluate, verify, conclude on and make proposals regarding the management and use of public finance and public assets (Article 9). Audit contents include: financial audit, compliance audit and performance audit (Article 32).

- Audited objects of SAV are the management and use of public finance and public assets and activities related to the management and use of public finance and public assets of audited entities. SAV audits all entities, organisations that manage and use public fund and/or public finance, assets (including entities in national defence and security sector) (Item 3, Article 3 and Article 4)

- Audit reports of SAV shall, after being issued and publicized, be valid for compulsory implementation by audited entities (Item 1, Article 7)

- SAV has the right to decide the annual audit plans and submit them to the National Assembly before implementation (Item 1, Article 10).

- The Auditor General has been elected, dismissed by the National Assembly as proposed by National Assembly's Standing Committee. The State Auditor General has been assigned more rights to ensure the proactivity such as: establish and promulgate the state auditing standards (Item 2, Article 6); promulgate legal documents in accordance with the Law on Promulgation of Legal Documents (Item 3, Article 14); decide on the appointment and dismissal of various positions of State Auditors (Item 2, Article 20); promulgate audit decision (Item 2, Article 14); organize the publicity of audit results in accordance with the law (Item 2, Article 50).

- SAV is subject to centralized organization and management and consists of the Office of SAV, units of the administrative apparatus, specialized state audit offices and regional state audit offices, and public non-business units. (Article 16).

- During the audit, State Auditors have the right to act independently and only comply with the law (Clause a, Item 2, Article 42); reserve their opinions in writing on the audit results within the scope of their assigned tasks (Clause d, Item 2, Article 42); specify the prohibited acts of State Auditors (Item 1, Article 8); regulate cases in which a person who may not be appointed to be members of audit teams (Article 28).

- State Audit Office has been provided the conditions to operate well: The payroll of the State Audit Office of Vietnam shall be decided by the National Assembly Standing Committee at the proposal of the State Auditor General (Article 59); The payroll of SAV shall be decided by the National Assembly Standing Committee at the proposal of the State Auditor General (Article 60); The State shall have policies on investment in the development of infrastructure, information technology, and other equipment to facilitate the organization and operation of SAV and to meet the requirement for international integration (Article 61); The salary, allowance and uniform regimes as well as preferences for officials and civil servants of SAV shall be stipulated by the National Assembly Standing Committee. (Article 62).

### **Experience in independence assurance of State Audit Office of Vietnam**

- *First*, the independence – legal status is the preliminary condition for organization and operation of the SAI. To ensure the independence at the highest level of SAV, its legal status and necessary independence level shall be specified in the Constitution – the main laws of the country, with details to be included in specific relevant laws. The independence of the Auditor General shall also be specified in the Constitution and shall be elected, dismissed by the National Assembly.

- **Second**, to promote and assert the independence and responsibility of the SAI in actual operation, which focus on:

- + Decide the annual audit plan: shall not avoid the topics, issues and areas that are complicated, risky and easily have corruption potentials;

- + Must be really independent, objective, not be dominated or impacted by any intervention;

- + Comply with audit standards, procedures and methods;

- + Identify and be legally responsible on the accuracy, honesty and objective of the audit decision and request in the audit reports;

- + Confirm the legal value of the audit request and force to fine the cases that do not follow the audit decision and request...

- **Third**, to develop the state auditor team that is qualified on quantity, suitable structure and high quality:

- + Recruit more auditors annually to have meet the requirement of number of auditors to fulfill the audit tasks;

- + Improve the auditors' recruitment quality to meet the requirement on high level of knowledge, good experience;

- + Restructure, rotate and rearrange the audit team to make it more effective;

- + Accelerate the changes and renew the training, conference, experience sharing content, program and method;

- + Promote effectively the training and management of code of conduct for auditors to ensure the integrity, independence, objectiveness; require the professional skills, knowledge and capability; professional confidentiality and carefulness in accordance with professional code of conduct and audit standards.

- **Forth**, to increase the application of technology in audit activities, including applying IT and technology – modern and advanced audit methods. That shall focus on:

- + Build and develop the IT infrastructure to guarantee the safe and effective application for audit activities;

- + Build and develop the applicable softwares to support audit activities;

- + Train and develop the human resources;

- + Apply advanced modern audit methods which are risk and audit material assessment approaches.

- **Fifth**, to proactively public widely the audit results: identify that public widely the audit results is to strengthen the responsibility of SAV; the interest of

the general public with audit results is the objective measurement to reflect the capacity and reputation of SAV.

