



**Conference on Strengthening External Public
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PRINCIPLES and VALUES of SAI'S INDEPENDENCE for PUBLIC ADMINISTRATIONS

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SAI's independence and mission are
part of a modern, democratic
vision
of rules and government
values in a changing world



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SUMMARY

- New **social models** of growth include values of **participatory governance**
 - reinforcing the role of both government and active **stakeholders** - ppp
(EPI, Yale University 2009, T.I. 2010, L.Aguilar 2010 etc.)

- The crisis: restoring **trust** involves open government values and rules
 - in financially interconnected capitalist economies, trust is crucial for growth (Keynes, Soros, Strauss-Kahn, etc.)



- **Economics** : the **allocation of collective resources** requires a certain, transparent, democratic process [checks and balances], after the increased share of public expenditure over GDP (>50%)

- **Institutions** : international coordination of goals between different institutional backgrounds is needed
 - Regional and global interdependence among nations with different institutional backgrounds require open values and vision to **coordinate** national/institutional efforts. This involves SAI's strategic vision and promote SAIs convergent path.



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1. THE CRISIS: RESTORING TRUST AND VALUES OF OPEN GOVERNMENT

How can trust be restored in government and institutions, severely hit by the crisis ? One direction is:

→ “open government” (from Deng Tsiao Ping to Obama!), including:

- Values of transparency/disclosure
- Values of accountability
- Values of good governance



2. NEW MODELS OF GROWTH: VALUES OF PARTICIPATORY GOVERNANCE

Open government values comply with the social model of

→ participatory governance

- not opposed /or alternative to (a way to reduce) the role of government
- on the contrary, these values reinforce the role of an effective government, facing both its internal stakeholders and the international community



3. ALLOCATION OF COLLECTIVE RESOURCES

- Restoring trust requires disclosure and accountability of financial flows, first of all in public finance
- This involves audit and accounting institutions, statistical offices – their **values**: their reputation, their vision, their priorities, their methodology and professional resources, their organization, their statutory position, **their independence** and, last but not least, the follow-up of their activity.



THE PRINCIPLES

- SAI's are part of the democratic **system** of checks and balances with other subjects in the allocation and use of collective resources

- This system involves the principles of:
 - democracy
 - responsibility
 - checks & balances

Following 4 different steps :



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1. PRINCIPLE OF DEMOCRACY : THE PARLIAMENT

- The Parliament decides on the allocation of national financial resources for the year to come, i.e. the objectives and amount of resources of the national budget ; recent reforms of the national budget law in Italy, France, etc.



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2. PRINCIPLE OF RESPONSIBILITY: PUBLIC ADMINISTRATIONS AND GOVERNMENT

- Administrations execute the budget, according to the expenditure objectives set by the Parliament and respond to the government (Ministries) – national rules on PA autonomy differ.
- The Treasury (Minister of Finance) oversees the implementation of the budget and is responsible for final reporting.



3. PRINCIPLE OF CHECKS AND BALANCES : THE SAI

:

- As SAI audit and report on how resources have been used, guarantee the trustworthiness of data and the compliance with parliamentary goals (by checking samples),

- this principle requires:
 - SAI independence
 - Statistical Offices independence

 - Technical know-how and training of SAI's staff
 - Mechanisms of follow up of SAI's action



4. PRINCIPLE OF DEMOCRACY: BACK TO THE PARLIAMENT

- The budget law and the policy review guarantee the financial accountability of national accounts, - i.e. that money collected from citizen tax payers has been properly spent.



SAI'S INDEPENDENCE:

- SAI's independence – functional, organizational, financial – is an inherent part of this process.
- It is a crucial safeguard of this system of values
- In a dynamic institutional framework preserving and guaranteeing the independence of SAIs is relevant



Two more issues:

- Some criticize the independence of public technical institutions, that would be the result of a discredit of political institutions (e.g. BCE, on the basis of a Pareto-Mosca approach). It should be clear that this is not the case of SAIs, that respond to the principle of checks and balances.
- In the financial sphere, rating institutions have been discredited by the crisis: the dangerous effects of a lack of independence were made clear



The UN CEPA resolution – April 2010

- The UN CEPA resolution has welcomed (in New York , on 23 April 2010) the Mexico and Lima Declarations, to protect SAIs’ financial and organizational resources from interference by government (especially by the Minister of Finance).
- CEPA “*Proposes the development of a road map for embedding these principles eventually into international law*”



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AN EVOLUTION OF SAI'S FUNCTIONS ?

