

Chapter 32 - Financial Control:

External Audit

European Commission
DG Budget

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'These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union'

Content

- Overview
- Independence
- Institutional capacity
- Quality of audit work
- Impact of audit work

Overview

- A Supreme Audit Institution (SAI) that audits government activities and reports to the Parliament.
- Full INTOSAI compliance, including:
 - Constitutional anchorage;
 - Independence: functional, organisational and financial;
 - Full audit coverage: legality, regularity and performance audit.

Independence

- Legal protection by a Supreme Court against any interference with SAI independence and audit mandate.
- Independence of the Members shall be guaranteed by the Constitution.
 - In particular, procedures for removal from office shall be embodied in the Constitution and may not impair the independence of Members.
- Unrestricted right of access to premises, records and documents of audited entities.

Financial independence

- SAIs should be:
 - provided with the financial means to enable them to accomplish their tasks.
 - entitled to apply directly for the necessary financial means to the public body deciding on the national budget.
 - entitled to use the funds allotted to them under a separate budget heading as they see fit.

Institutional capacity

- SAI should have the necessary staffing resources to discharge its statutory duty.
 - SAI may call on external experts as necessary.
 - Auditor certification programme and continuous professional development.

Quality of audit work

- Audits should be planned and conducted in line with INTOSAI standards.
 - Audit procedural manuals should be in place.
- Quality control procedures to be relevant, adequate and operating effectively.

Impact of audit work

- Underlying SAI audit objectives should include:
 - strengthening accountability, transparency and integrity of government operations; and
 - the promotion of sound financial management.
- SAI should have appropriate mechanisms for following up audit findings and recommendations.
- SAI should communicate effectively with stakeholders.

Relations with Parliament

- SAI should report its findings independently, and annually to Parliament.
 - This report to be published.
- SAI should be empowered to report on particularly important and significant findings during the year.
- SAI should develop professional relationships with relevant legislative oversight committees.

External Audit – Expectations for a country

- Constitutional anchorage and appropriate legal framework.
 - Functional, organisational and financial independence.
- Institutional development in line with Strategic Development plan.
- INTOSAI-compliant audit work.
- Sufficient administrative capacity.

External Audit standards

- International Organisation of Supreme Audit Institutions (INTOSAI) standards
 - <http://www.issai.org/>
- Lima declaration
 - [http://www.issai.org/media\(622,1033\)/ISSAI_1_E.pdf](http://www.issai.org/media(622,1033)/ISSAI_1_E.pdf)
- Mexico declaration
 - [http://www.issai.org/media\(626,1033\)/ISSAI_10_E.pdf](http://www.issai.org/media(626,1033)/ISSAI_10_E.pdf)