- *Sixth*, to have remuneration policy that is suitable with audit profession. The policies to officials and state auditors, in particularly the preferential benefits is one of the decisive factors to the independence and audit quality of SAV. In Vietnam, apart from salaries as regulated for officials, the state auditors also get preferential allowances of occupation: auditors have additional 25%, principal auditors have additional 20% and senior auditors have additional 15% of their current salaries. SAV is allowed to get 5% of the actual amount that entities have to submit to the State Treasury (with the confirmation from State Treasury) which SAV find out during the audit activities. This will be used to invest in infrastructure and pay bonus for audit activities; in which pay to encourage and bonus for officials and state auditors will not be over 0.8 times of their level of salaries and allowances.

- *Seventh*, to increase the international co-operation to exchange and share professional experience: promote the effectiveness of the co-operative activities, exchange, experience sharing; strengthen the capacity in bilateral and multi-lateral co-operation framework; mobilize the support from SAI, international organisations and donors./.



# The independence of State Audit Office of vietnam

# CONTENTS



- ▶ Introduction of SAV
- ▶ The independence of SAV
- ▶ Experience in independence assurance of SAV



# INTRODUCTION OF SAV



- ▶ Established on 11 July 1994, under direct control from Prime Minister from 1994 - 2005.
- ▶ Approved the State Audit Law 2005, set up by National Assembly, operated independently and acted only to the law.
- ▶ In 2013, legal status of SAV has been regulated in Consitution



## INTRODUCTION OF SAV (cont.)

- ▶ Detected a lot of violation of policies, procedures;
- ▶ Proposed to amend, supplement, replace, cancel hundreds of legal documents violating the State regulations.
- ▶ Get back to the State hundreds of trillions Vietnam dong, In 2017, requested to financially get back to the State over 90,907 billion Vietnam dong (4.2 billion USD).





# THE INDEPENDENCE OF SAV

- ▶ Independence on legal status, Independence on human resources, Independence on operation budget.
- ▶ Constitution of Vietnam 2013, Article 118:
  - *"1. The State Audit Office shall be the agency established by the National Assembly, operate independently and abide only by the law, and audit the management and use of public finance and assets.*
  - *2. The Auditor General is the head of the State Audit Office and shall be elected by the National Assembly. The term of office of the Auditor General shall be prescribed by the law.*
  - *The Auditor General shall be responsible, and report on his or her work to the National Assembly. When the National Assembly is not in its meetings, he or she shall be responsible, and report on his or her work to the Standing Committee of the National Assembly;*
  - *3. The organization and specific tasks and powers of the State Audit Office shall be prescribed by the law."*



# THE INDEPENDENCE OF SAV

## State Audit Law 2015:

- ▶ The State Audit Office of Vietnam shall function to evaluate, verify, conclude on and make proposals regarding the management and use of public finance and public assets (Article 9). Audit contents include: financial audit, compliance audit and performance audit (Article 32).
- ▶ Audited objects of the State Audit Office of Vietnam are the management and use of public finance and public assets and activities related to the management and use of public finance and public assets of audited entities. State Audit Office audits all entities, organisations that manage and use public fund and/or public finance, assets (including entities in national defence and security sector) (Item 3, Article 3 and Article 4)





# THE INDEPENDENCE OF SAV

## State Audit Law 2015:

- ▶ Audit reports of the State Audit Office of Vietnam shall, after being issued and publicized, be valid for compulsory implementation by audited entities (Item 1, Article 7)
- ▶ State Audit Office has the right to decide the annual audit plans and submit them to the National Assembly before implementation (Item 1, Article 10).



# THE INDEPENDENCE OF SAV

## State Audit Law 2015:

- ▶ The Auditor General has been elected, dismissed by the National Assembly as proposed by National Assembly's Standing Committee. The State Auditor General has been assigned more rights to ensure the proactivity such as: establish and promulgate the state auditing standards (Item 2, Article 6); promulgate legal documents in accordance with the Law on Promulgation of Legal Documents (Item 3, Article 14); decide on the appointment and dismissal of various positions of State Auditors (Item 2, Article 20); promulgate audit decision (Item 2, Article 14); organize the publicity of audit results in accordance with the law (Item 2, Article 50).





# THE INDEPENDENCE OF SAV

## State Audit Law 2015:

- ▶ The State Audit Office is subject to centralized organization and management and consists of the State Audit Office, entities affiliated with management, specialized state audit entities, local state audit entities, and public service agencies (Article 16).
- ▶ During the audit, State Auditors have the right to act independently and only comply with the law (Clause a, Item 2, Article 42); reserve their opinions in writing on the audit results within the scope of their assigned tasks (Clause d, Item 2, Article 42); specify the prohibited acts of State Auditors (Item 1, Article 8); regulate cases in which a person who may not be appointed to be members of audit teams (Article 28).



