



SAI INDEPENDENCE

Occasional Paper No. 2

IMPACT OF THE COVID-19
PANDEMIC ON THE
INDEPENDENCE OF SUPREME
AUDIT INSTITUTIONS

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ACRONYMS & ABBREVIATIONS

| | |
|------------------|---|
| AFROSAI-E | African Organization of English speaking Supreme Audit Institutions |
| ARABOSAI | Arab Organization of Supreme Audit Institutions |
| ASOSAI | Asian Organization of Supreme Audit Institutions |
| CAROSAI | Caribbean Organization of Supreme Audit Institutions |
| CREFIAF | Organisation for Sub-Saharan Francophone Supreme Audit Institutions |
| EIU | Economist Intelligence Unit |
| EUROSAI | European Organization of Supreme Audit Institutions |
| IDI | INTOSAI Development Initiative |
| IMF | International Monetary Fund |
| INTOSAI | International Organization of Supreme Audit Institutions |
| OBI | Open Budget Index |
| OLACEFS | Organisation of Latin American and Caribbean Supreme Audit Institutions |
| PASAI | Pacific Association of Supreme Audit Institutions |
| SAI | Supreme Audit Institution |



WHAT WAS THE IMPACT ON SAI INDEPENDENCE?

The study finds that the pandemic had an impact on SAI independence during the period assessed, particularly in the following areas:

- Many SAIs, particularly in low-income countries, faced executive discretion to cut SAI budgets during the emergency, without legislative approval, undermining SAI independence
- National restrictions due to the COVID-19 pandemic reduced the number, scope, and timing of planned audits for several SAIs, leading to delays in the publication and follow-up of audit reports, affecting the ability of SAIs to carry out their mandate
- Access to audit information, already a challenge, became more difficult for many SAIs during the pandemic

The findings largely confirm and reinforce pre-pandemic independence patterns across countries and regions. There is also a strong correlation with the findings from the survey and countries' democracy scores and income levels. Countries that had challenges with independence before the pandemic tended to see a greater impact on different domains of independence during the pandemic. SAIs in lower income countries that were under-resourced before the pandemic were also more likely to see their budgets reduced during the pandemic, without legislative approval.

More research will be needed to assess whether these are only temporary effects or whether the pandemic will continue to affect the ability of SAIs to operate independently in the longer term.

Encouragingly, while the pandemic had an impact on the scope and number of audits conducted, most SAIs noted that they were able to freely decide on the selection of topics, timing, and contents of audits during the pandemic, including audits of COVID-19 emergency spending. A large majority of SAIs had also conducted audits of the use of emergency funds during the period of consideration or were planning to do so.

While limited SAI engagement in agreeing audit commitments with external providers of emergency funding has been considered to pose a risk to SAI independence, this risk only materialised in a small number of countries. Further, many SAIs saw their budgets increase again in 2021, after an initial budget reduction in 2020.

132

SAIs responded to the survey



EXECUTIVE SUMMARY

The COVID-19 pandemic and unprecedented flows of emergency funding have put a spotlight on the risks involved with the management and use of such funds, and on the role of Supreme Audit Institutions (SAIs) in ensuring oversight and accountability in times of crisis. At the same time, the pandemic has had a direct impact on the ability of SAIs in many countries to operate effectively.

While there is anecdotal evidence that the pandemic has had an adverse effect on the ability of SAIs to operate independently, there has been no systematic assessment of the impact of the global pandemic on the independence of SAIs. This study seeks to fill that knowledge gap, assessing the extent to which the pandemic has had an impact on the independence of SAIs and in which areas.

This study is based on a survey on the impact of the COVID-19 pandemic on SAI independence. A total of 132 SAIs responded to the survey, which covered the period of March 2020 to June 2021.

SAI independence is defined according to key principles of independence established by the International Organization of Supreme Audit Institutions (INTOSAI) in the Mexico Declaration of 2007. These principles emphasize the importance of SAIs having a broad mandate and full discretion; unrestricted access to information; freedom to decide on the content and timing of audits and to publish and disseminate them; the existence of effective follow-up mechanisms; and financial autonomy from the Executive.

THE FINDINGS ARE ORGANISED IN THE REPORT ACCORDING TO KEY PRINCIPLES OF SAI INDEPENDENCE:

1. Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources:

One in three SAIs experienced budget reductions due to the COVID-19 pandemic. Under-resourced SAIs, especially in lower income countries, were more likely to see their budgets reduced, and to receive transfers which were less than the revised budgets. Budget revisions processes were to a significant extent controlled by the Executive without legislative approval, undermining SAI independence.

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

The pandemic and introduction of emergency legislation in many countries had limited impact on SAIs' perception of autonomy to conduct audits. Nearly four in five SAIs revised their audit plans in response to the pandemic, reducing the number and scope of audits, while introducing audits of the use of emergency funds. While this indicates responsiveness in a time of crisis, the reduction in the number and scope of audits suggests that the pandemic had an impact on SAIs' ability to carry out their broader function of accountability during these extraordinary times.

3. The freedom to decide the content and timing of audit reports and to publish and disseminate them

During the pandemic, historical efforts were made to fast-track the approval and channeling of unprecedented amounts of emergency funding to developing countries. Letters of Intent between recipient governments and external providers of emergency funding, such as the IMF, included commitments to audit the use of such funds, ranging from very specific audit commitments to more general statements that an audit of the use of government funding for the pandemic should be conducted and published. The survey finds that most SAIs were not engaged in the dialogue with external providers on such commitments, which raises a concern from an independence perspective. In practice, however, most SAIs responded that these commitments did not interfere in their independence regarding selecting audits, reporting that they were free to decide on the selection of topics, timing, and contents of audits, including audits of COVID-19 emergency spending and to publish and disseminate audit findings.

4. Unrestricted access to information

Many SAIs faced restrictions in access to audit information already before the pandemic, as documented by IDI's Global SAI Stocktaking Report 2020¹. The pandemic exacerbated this trend, affecting the ability of two in three SAIs to access information, either through reduced physical access, digital access, or both. One in four SAIs that had conducted an audit of emergency funding during the period assessed reported that their access to information was restricted when conducting such audits.

5. The existence of effective follow-up mechanisms on SAI recommendations

The pandemic had a significant impact on many SAIs' ability to conduct audits and to publish and follow up on them. This is concerning, given the importance of timely audits in an emergency and their potential impact on spending and accountability during the crisis. At the same time, a large majority of SAIs noted that they had published or planned to publish audit reports on the use of emergency funding, indicating that SAIs are prioritising resources to follow up on the extraordinary spending during the pandemic.

BACKGROUND

The COVID-19 pandemic and unprecedented flows of emergency funding to developing countries have put a spotlight on the risks involved with the management and use of such funds, and on the role of Supreme Audit Institutions in ensuring oversight and accountability in times of crisis.

At the same time, many Supreme Audit Institutions have seen their ability to operate impacted by the pandemic. This is confirmed by a survey conducted by the INTOSAI-Donor Cooperation (IDC) in June 2020, which indicated that 78% of the 49 responding SAIs had been unable to carry out planned audits due to the pandemic, while 27% of the respondents had seen their budgets reduced². In a report on the role of SAIs in response to COVID-19, the World Bank notes that risks to independence can be higher in times of crisis and points to the reduction of budget allocations for SAIs as a particular risk³. There has not, however, been any systematic assessment of the impact of the COVID-19 pandemic on SAI independence.

It is against this backdrop that the INTOSAI Development Initiative (IDI) launched a survey in June 2021, seeking input from SAIs worldwide on

the impact of the COVID-19 pandemic on their independence. This report builds on the findings from this survey, focusing on the impact of the COVID-19 pandemic on SAI independence in the period of March 2020 to June 2021.

The study seeks to complement the findings from the Global SAI Stocktaking Report 2020, published by the INTOSAI Development Initiative (IDI) in September 2021, looking specifically at whether and how the COVID-19 pandemic has had an impact on SAI independence trends.

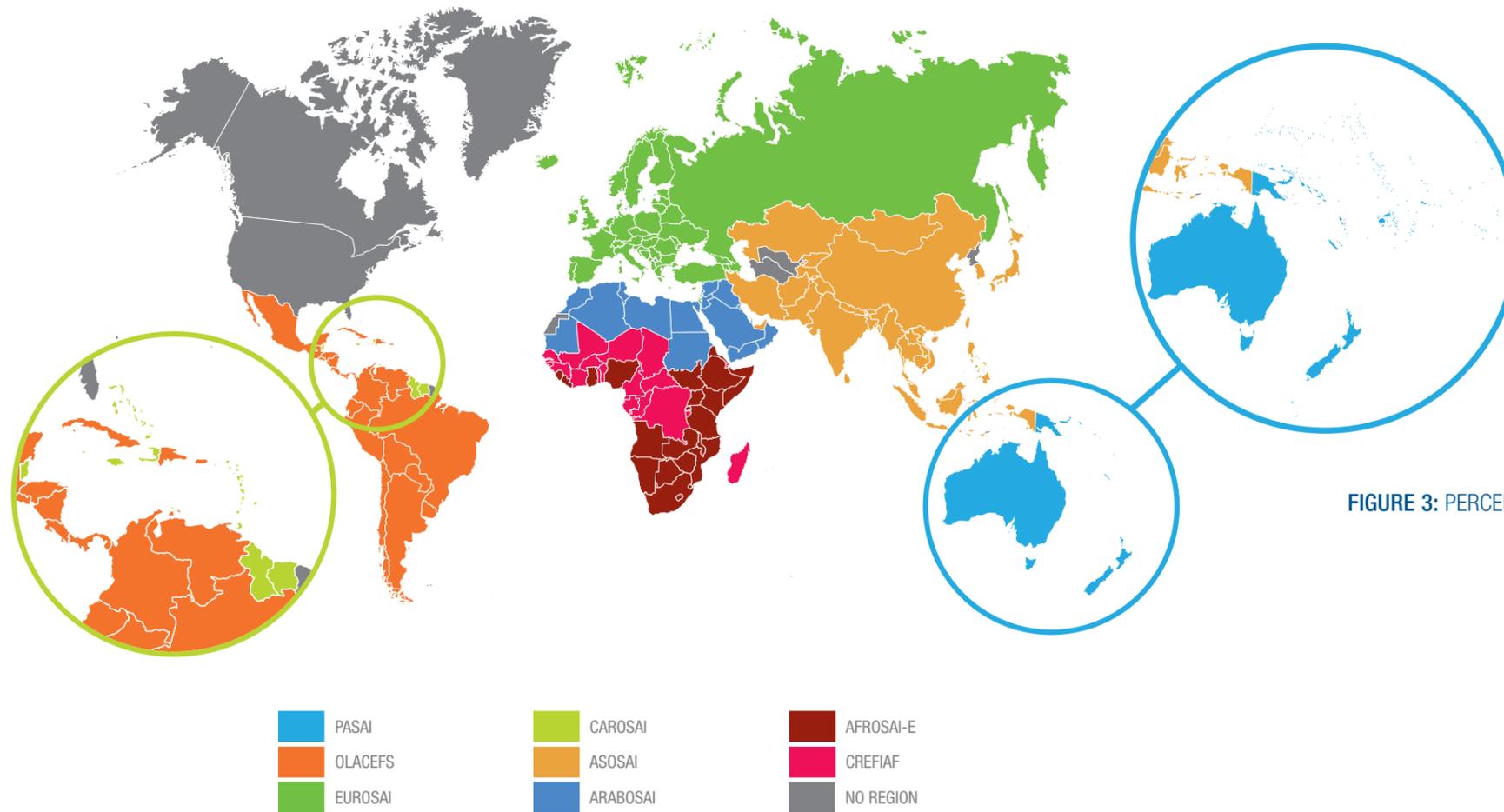
According to the Global SAI Stocktaking Report 2020, which measures SAI performance in the pre-pandemic period of 2017-2019, there has been a continued, albeit slight, backslide in the levels of SAI independence in this period.