The system described is State-centred.

However a dynamic process is on the way:
rules must be adjusted to respond to current needs



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SAMPLES OF SAI'S MISSION *(DFID, Working with Sai, July 2005)*

- UK National Audit Office mission:
“to help the nation spend wisely”
- Brazilian Court of Audit mission:
“to assure the effective and proper management of public resources for the benefit of society”
- Audit General of South Africa mission:
“the independent world-class provider of public sector audit and related value-added services”



- A process of converging objectives is ongoing among different SAI's models – Westminster, Judicial and Collegiate (board) models.
- In the ex-post audit function sampling approaches are prevailing, i.e. **to control the quality of internal control systems**, abandoning the impossible effort of checking the regularity of every transaction (e.g. in Italy, through an uneven path of reforms).
- The *ex-ante* pre-audit function is narrowing/ending in most SAIs.



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EXPERIENCE OF THE ITALIAN SAI (Corte dei Conti)

- In the last 20 years, the Italian Court of Auditors has been subject to strong reforms which have enhanced its role among Italian institutions and lead to a shift from an *ex-ante* regime of controls to one centred on subsequent audits, in line with the international recommendations.
- => Reinforced mechanisms of evaluation based on principles of effectiveness, economy and efficiency and the *ex-ante* audit.



SOME FEATURES OF THE ITALIAN SAI

- The *Corte dei Conti* is now experimenting new methods (based on random sampling checks) to ensure regularity and reliability of public accounts, compliance with sound financial practices and convergence toward the international pattern of certification.

- Certification of the State financial statement
- Performance audits
- Judicial remit on cases of misuse of public money.
- SAI Regional Chambers
- The SAI refers yearly to the Parliament (in the past, it referred primarily to the Government) and performs consultative or advisory functions



CRITICAL POINTS

- Notwithstanding reforms, the Italian SAI has not yet fully achieved financial autonomy as foreseen by the Lima and Mexico declarations of INTOSAI.
- The Italian experience proves that the path is not always easy, even in economies with a solid and rooted administrative system such as the Italian one
- Development is slowed down by resistance from administrations and governments striving to keep wider degrees of independence.



LOOKING AT THE FUTURE: more challenges

- The increasing global dimension of government's action requires also for SAIs an improved level of international coordination, so to assist governments in pursuing their common goals (eg MDG)
- Moreover there is a dynamic framework and growing complexity, as different levels of government act in a global dimension (devolution and decentralization)
- Finally, the spreading of private public partnerships (ppp) opens for SAIs a further function of support to different levels of government and governance – ie players acting autonomously but subject to audit.



An example: Europe's evolution since the 90's shows the need of institutional innovations

- Administrative decentralization: multiplication of expenditure centres at a local level which, in some countries, are not verified by Audit institutions (eg in Italy, regional and autonomous sections of the Court of Auditors have been created)
- Imposition of rules on national budget deficits – eg Maastricht – including local deficits; these are **estimates**, based on different accounting rules, different national rules and require maximum reliability and comparability of data

Need of:

=> coordination at a national and European level



A FEW CRITICAL ISSUES

The EU example raises a number of questions:

How coordination at a supranational level can be implemented to guarantee data reliability and compliance with budget constraints?

- How far should the principle of State autonomy be preserved ?
- How far the values of transparency, accountability, responsibility, openness may be guaranteed **internationally** with the help of SAI's institutions



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- Different bodies should be independent but some coordination between them at the national level could be foreseen
- The same applies to EU and at international level



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The international setting can help:

- Mexico and Lima declarations
- CEPA /ECOSOC
- INTOSAI may be the point of reference also for the use of international facilities such as the Public Administration Knowledge Space (PAKS), being developed by UNDESA, and other ICT based tools, to help disseminate the culture of good governance and strengthen SAI's capacity.



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Thank you for your attention!

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