# THE INDEPENDENCE OF SAV

## State Audit Law 2015:

- ▶ State Audit Office has been provided the conditions to operate well: The payroll of the State Audit Office of Vietnam shall be decided by the National Assembly Standing Committee at the proposal of the State Auditor General (Article 59); The payroll of the State Audit Office of Vietnam shall be decided by the National Assembly Standing Committee at the proposal of the State Auditor General (Article 60); The State shall have policies on investment in the development of infrastructure, information technology, and other equipment to facilitate the organization and operation of the State Audit Office and to meet the requirement for international integration (Article 61); The salary, allowance and uniform regimes as well as preferences for officials and civil servants of the State Audit Office of Vietnam shall be stipulated by the National Assembly Standing Committee. (Article 62).



# Experience in independence assurance of SAV

1. The independence – legal status, the preliminary condition for organization and operation of SAV:

- Its legal status and necessary independence level shall be specified in the Constitution with details to be included in specific relevant laws.
- The independence of the Auditor General shall also be specified in the Constitution and shall be elected, dismissed by the National Assembly.





# Experience in independence assurance of SAV

2. To promote and assert the independence and responsibility of the SAV in the operation, focus on:

- + Decide the annual audit plan: shall not avoid the topics, issues and areas that are complicated, risky and easily have corruption potentials;
- + Must be really independent, objective, not be dominated or impacted by any intervention;
- + Comply with audit standards, procedures and methods;
- + Identify and be legally responsible on the accuracy, honesty and objective of the audit decision and request in the audit reports;
- + Confirm the legal value of the audit request and force to fine the cases that do not follow the audit decision and request..





# Experience in independence assurance of SAV

3. To develop the state auditor team that is qualified on quantity, suitable structure and high quality:

- + Recruit more auditors annually to have meet the requirement of number of auditors to fulfill the audit tasks;
- + Improve the auditors' recruitment quality to meet the requirement on high level of knowledge, good experience;
- + Restructure, rotate and rearrange the audit team to make it more effective;
- + Accelerate the changes and renew the training, conference, experience sharing content, program and method;
- + Promote effectively the training and management of code of conduct for auditors to ensure the integrity, independence, objectiveness; require the professional skills, knowledge and capability; professional confidentiality and carefulness in accordance with professional code of conduct and audit standards.



# Experience in independence assurance of SAV

4. To increase the application of technology in audit activities, including applying IT and technology - modern and advanced audit methods, focus on:
- + Build and develop the IT infrastructure to guarantee the safe and effective application for audit activities;
  - + Build and develop the applicable softwares to support audit activities;
  - + Train and develop the human resources;
  - + Apply advanced modern audit methods which are risk and audit material assessment approaches.



## Experience in independence assurance of SAV

5. To proactively public widely the audit results: identify that public widely the audit results is to strengthen the responsibility of the SAV; the interest of the general public with audit results is the objective measurement to reflect the capacity and reputation of the SAV.



## Experience in independence assurance of SAV

6. To have Remuneration policy that is suitable with audit profession. The policies to officials, state auditors in particular the preferential benefits is one of the decisive factors to the independence and audit quality of the State Audit Office. In Vietnam, apart from salaries as regulated for officials, the state auditors also get preferential allowances of occupation: auditors have additional 25%, principal auditors have additional 20% and senior auditors have additional 15% of their current salaries. SAV is allowed to get 5% of the actual amount that entities have to submit to the State Treasury (with the confirmation from State Treasury) which State Audit Office find out during the audit activities. This will be used to invest in infrastructure and pay bonus for audit activities; in which pay to encourage and bonus for officials, state auditors will not be over 0.8 times of their level of salaries and allowances.



# Experience in independence assurance of SAV

7. To increase the international co-operation to exchange and share professional experience: promote the effectiveness of the co-operative activities, exchange, experience sharing; strengthen the capacity in bilateral and multi-lateral co-operation framework; mobilize the support from others SAs, international organisations and donors./

**THANK YOU!**

# **Appendix 13**



# Participant List

## ASEANSAI Workshop on Conducting Awareness Knowledge Sharing on Good Practices about SAI Independence

15<sup>th</sup> - 17<sup>th</sup> May 2018

Bangkok, Thailand

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