The Global SAI Stocktaking Report also finds that SAIs' access to information and ability to follow up on audit findings were reduced over this period, and that financial and administrative autonomy was a major challenge to many SAIs prior to the pandemic.

METHODOLOGY

The key source of information for the study was a survey consisting of 35 questions, conducted in the period of June to August 2021. A total of 132 responses was received, from all INTOSAI regions.

FIGURE 1: MAP OF INTOSAI REGIONS



With its 195 members, INTOSAI is the umbrella organisation for SAIs globally. INTOSAI members have organised themselves into regional bodies. While there are seven official INTOSAI regional organizations, within AFROSAI there are also two sub-regions, AFROSAI-E and CREFIAF, for anglophone and francophone SAIs respectively. The regional analysis of SAI data in the report will be presented according to nine groups, notably AFROSAI-E, ARABOSAI, ASOSAI, CAROSAI, CREFIAF, EUROSAI, OLACEFS, PASAI and the North American countries⁴.

FIGURE 2: PERCENTAGE OF SURVEY RESPONDENTS PER INTOSAI REGION

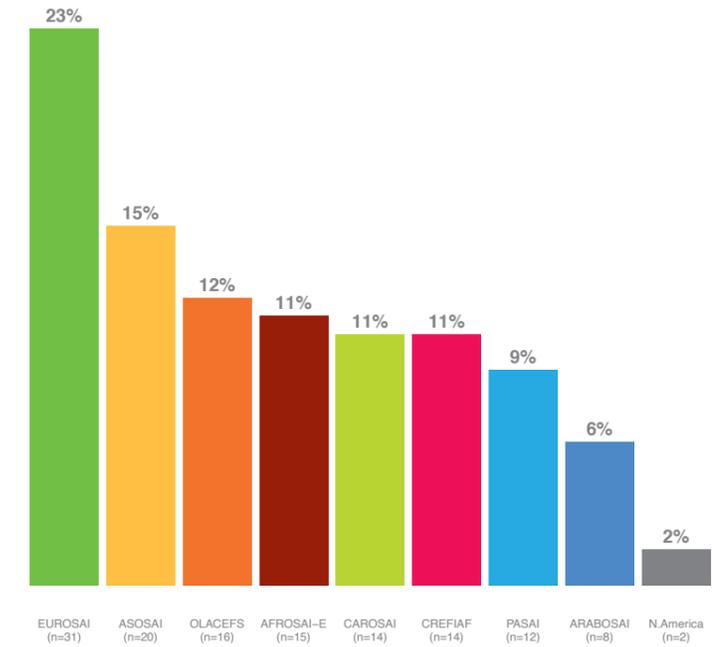
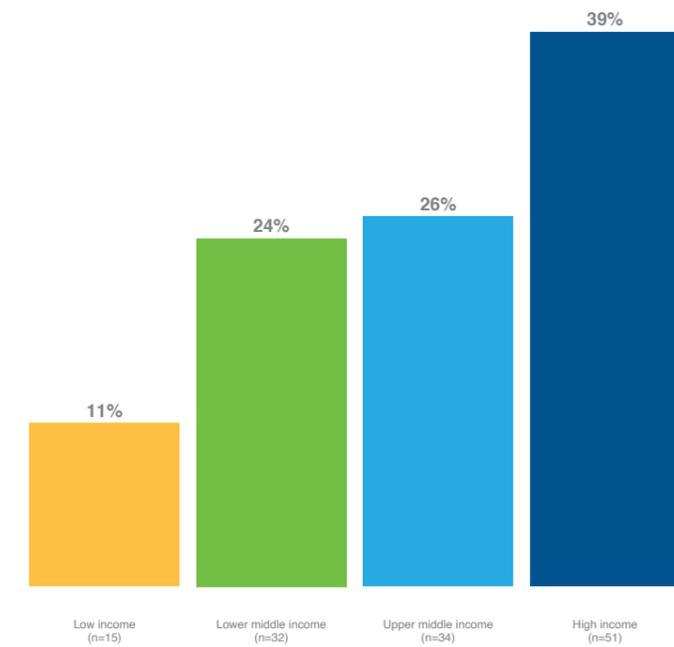


FIGURE 3: PERCENTAGE OF SURVEY RESPONDENTS PER WORLD BANK INCOME GROUP



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

The questions in the survey were framed around key principles of independence as defined by the INTOSAI Mexico Declaration⁵, looking particularly at the impact on mandates and discretion (principle three); access to information (principle four); freedom to decide on the content and timing of audits, as well as to publish and disseminate them (principle six); follow-up (principle seven) and SAIs' financial autonomy (principle eight).

MEXICO DECLARATION (INTOSAI P-10) PRINCIPLES OF SAI INDEPENDENCE

PRINCIPLE 1



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

PRINCIPLE 2



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

PRINCIPLE 3



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

PRINCIPLE 4



Unrestricted access to information.

PRINCIPLE 5



The right and obligation of SAIs to report on their work.

PRINCIPLE 6



The freedom to decide the content and timing of audit reports, and to publish and disseminate them.

PRINCIPLE 7



The existence of effective follow-up mechanisms on the SAI's recommendations.

PRINCIPLE 8



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



To inform the study, the survey data was analysed against the following data sources:

- SAI independence data from IDI Global SAI Stocktaking Reports (2017 and 2020)
- World Bank country classifications by income⁶
- The World Bank SAI Independence Index⁷
- The International Budget Partnership Open Budget Index⁸
- Governance data including the Economist Intelligence Unit Democracy Index⁹ and World Justice Project Rule of Law Index¹⁰

The question-level analysis presented in the report depicts SAIs' responses on individual issues and compares these to the various country-level source listed above. Individual survey responses were also aggregated¹¹ and compared to the same data sources, allowing for a more immediate overview of the relationship between the SAIs' responses to the survey and their performance on external indicators.

6. The World Bank's Country Income Classifications for 2020-2021 assigns the world's economies to four income groups – low, lower-middle, upper-middle, and high-income countries

7. [Supreme Audit Institutions Independence Index: 2021 Global Synthesis Report](#)

8. The [Open Budget Survey](#) is a 228-question survey completed by civil society and academics in each country. There are several SAI-related questions in the survey

9. The [EIU Democracy Index 2020](#) is based on five categories: electoral process and pluralism, civil liberties, the functioning of government, political participation, and political culture. Based on their scores on 60 indicators within these categories, each country is classified as either full democracy, flawed democracy, hybrid regime or authoritarian regime.

10. The [Rule of Law Index 2020](#) relies on survey results from households and legal practitioners and measure both the perception and the experience of the rule of law. The WJP also produces various sub-indices (e.g. Criminal Justice, Civil Justice, Regulatory Enforcement) which are aggregated into an overall RoL index.

11. Responses were aggregated by adding point scores (on a scale from -1 to 1) to each of the independence-related questions. The aggregate scores were then rescaled to have a maximum value of 100 and a minimum value of 0.

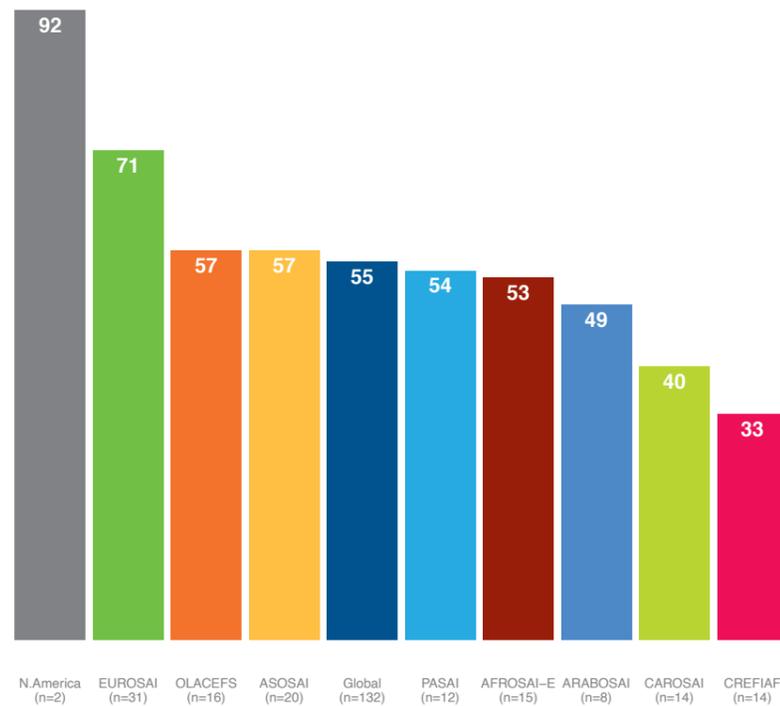
OVERALL TRENDS OF SAI INDEPENDENCE DURING THE GLOBAL PANDEMIC

The findings from the survey on the impact of the COVID-19 pandemic on SAI independence largely confirm global patterns of SAI Independence presented in the IDI Global SAI Stocktaking Report 2020¹². SAIs with low aggregate scores on the COVID-19 survey tend to be the same ones that scored low in the Global Survey Report's independence index. Regional patterns are also similar, with some variations. EUROSAI, ASOSAI, OLACEFS and North America scored above the global average, while CAROSAI and CREFIAF were the most affected regions (figure 4).

