WESTERN BALKANS GUIDANCE
NOTE FOR DRAFTING A PARLIAMENT-SAI MEMORANDUM OF UNDERSTANDING
GUIDANCE NOTE FOR DRAFTING A MEMORANDUM OF UNDERSTANDING BETWEEN PARLIAMENTS AND SUPREME AUDIT INSTITUTIONS IN THE WESTERN BALKANS
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Resource Team 29
Most parliaments (90 per cent) receive reports from Supreme Audit Institutions (SAIs). However, a much smaller percentage (66 per cent) report having clearly established procedures for reviewing the reports they receive. Even less have developed and formalized those procedures in concert with their corresponding SAI.

In Tirana, Albania in May 2019 the World Bank and the OECD’s Support for Improvement in Governance and Management (SIGMA) Programme collaborated on a Regional Seminar of Supreme Audit Institutions and Finance and Public Accounts Committees. The Seminar was supported under the Strengthening Accountability and the Fiduciary Environment (SAFE) Trust Fund, established by the Swiss State Secretariat for Economic Affairs (SECO) and the European Commission, and focused on enhancing external audit performance in the Western Balkans.

1. INTRODUCTION

The Seminar identified the use of Memorandums of Understanding (MoUs) as an emerging practice in the Western Balkans that is having a positive impact on external audit and legislative scrutiny. MoUs are used by parliaments and SAIs to define how they can more effectively collaborate. However, the extent the practice has been deployed across the region varied greatly between jurisdictions.

Recognizing the value of MoUs as a practical tool for establishing expectations and managing the relationship between these two key external audit actors, it was agreed that the Western Balkan parliamentary and SAI communities would seek to build consensus on different practices parliaments and SAIs could include in a MoU. A follow-up Workshop, supported under the SAFE TF and hosted by the Parliament of Montenegro, was held in Podgorica, Montenegro in November 2019. The Workshop aimed to identify some of the key practices that could feasibly be included in MoUs in the Western Balkans.

This Guidance Note for Drafting a Parliament-SAI Memorandum of Understanding captures the outcome of this process. It draws on existing Western Balkan practices and international examples to: provide a background to the use of MoUs; outline a suggested approach to preparing such agreements; and highlight practices or commitments that can be included in future MoUs in the Western Balkan region.


3 In 2019, Montenegro, Serbia, and N. Macedonia were the only Western Balkan jurisdictions with operative MoUs between parliament and the SAI.
Accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another’s oversight, direction or request that they provide information or justification for their actions.⁴

The concept of accountability involves two distinct stages: answerability and enforcement. Different institutions of accountability might be responsible for either or both stages. In the public sector context:

- **Answerability** refers to the obligation of the government, its agencies and public officials to provide information about their decisions and actions and to justify them to the public and those institutions of accountability tasked with providing oversight; and
- **Enforcement** suggests that the public or the institution responsible for accountability can sanction the offending party or remedy the contravening behavior.

Agencies that use public funds are required to provide information to SAIs for them to audit their use of public resources. In this sense, SAIs primarily focus on answerability (however, some SAIs may have enforcement powers). Parliaments possess the constitutional authority to draw on the SAI’s audit report to hold public officials or those using public funds to account for their actions and seek to remedy any problems through use of several oversight tools, including committee hearings and making recommendations. Therefore, parliaments provide the enforcement element needed to achieve comprehensive financial accountability.

The mandate and responsibilities of parliaments and SAIs are intertwined. Parliaments are dependent on SAIs producing timely, high quality reports that allow them to hold public officials to account for implementing the budget. Conversely, in many systems including in the Western Balkans, SAIs are dependent on parliament to follow up on the audit recommendations and preserve their independence. It is for this reason the seventh pillar of the PEFA framework, which focuses on external scrutiny and audit, has only two Performance Indicators – one devoted to external audit and the other on the legislative scrutiny of the audit reports. This reinforces why the relationship between the SAI and parliament is central to comprehensive financial accountability.

The exact nature of the relationship between the legislature and SAIs varies across the globe – it depends on the model of SAI, parliamentary committee structures, the SAI’s reporting relationship to the legislature, and the type of audit reports produced by the SAI. However, it is presumed stronger collaboration between these two audit stakeholders will lead to improved external audit outcomes. MoUs are a mechanism for clarifying the nature of the relationship to further enhance collaboration.

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A MoU is an agreement between two or more parties set out in a formal document. It is not legally binding but signals a willingness by its signatories to adhere to the responsibilities set out in the document. It captures a common understanding as to the respective obligations the parties voluntarily take on as they work toward achieving shared objectives.

An MoU can be compared to a service agreement or a charter. A service agreement is like a MoU in that it is an agreement between two or more parties. However, unlike a MoU, which focuses on mutual obligations, a service agreement only sets out what one party will do for the other. Parliaments and SAIs are independent institutions, working at arms-length. However, they are interdependent in that each relies on the other to ensure effective external audit and financial accountability. An instrument that only sets out the commitments by one party to the exclusion of the other does not accurately reflect the interdependent nature of the relationship.