One significant change for the sample of SAIs in the present survey was that whereas in the Global Stocktaking Report Independence Index, OLACEFS was below the global average and AFROSAI-E was above it, in the survey on the impact of COVID-19 that position is reversed.

Another change is that ARABOSAI has higher scores overall in the current survey, though it still remains below the global average.

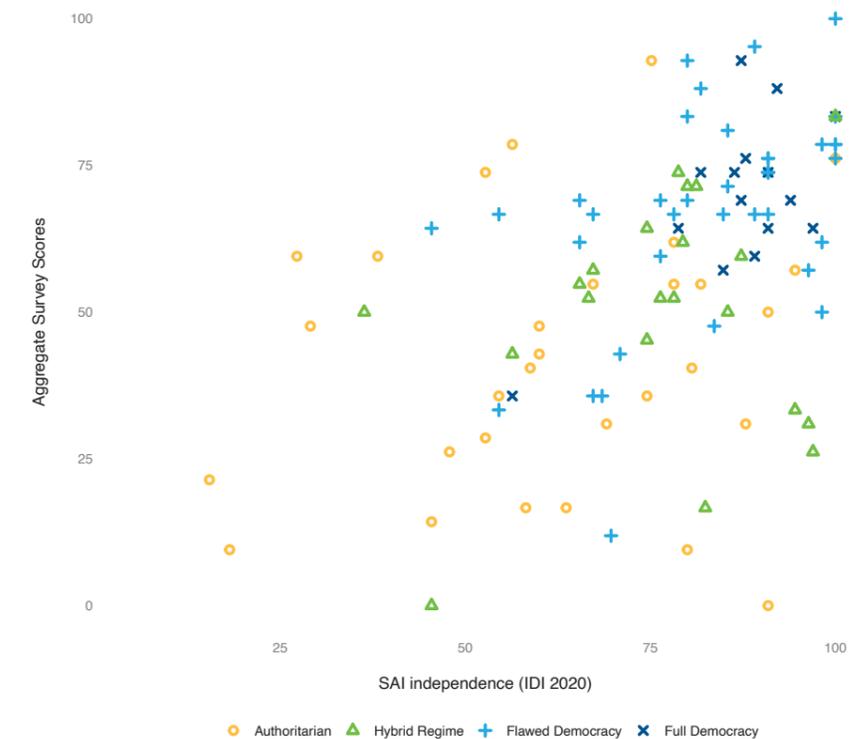
FIGURE 4: AGGREGATE SURVEY SCORES BY REGION



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

The findings from both surveys tend to correlate with the SAIs' scores on the Economist Intelligence Unit's Democracy Index (EIU) – SAIs in full democracies are bunched at the high end of both indices, while SAIs operating in countries rated as authoritarian by the EIU tend to have lower averages and higher dispersion¹³ (figure 5).

FIGURE 5: AGGREGATE SURVEY SCORES AGAINST SAI INDEPENDENCE 2020 INDEX PER EIU CLASSIFICATION
Correlation is 0.43; colour/shape denotes EIU democracy classification



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

The SAIs' aggregated scores are also strongly related to other correlates of SAI independence, such as the World Bank's Independence Index, income categories, and indices that measure democracy, rule of law, and open budgets, including the Open Budget Index and the World Justice Project's Rule of Law Index. This suggests that, while the pandemic may have had an impact on the independence of SAIs, the impact tends to reinforce pre-existing independence patterns.

the relationship is fairly strong: SAIs in the lower two World Bank index categories also have low aggregate scores on the survey of the impact of the COVID-19 pandemic on SAI independence, while those in the higher index categories have higher scores¹⁵. The comparable sample is however smaller (72 SAIs), as the World Bank index does not cover high income countries (figure 6). The assessments underpinning the World Bank index were conducted and updated from October 2019 to May 2021.

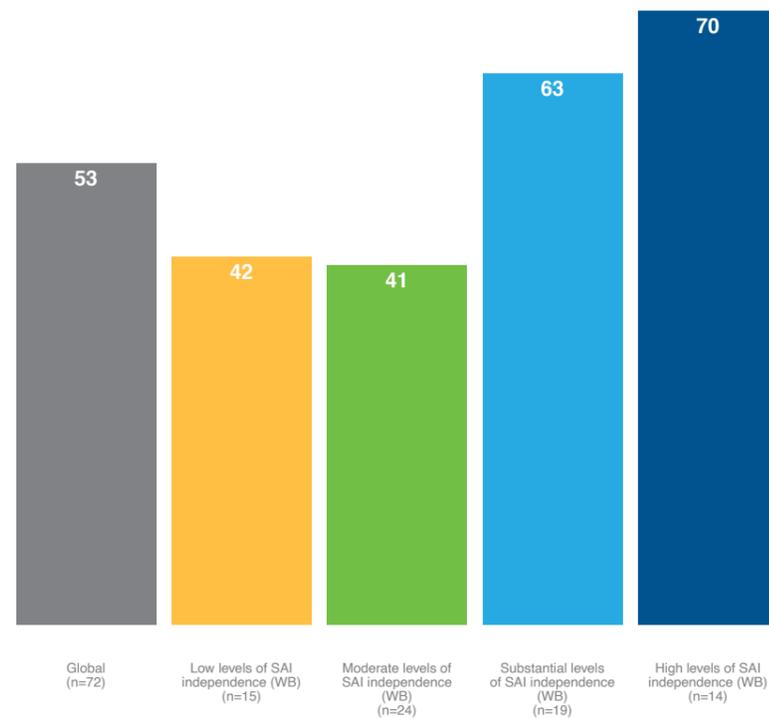
When comparing with the World Bank's recently released index on SAI independence¹⁴, we see that

13. There are some outliers: while some have moved because of a change in their political circumstances in the time between filling in the two surveys, for other SAIs the changes would need more investigation.

14. World Bank. *Supreme Audit Institutions Independence Index: 2021 Global Synthesis Report*

15. The World Bank index has a higher 5th category of independence, but as there were only two SAIs in this category, these SAIs were merged into the 4th category. It should further be noted that only 72 SAIs in the COVID-19 survey are covered by the World Bank index, which primarily covers lower income countries.

FIGURE 6: AGGREGATE SURVEY SCORES AGAINST WORLD BANK SAI INDEPENDENCE INDEX



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

KEY FINDINGS:

Overall, the study finds that the pandemic so far had an impact on SAI operations, affecting independence in the following areas:

- Many SAIs, particularly in low-income countries, faced executive discretion to cut SAI budgets during the emergency, without legislative approval, undermining SAI independence
- The COVID-19 pandemic led many SAIs to reduce the number and scope of audit reports, delaying the publication and follow-up of audits, affecting the ability of SAIs to carry out their mandate
- Access to audit information, already a challenge, became more difficult for many SAIs during the period assessed.

Continued monitoring and more research will be needed to assess whether these are only temporary effects or whether the pandemic will continue to impact the ability of SAIs to operate independently in the longer term.

IMPACT ON FINANCIAL AUTONOMY

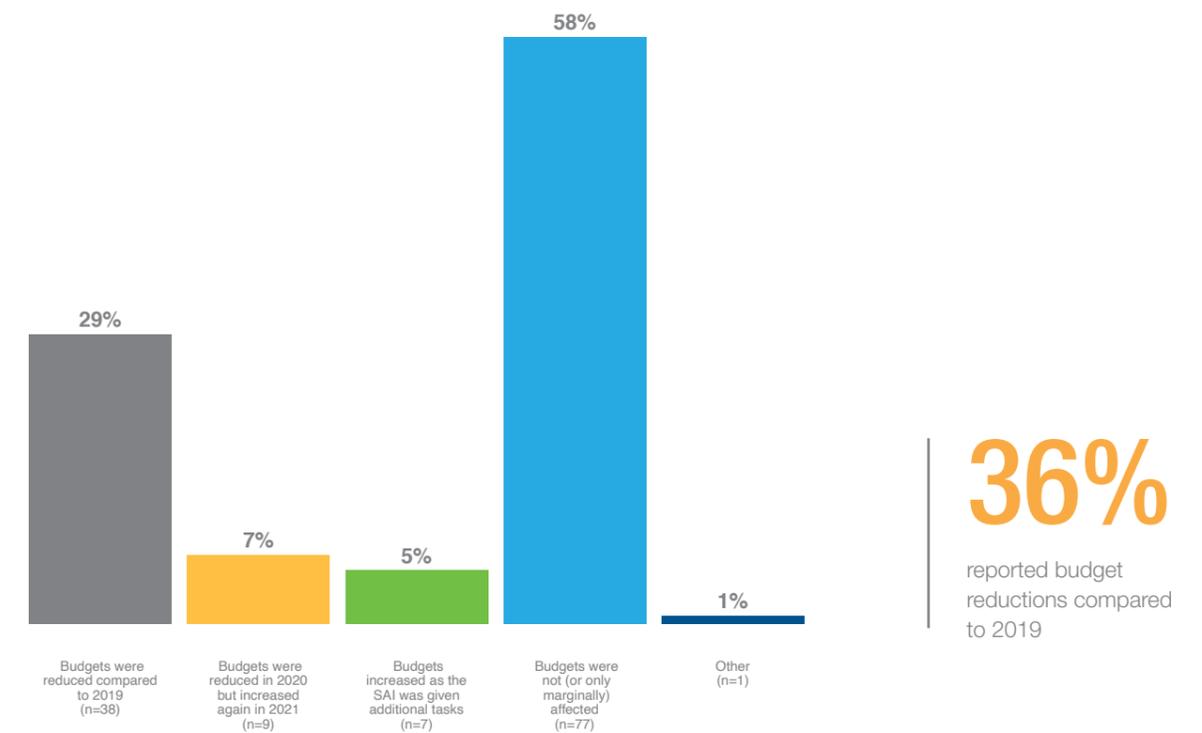


Mexico Declaration Principle 8:

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

Overall, 58% of the SAIs in the sample reported that their budgets were not, or only marginally affected by the COVID-19 pandemic in the period of March 2020-June 2021. Over one third (36%) reported budget reductions compared to 2019, while some of these responded that their budgets were reduced in 2020 but increased again in 2021 (figure 7).

FIGURE 7: IMPACT OF THE COVID-19 PANDEMIC ON SAI BUDGETS DURING MARCH 2020 TO JUNE 2021



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

There is a clear correlation between budget reductions and income levels. When assessed against the World Bank country classification by income, eleven out of 15 (73%) low-income country SAIs surveyed noted that their budgets were reduced (many by more than 20%) in 2020, four of which reported that their budgets increased again in 2021 (figure 8).

On the regional level, we see that a large majority (73%) of the SAIs in AFROSAI-E experienced budget reductions, while approximately one third of these saw their budgets increase again in 2021. SAIs in the EUROSAI and ARABOSAI regions were largely not affected by budget revisions (figure 9).

FIGURE 8: PERCENTAGE OF SAIS THAT REPORTED BUDGET REDUCTIONS DURING MARCH 2020 TO JUNE 2021 (PER INCOME GROUP)

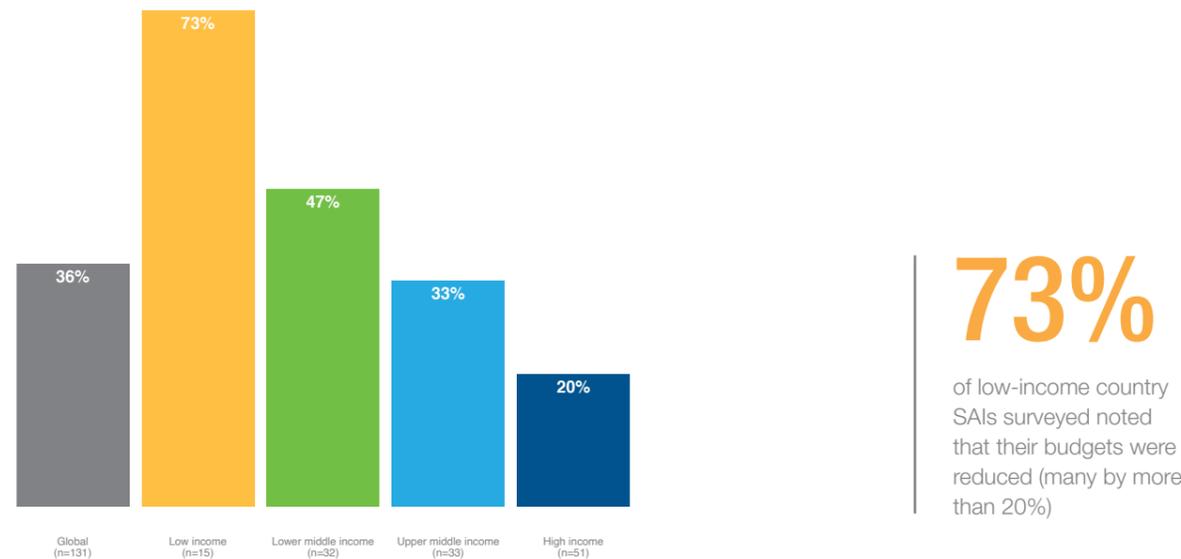
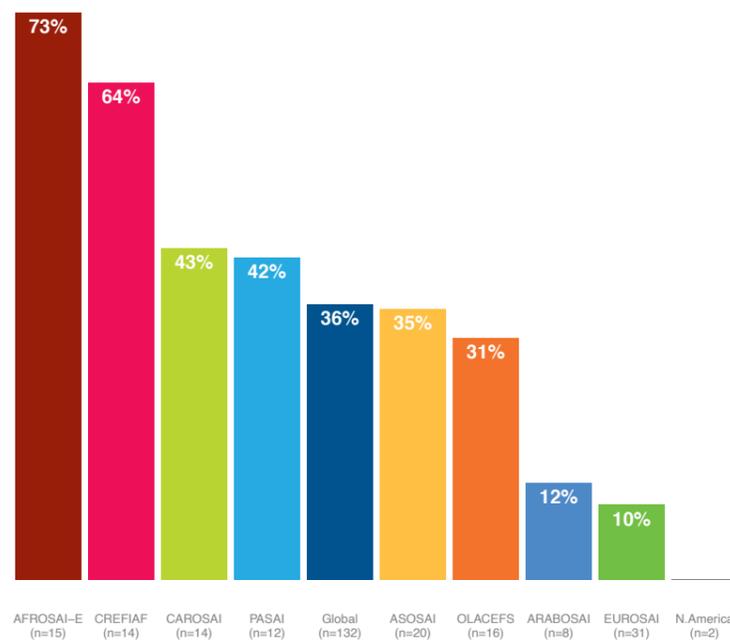


FIGURE 9: PERCENTAGE OF SAIS THAT REPORTED BUDGET REDUCTIONS DURING MARCH 2020 TO JUNE 2021 (PER INTOSAI REGION)



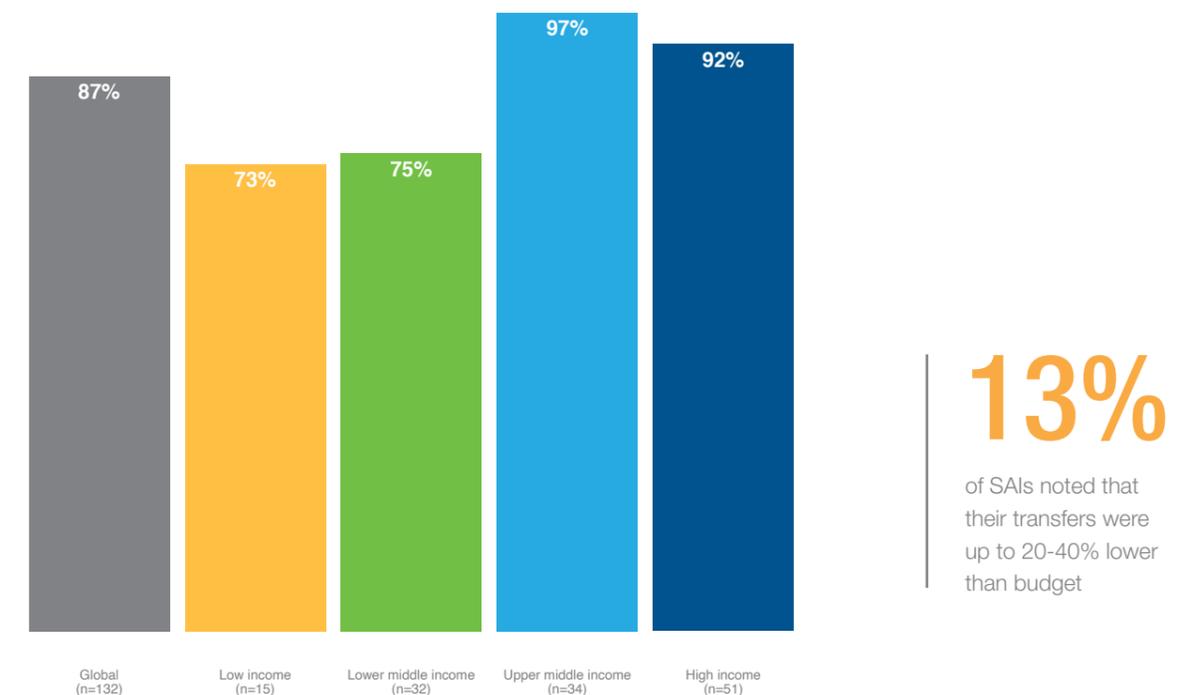
Source: Survey on the Impact of COVID-19 on SAI Independence 2021

There is a relatively strong correlation between the countries with large budget cuts and other measures, including the Open Budget Index indicator on SAI budget process and resource advocacy¹⁶. There is also a strong correlation between the SAIs that saw budget cuts during the pandemic and the SAIs that responded that they had insufficient resources to carry out their mandate before the pandemic. In responding to the Global Survey 2020, only 52% of SAIs worldwide reported that they had sufficient financial resources to fulfil their mandate to the expected extent and quality.

The SAIs that reported to have insufficient financial resources to carry out their duties in the Global Survey 2020 were about two-and-a-half times more likely to report that their 2020 budgets had been cut relative to those SAIs who reported that they had sufficient financial resources (50% vs. 20%). This shows that the pandemic deteriorated the

resource situation for many of the SAIs that were already struggling financially. Overall, already under-resourced SAIs¹⁷ were more likely to have budget cuts and to receive transfers which were less than the revised budgets. While a large majority of the SAIs responded that transfers were done according to budget or were higher, 13% (17 countries) noted that their transfers were up to 20-40% lower than budget. Over half of these SAIs also responded that their budgets were reduced. When assessed against the World Bank income groups, we see that these SAIs are primarily from the low income or lower-middle income countries (figure 10). On the regional level, AFROSAI-E and CREFIAF stand out. The data correlates well with other data sets, including the Global Survey Report 2020 Independence index, World Bank SAI Independence Index data, and the Open Budget Survey Indicator on SAI resource adequacy.

FIGURE 10: PERCENTAGE OF SAIS RESPONDING THAT FINANCIAL TRANSFERS TO THE SAI WERE MADE AT OR ABOVE BUDGET (PER INCOME GROUP)

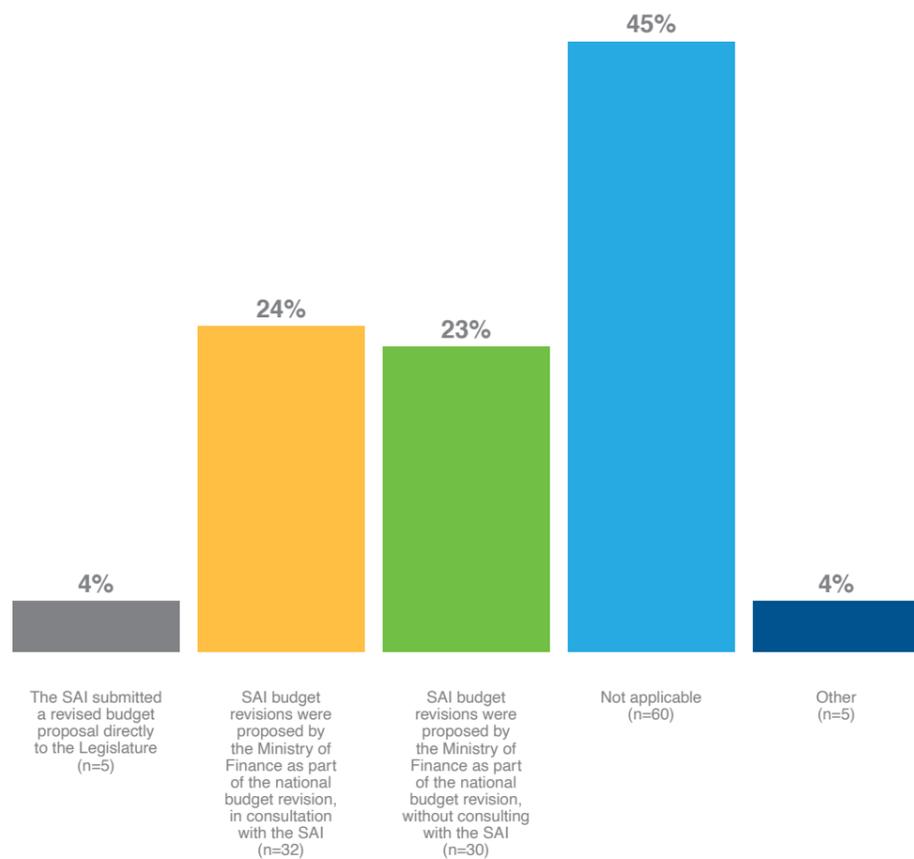


Source: Survey on the Impact of COVID-19 on SAI Independence 2021

16. Question 121 in the Open Budget Index, "Who determines the budget of the Supreme Audit Institution (SAI)?" indicates whether the SAI has adequate resources to fulfil its mandate.
17. Many SAIs did however respond to the Global SAI Stocktaking Survey once the pandemic was already underway.

Now, what effect if any did the budget reductions caused by the pandemic and following economic crisis have on SAI independence, and specifically on their financial autonomy? Of the 67 SAIs who reported budget revisions, only five reported that they submitted a revised budget proposal directly to the Legislature, while 62 SAIs (93 percent) responded that budget revisions were proposed by the Ministry of Finance as part of the national budget revision, half of which did not consult the SAI in the process (figure 11).

FIGURE 11: SAI BUDGET REVISION PROCESSES DURING THE PANDEMIC



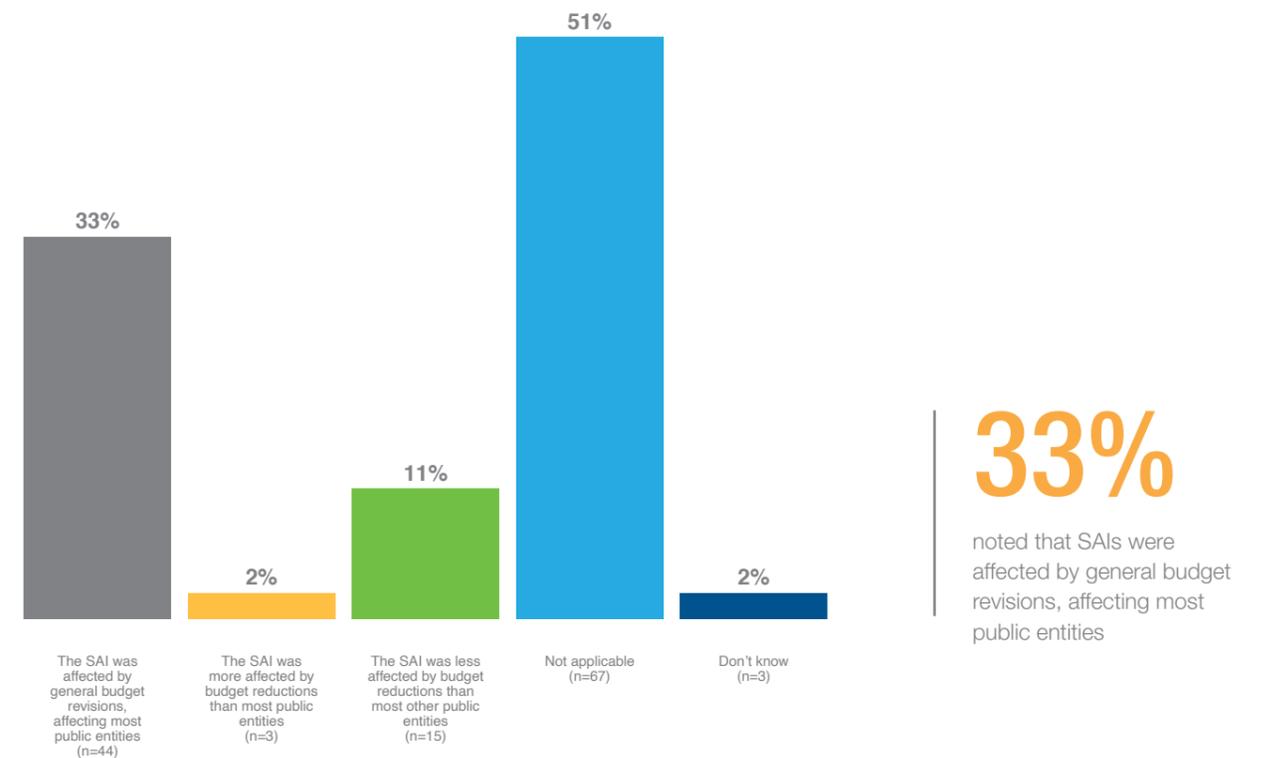
Source: Survey on the Impact of COVID-19 on SAI Independence 2021

This confirms a finding from the Global SAI Stocktaking Report 2020, showing that a large majority of SAIs submit their budgets via Ministries of Finance. The Global SAI Stocktaking Report also finds that 40% of SAIs experienced major interferences in the execution of their budgets. The low number of SAIs that submitted a revised budget proposal directly to the Legislature during the pandemic, may suggest greater use of Executive discretion in SAI budget processes during times of crisis.

While most SAIs that saw their budgets reduced during the pandemic noted that this was in line with processes for budget revision described in the budget law and/or SAI legal framework, 30% noted that it was not or that such processes were not described in the legal framework.

The data does not, however, give reason to believe that SAIs were more affected by budget reductions than other public agencies during the pandemic. One third of the respondents (33%) noted that SAIs were affected by general budget revisions, affecting most public entities, while only 2% noted that they were more severely affected than other agencies (figure 12).

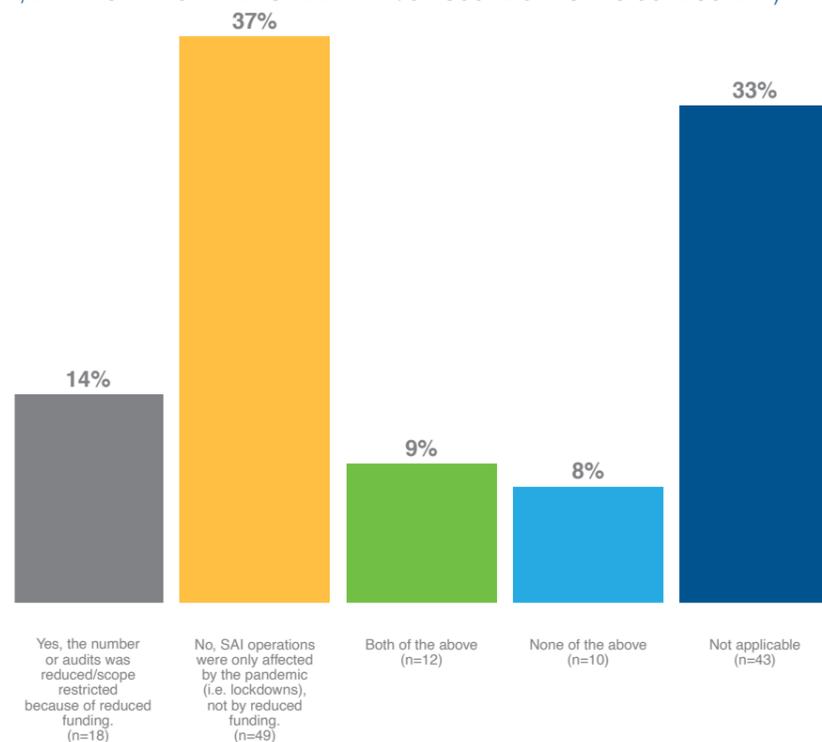
FIGURE 12: SAI BUDGET REDUCTIONS COMPARED TO OTHER PUBLIC AGENCIES



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

Did budget reductions have an impact on the SAIs' ability to carry out their mandate? The survey finds that, of the SAIs that reported to have had budget reductions, more than half noted that their operations were not affected by the reduced funding, only by the restrictive measures introduced as a response to the pandemic. The lower income countries – those with significant resource constraints in the pre-pandemic period – had a slightly larger effect of budget reductions on SAI operations.

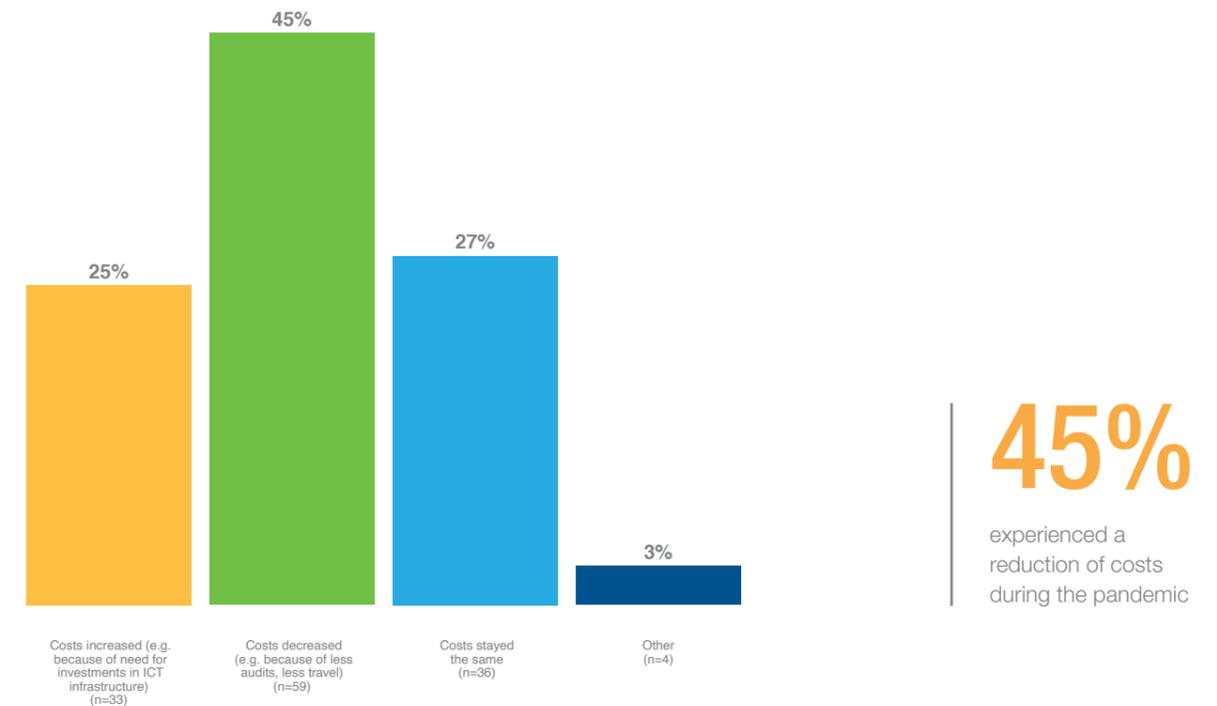
FIGURE 13: IMPACT OF BUDGET REDUCTIONS ON THE NUMBER AND/OR SCOPE OF SAI AUDITS (IF FUNDING OF YOUR SAI WAS REDUCED, DID THIS AFFECT THE NUMBER AND /OR SCOPE OF AUDITS CONDUCTED?)



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

Many SAIs (45%) experienced a reduction of costs during the pandemic, in part because of reduced audits and travel (figure 14). This comes a long way in explaining why budget reductions were not seen to be the most important factor affecting operations for many SAIs. Just over 40% of the SAIs that reported reduced costs also reported that they had a budget reduction, while again just over 40% of the SAIs that reported increased costs reported a budget reduction.

FIGURE 14: IMPACT OF THE PANDEMIC ON SAI OPERATING COSTS



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

KEY FINDINGS:

One third of the SAIs experienced budget reductions due to the COVID-19 pandemic and SAIs in lower income countries were disproportionately affected, deepening preexisting resource constraints. Lower income countries were also more likely to experience transfer cuts.

36%
experienced budget reductions due to the COVID-19 pandemic

- Budget revisions were largely controlled by the Executive branch, confirming a trend of limited financial autonomy. The data further suggests increased executive discretion over SAI budgets during the pandemic
- Budget reductions were largely due to general budget reductions affecting most government agencies
- The impact of SAI budget reductions was ameliorated by cost reductions. Some SAIs did however see that their costs increased while their budgets decreased.

SPOT LIGHT ON MADAGASCAR

The COVID-19 pandemic has had a significant impact on Madagascar, harming most sectors of the economy and the incomes of the most vulnerable.

The Court of Accounts of Madagascar reports that the institution's budgets were reduced by more than 20% in 2020 following the pandemic, affecting the Court more severely than many other public agencies. While operational costs increased, transfers to the institution were reported to be more than 20% lower than the revised budget. The budget revisions were proposed by the Ministry of Finance to the Ministry of Justice, which forwarded these to the SAI, allegedly not in line with processes described in the legal framework.

In response to the pandemic, the Court of Accounts revised its audit plan, reducing the planned number and scope of audits. The introduction of emergency legislation, with travel restrictions and lockdowns further affected the ability of the Court to conduct audits.

>20%

reduction in the institution's budgets

A set of audits of the use of emergency funding was conducted in 2021, in line with the Government's commitment in a Letter of Intent with the IMF:

"The Cour des Comptes, in consultation with external/third-party auditors, will proceed to an independent audit of the emergency fund for 2020 and produce a report, which will be also published on-line by end-December 2021".

The Court of Audits was not consulted on this commitment.

Access to information was affected during pandemic, and the Court of Accounts reports to have had limited access to information when auditing the use of COVID-19 emergency funding. The mandate of the Court of Accounts comprises the publication and the follow up of audit results and the audit reports on COVID-19 emergency spending are finalized but yet to be published.

Overall, audit reports have not been published or followed up as planned in Madagascar during the pandemic.

IMPACT ON SAI MANDATES

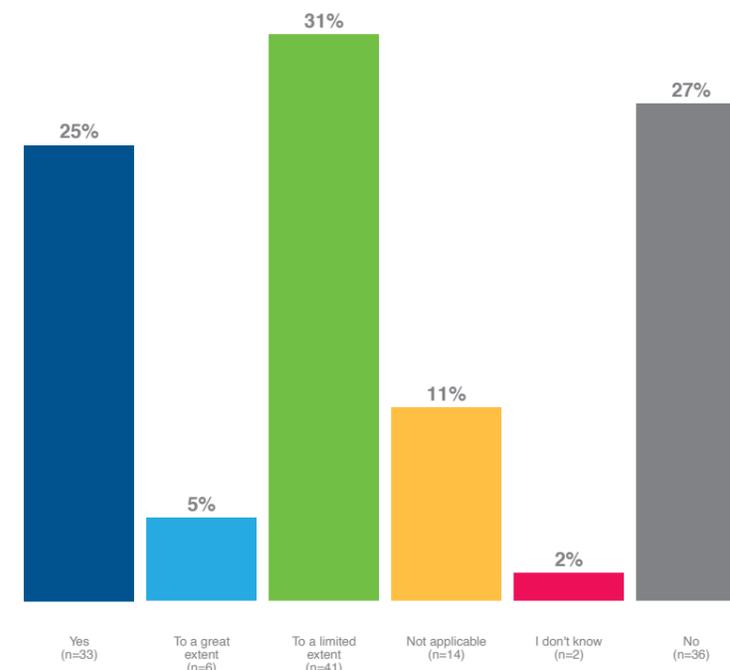


Mexico Declaration Principle 3:

A sufficiently broad mandate and full discretion, in the discharge of SAI function

Nearly 80% of the SAIs revised their audit plans in response to the pandemic. 30% reported that audit plan revisions led to a significant reduction of audits or a reduced audit scope, while an additional 31% responded that audits and audited scope were affected to a limited extent (figure 15). The finding that three in five SAIs reduced the number or scope of audits can be read as an indication that the pandemic did have an impact on SAIs' ability to perform their ordinary accountability function during this time.

FIGURE 15: IMPACT OF AUDIT PLAN REVISIONS ON NUMBER OF AUDITS AND/OR AUDIT SCOPE (DID AUDIT PLAN REVISIONS LEAD TO A REDUCTION OF AUDITS/REDUCED AUDIT SCOPE?)



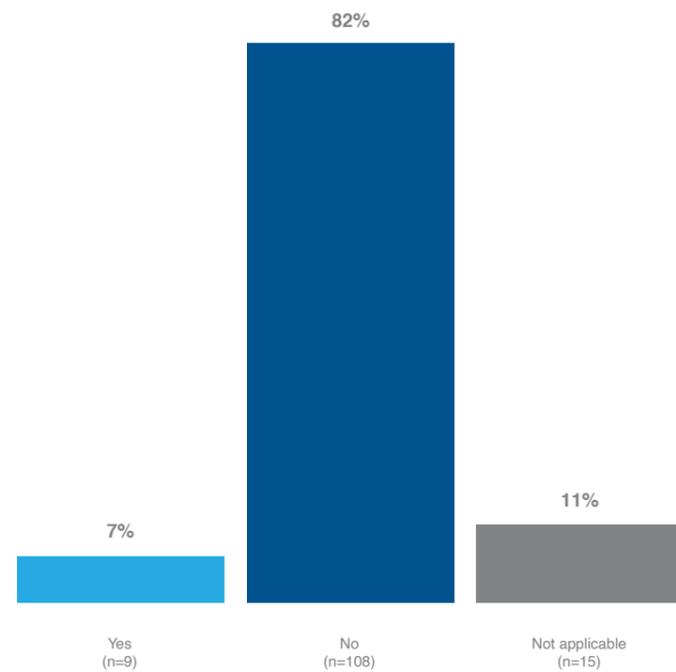
30%

reported that audit plan revisions led to a reduction of audits or a reduced audit scope

Source: Survey on the Impact of COVID-19 on SAI Independence 2021

On the other hand, the introduction of emergency legislation had limited impact on SAIs' perception of autonomy to conduct audits, despite having an impact on SAI operations (figure 16).

FIGURE 16: IMPACT OF EMERGENCY LEGISLATION ON SAI INDEPENDENCE (IF EMERGENCY LEGISLATION WAS APPROVED DURING THE PANDEMIC, DID THIS AFFECT THE SAI'S AUTONOMY TO CONDUCT AUDITS?)



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

A majority of SAIs reported that they had conducted an audit of the use of emergency funding (73%), while another 20% reported that they were planning to. While almost 40% had conducted real-time audits, half of the SAIs had not and a further 10% did not have the mandate to do so.

This suggests that a large majority of SAIs are executing their oversight role during the pandemic by conducting audits of emergency funding. While some SAIs noted that the pandemic prompted the use of real-time audits for the first time, the majority did not conduct real-time audits despite having the mandate to do so.

KEY FINDINGS:

- Many SAIs noted that audit plan revisions in response to the pandemic led to a reduction of audits or reduced scope, suggesting that the pandemic had an impact on SAIs' ordinary accountability function
- A large majority of SAIs have conducted or will conduct an audit of COVID-19 emergency funds.
- The introduction of emergency legislation had a limited impact on SAIs' perception of autonomy to conduct audits

IMPACT ON DISCRETION TO SELECT AUDITS



Mexico Declaration Principle 6:

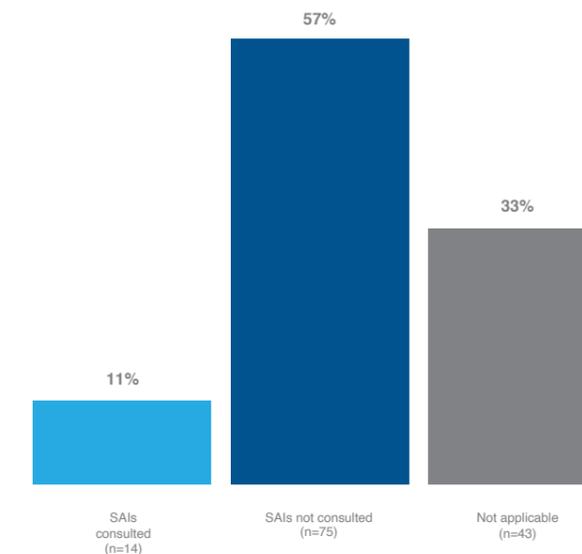
The freedom to decide the content and timing of audit reports and to publish and disseminate them

A large majority of SAIs (94%) noted that they were able to freely decide on the selection of topics, timing and contents of audits, including audits of COVID-19 emergency spending. This confirms the finding of the Global survey, where 85%¹⁸ reported that they to a large extent or fully had the discretion to plan, conduct and report its audits independently from the Executive and the Legislature.

Many of the countries included in the survey received emergency financing from providers such as IMF, the World Bank or the EU to mitigate the economic impact of the pandemic. At least 39 (30%) of the countries in the survey have committed to conducting audits of such funds through Letters of Intent with the IMF¹⁹.

Less than ten percent of the SAIs in the survey did however report that their SAIs were required to audit the use of COVID-19 emergency funding through external financing agreements, indicating that many SAIs were not aware of these commitments by their governments (usually signed by the Ministry of Finance or Central Bank) or that the requirements were so generic that they added nothing to the SAIs' existing audit mandate. This is reinforced by the finding that more of half of the SAIs responded that they had not been consulted on arrangements for audits of emergency funding received from external providers such as IMF and included in Letters of Intent (figure 17).

FIGURE 17: SAI INVOLVEMENT IN DIALOGUE ON AUDIT COMMITMENTS WITH EXTERNAL PROVIDERS



94%

of SAIs noted that they were able to freely decide on the selection of topics, timing and contents of audits

Source: Survey on the Impact of COVID-19 on SAI Independence 2021

18. The improvement from 2020 can likely be explained by the difference in the way the questions were posed, rather than by a sharp improvement over time.

19. IMF, July 2021. Governance commitments in COVID-19 rapid instruments

On the one hand the requirements to audit emergency funding in external financing agreements may seem to contradict the finding that SAIs were largely free to decide on audits, including audits of emergency spending. On the other hand, this finding suggests that such audits were not perceived as being imposed on the SAIs. Given that external financing in the form of budget support or balance of payments support cannot be separately identified or audited, such funds will in most cases have been audited along with all

other sources (domestic and international) as part of the audit of the (revised) state budget. The high percentage of SAIs responding that they were free to decide on the selection of topics, timing, and contents of audit, including audits of COVID-19 emergency funding indicates that arrangements for auditing emergency funding were not imposed on SAIs but followed principles of SAI independence.

KEY FINDINGS:

A large majority of SAIs note that they have the freedom to decide on the selection of topics, timing, and contents of audits, including the audits of COVID-19 emergency funding. This indicates that the principle of SAI discretion to select audits was largely upheld, despite the fact that most SAIs were not consulted on their governments' commitments to audit the use of funds from external providers.

IMPACT ON ACCESS TO INFORMATION

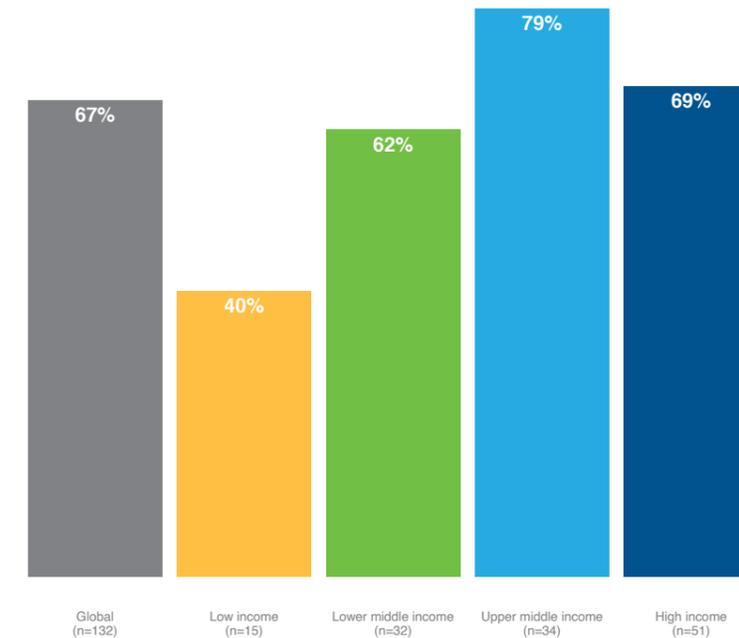
Two thirds of the SAIs responded that their ability to access information was affected by the pandemic, either physical access (38%), digital access (4%) or both (25%), while 33% were not affected.

While survey responses overall correlate strongly with pre-pandemic independence patterns in the Global Stocktaking Report 2020, there is only a very weak relationship between the access to information scores in the Global Stocktaking Report compared with the present survey, suggesting that the pandemic had an impact on SAIs across the full spectrum of SAIs, affecting SAIs that already had limited access to information, as well as those that reported to have no limitations to access to information before the pandemic.

Interestingly, the upper middle-income countries and higher income countries were more affected, particularly by the lack of physical access to information (figure 18). We see a similar pattern when assessing against EIU categories.

This may suggest that the higher income countries were more affected by lockdowns in this period, with limited physical access to audit evidence, and that the difference between the access to information pre-pandemic and during the pandemic was more evident in these cases. This will however demand more research.

FIGURE 18: PERCENTAGE OF SAIS INDICATING THAT PHYSICAL AND/OR DIGITAL ACCESS TO INFORMATION FOR AUDIT PURPOSES WAS AFFECTED BY THE PANDEMIC AND RELATED RESTRICTIONS (PER INCOME GROUP)



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

Several SAIs noted that the lack of information technology and limited digitisation impacted their access to information and ability to conduct virtual audits during the pandemic, while some noted that this provided an impetus for investing in infrastructure and adapting audit practices.

SPOTLIGHT ON SPAIN

Spain was severely affected by the COVID-19 pandemic and lockdowns in 2020 and 2021. The Tribunal de Cuentas of Spain reports that its budgets were marginally increased in 2020 and 2021, due to increased costs for investments in ICT equipment prompted by the COVID-19 pandemic. The pandemic had an impact on the ability of the Tribunal de Cuentas to access information.

This led to an intensification and acceleration of ongoing modernisation and digitisation processes, enhancing the application of information technology. The Tribunal de Cuentas noted that the impetus to invest in its ICT infrastructure allowed for audits to be implemented as planned during the pandemic, having even registered an increase in the number of audit reports produced in 2020 compared to 2019.



Mexico Declaration Principle 4: Unrestricted access to information

2/3

of the SAIs responded that their ability to access information was affected by the pandemic

When the 97 SAIs who indicated that they had already conducted an audit of COVID-19 emergency funding were asked whether the SAI had timely and unrestricted access to information when auditing the use of emergency funding, 26% responded that they had no or only limited access to timely and unrestricted information (figure 19). This presents a slight deterioration from the Global Stocktaking Survey, which found that 16% of the SAIs had limited or no access to timely and unrestricted access to information. The data also corresponds strongly with EIU categories, with democracies scoring higher on access to information (figure 20).

FIGURE 19: ACCESS TO INFORMATION WHEN AUDITING THE USE OF EMERGENCY FUNDING (DID YOUR SAI HAVE UNRESTRICTED ACCESS TO INFORMATION WHEN AUDITING THE USE OF EMERGENCY FUNDING?)

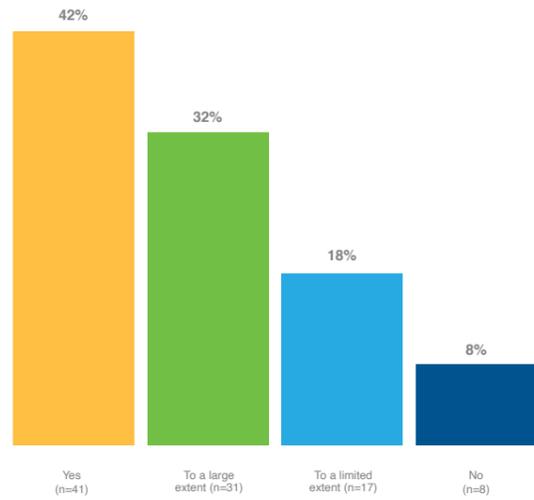
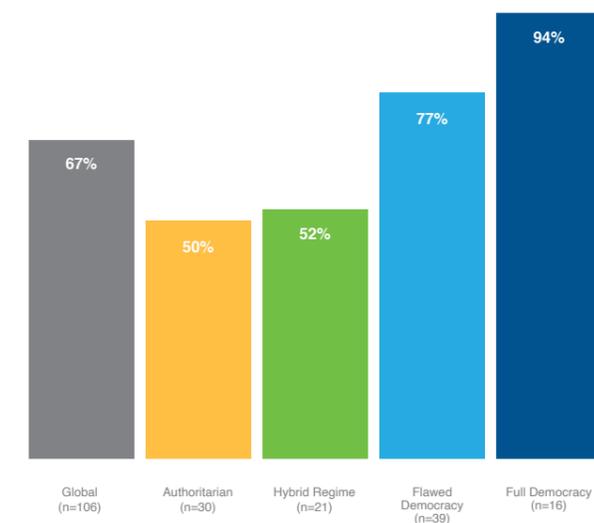


FIGURE 20: PERCENTAGE OF SAIS INDICATING THAT THEY TO A FULL OR LARGE EXTENT HAD TIMELY AND UNRESTRICTED ACCESS TO INFORMATION WHEN AUDITING THE USE OF EMERGENCY FUNDING (PER EIU CLASSIFICATION)



26%

that had conducted an audit of emergency funding reported that they had limited to no access to information when conducting such audits

Source: Survey on the Impact of COVID-19 on SAI Independence 2021

IMPACT ON THE PUBLICATION AND FOLLOW-UP OF AUDIT REPORTS



Mexico Declaration Principle 7:

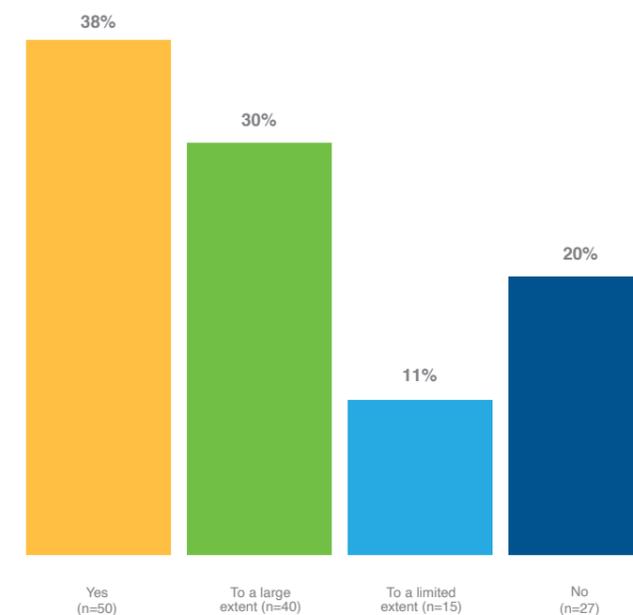
The existence of effective follow-up mechanisms on the SAI's recommendations

A majority (82%) of SAIs noted that they were free to publish and follow up on audits of the use of COVID-19 emergency spending, and 81% of all SAIs noted that the SAI has published or is planning to publish an audit report on the same. This confirms the finding from the Global Stocktaking Report, where 81% confirmed that they fully or to a large extent were free to publish and disseminate their audit reports independently of the Executive. There are however regional differences: in the ARABOSAI region, 50% of the SAIs reported that they were not free to publish and follow up on

audits of the use of COVID-19 emergency funding, and that they would not publish such audits.

At the same time, the survey data also shows that only 68% reported that audit reports were (to a full or large extent) published as planned in the period of March 2020 to June 2021, while 31% responded that they were not or only to a limited extent (figure 21). A small number of SAIs reported that they had experienced Executive interference with the publication of audit reports on the use of emergency spending during the pandemic.

FIGURE 21: AUDIT PUBLICATION DURING THE PANDEMIC (WERE AUDIT REPORTS PUBLISHED AS PLANNED DURING THE PERIOD OF MARCH 2020 TO JUNE 2021?)



31%

of SAIs responded that audit reports were not or only to a limited extent published as planned

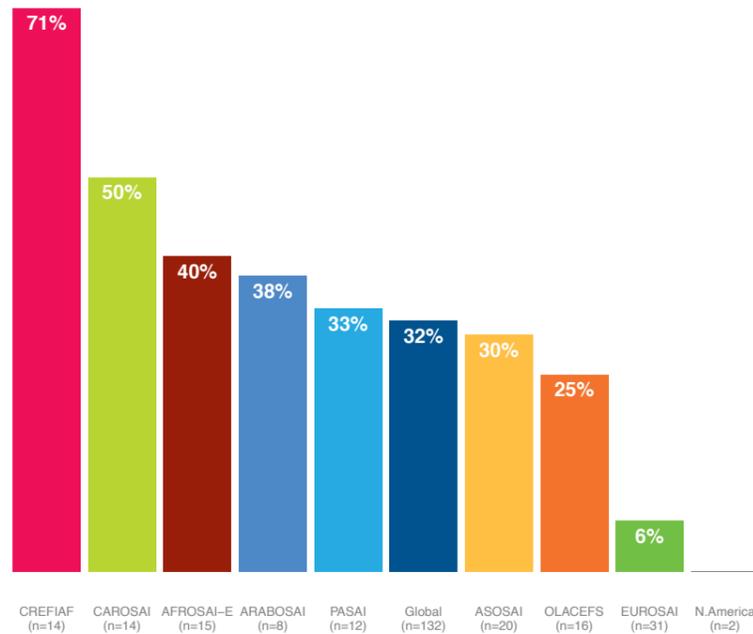
Source: Survey on the Impact of COVID-19 on SAI Independence 2021

KEY FINDINGS:

- The pandemic had a significant impact on SAIs' ability to access information, affecting all SAIs and high-income countries in particular
- One out of four SAIs (26%) that had conducted an audit of emergency funding reported that they had limited to no access to information when conducting such audits, accentuating a trend of reduced access to information in later years, documented through IDI's Global SAI Stocktaking Reports

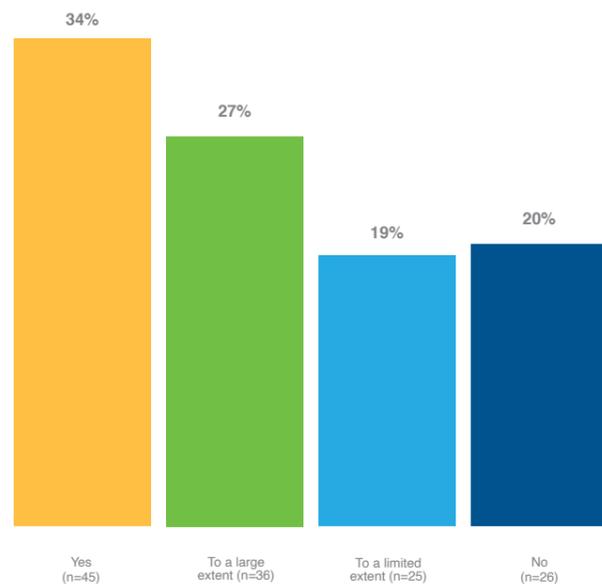
The finding is largely correlated with income classifications but there are large regional differences; in the CREFIAF region as much as 71% of the SAIs responded that audit reports were not published as planned (figure 22).

FIGURE 22: PERCENTAGE OF SAIS INDICATING THAT AUDIT REPORTS WERE NOT OR ONLY TO A LIMITED EXTENT PUBLISHED AS PLANNED BETWEEN MARCH 2020 AND JUNE 2021



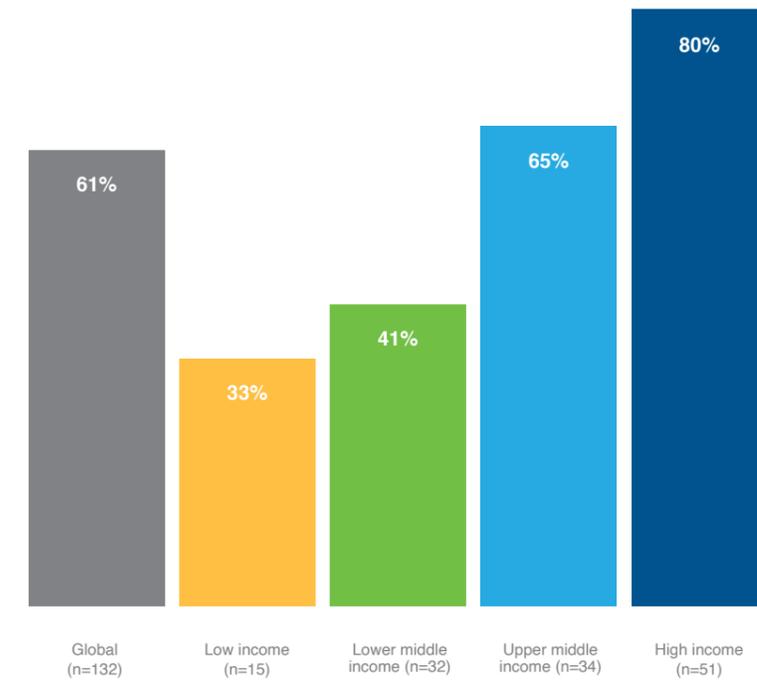
Similarly, 39% of the SAIs responded that audit reports were not or only to a limited extent followed up during the pandemic (figure 23) confirming a lack of systematic follow-up of audit reports indicated by the Global SAI Stocktaking Report 2020. There is a strong correlation with income levels (figure 24), and the lack of audit follow-up is particularly significant in the CREFIAF, CAROSAI and AFROSAI-E regions.

FIGURE 23: AUDIT FOLLOW-UP DURING THE PANDEMIC (WERE AUDIT REPORTS FOLLOWED UP AS PLANNED DURING THE PANDEMIC?)



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

FIGURE 24: PERCENTAGE OF SAIS RESPONDING THAT AUDITS WERE FULLY OR TO A LARGE EXTENT FOLLOWED AS PLANNED DURING THE PERIOD OF MARCH 2020 TO JUNE 2021 (PER INCOME GROUP)



Source: Survey on the Impact of COVID-19 on SAI Independence 2021

Overall, we can see that the pandemic had an impact on the number and scope of audits conducted, their publication and follow up. This is concerning, given the importance of timely audits in an emergency and their potential impact on spending and accountability during the crisis.

KEY FINDINGS:

- The pandemic had a significant impact on the ability of many SAIs' to publish and follow up on audit reports, affecting their ordinary accountability function
- At the same time, a large majority note that they have the freedom to publish and follow up on audits of the use of COVID-19 spending and have published or plan to publish an audit report on the same, indicating that SAIs are prioritising resources to follow up on the extraordinary spending during the pandemic

ANNEX 1:

SAIs participating in the Survey on the Impact of the COVID-19 pandemic on SAI Independence

| | | |
|---|---|---|
| Afghanistan | Fiji | Oman |
| Algeria | Finland | Pakistan |
| Anguilla | France | Palestinian territories |
| Antigua and Barbuda | Gabon | Panama |
| Argentina | Greece | Paraguay |
| Armenia | Grenada | Peru |
| Aruba | Guam | Philippines |
| Australia | Guatemala | Portugal |
| Austria | Honduras | Puerto Rico |
| Azerbaijan | Hungary | Romania |
| Bangladesh | Indonesia | Rwanda |
| Barbados | Iran | Saint Kitts and Nevis |
| Belize | Ireland | Saint Lucia |
| Benin | Italy | Saint Vincent and the Grenadines |
| Bermuda | Ivory Coast | Sao Tome and Principe |
| Bhutan | Jamaica | Saudi Arabia |
| Bosnia and Herzegovina | Japan | Senegal |
| Brazil | Kazakhstan | Seychelles |
| Bulgaria | Kenya | Sierra Leone |
| Burkina Faso | Kiribati | Slovak Republic |
| Burundi | Kuwait | Slovenia |
| Cambodia | Lao People's Democratic Republic | Solomon Islands |
| Cameroon | Latvia | Somalia |
| Canada | Lesotho | South Africa |
| Cape Verde | Liberia | Spain |
| Chad | Libya | Sri Lanka |
| Chile | Lithuania | Suriname |
| China | Madagascar | Sweden |
| Colombia | Malaysia | Syrian Arab Republic |
| Comoros | Maldives | Thailand |
| Cook Islands | Malta | The Gambia |
| Croatia | Mauritius | Tonga |
| Cyprus | Mexico | Trinidad and Tobago |
| Czech Republic | Mongolia | Tunisia |
| Democratic Republic of the Congo | Montserrat | Turkey |
| Denmark | Myanmar, Burma | Tuvalu |
| Djibouti | Namibia | Uganda |
| Ecuador | Nauru | Ukraine |
| El Salvador | Nepal | United Kingdom |
| Eritrea | Netherlands | United States |
| Estonia | New Zealand | Uruguay |
| Ethiopia | Nicaragua | Venezuela |
| European Court of Auditors | Northern Mariana Islands | Vietnam |
| Federal States of Micronesia | Norway | Zimbabwe |

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