Meanwhile, a charter is a unilateral statement by a party that sets out its or another institution’s formal organization, rights and/or responsibilities. A charter can be either a formal or informal document. A formal charter is often used to establish a new organization by conferring a mandate on the new entity and delegating authority to allow that entity to execute its mandate.

An informal charter is often used by established institutions to set out their commitment to do something or behave in a certain way related to their mandate. Such charters are usually directed to a group of stakeholders that is too large or amorphous to be able to enter a MoU with. Common examples include a public institution issuing: (i) a Citizens’ Charter outlining its obligations and general commitments to the citizens it serves; or (ii) Public Guidelines as to how the institution works with groups, such as the media or civil society; more generally. As the parliament and SAI are well-defined, discrete entities with reciprocal obligations, a unilateral proclamation is not the ideal instrument for defining the relationship between parliaments and SAIs.

There are examples of MoUs between parliaments and SAIs in all regions around the world; however, it is not a global or consistent practice. For this reason, there is no single resource that provides “how-to” guidance to parliaments and SAIs on how to go about negotiating a MoU and options for what can or should be included in a comprehensive agreement.

Parliaments and SAIs in the Western Balkans have identified strengthened collaboration as a key ingredient in enhancing financial oversight in the region. They see the process of crafting a MoU with their immediate counterparts as a mechanism to prompt a discussion around: (i) the nature of the relationship they seek; and (ii) what each stakeholder needs to commit to doing in order to enhance collaboration. The existence of a written MoU provides clarity as to those expectations, which both parties can rely upon and refer to.

This Guidance Note aims to provide “how-to” guidance for Western Balkan parliaments and SAIs on how to structure an MoU and provide options for commitments each stakeholder can consider including in the agreement to shape how they work together.
Parliaments are unique institutions in that they have a horizontal organizational design and consist of multiple smaller sub-institutions under the umbrella of parliament. One of the key sub-institutions within parliaments are parliamentary committees. Ideally, a Parliament-SAI MoU should be between the SAI and the parliamentary committee designated by parliament as being primarily responsible for using the annual audit report to conduct financial oversight.

Depending on the jurisdiction, a parliamentary committee may or may not be a separate legal entity. Fortunately, a MoU is not a legally binding contract. It is a formal document that signals a willingness by its signatories to adhere to the responsibilities set out in the document. Therefore, a parliamentary committee should be able to enter a MoU with its respective SAI, irrespective of its legal capacity.

The nature of the relationship between the Members of a parliamentary committee and the SAI can differ to that between the Committee Secretariat and the SAI. As such, there is the option of preparing a subsidiary MoU between the SAI and the Committee Secretariat. This subsidiary MoU can be prepared in the absence of an overarching MoU between the Committee and the SAI, so long as commitments that are agreed to are within the scope of the Committee Secretariat’s authority. A subsidiary MoU could be incorporated into or annexed to any subsequent overarching MoU negotiated between the political leadership of the Committee and the SAI.

Parliaments receive their legitimacy by engaging in periodic elections whereby citizens confer a new mandate on elected officials. This strengthens parliament’s credibility as a representative, law-making, and oversight institution; however, it results in a regular change in the composition and membership of the parliamentary committee that works most closely with the SAI. Regular changes in the membership of parliamentary committees is exacerbated by the customary rotation of parliamentarians between committees. This means the Parliament-SAI relationship faces periodic disruptions that require the parliament and SAI to regularly renew and recalibrate the nature and expectations as to the relationship.

The most disruptive period for the relationship is from when parliament is dissolved prior to an election through to after the election when new Members will be assigned to their respective committees. Therefore, a natural window for parliaments and SAIs to meet to discuss the nature of the Parliament-SAI relationship is immediately after a new parliament announces its committee assignments for the forthcoming parliamentary session and the Committee Chair has been identified. However, a new MoU or adjustments to an existing MoU can be struck at any time the Committee and SAI feels that it needs updating throughout the term of the parliament or when there is a change in the leadership of the SAI.
HOW TO USE THE GUIDANCE NOTE

This Guidance Note has been designed to be used by Members of parliamentary committees that work with SAIs, the Secretariat that supports the functions of those committees, and SAIs to plan for a discussion on the nature of the relationship and conduct a co-creation process to draft a MoU. The Guidance Note would also be of interest to development practitioners supporting parliaments and SAIs in preparing a MoU or reviewing how robust an existing MoU is.

This section proceeds in two parts. The first provides general guidance as to the process that could be adopted by the parties when seeking to prepare a MoU (i.e. process guidance). The second provides more detailed options as to provisions/commitments that parties can raise during the drafting process for potential inclusion in the MoU (i.e. content guidance). In section 8 more detailed options for potential commitments that can be included in a MoU are outlined.

A. PARLIAMENT-SAI MOU DRAFTING PROCESS

MoUs have gravitas because of the time and effort it takes to craft such an instrument. It is presumed that a more deeply considered and comprehensive MoU will lead to stronger collaboration between the parties. In turn, this will lead to improved external audit outcomes. Therefore, the process suggested in this section seeks to ensure the parties to the MoU properly prepare for their discussion, the agreement that is reached is multifaceted (i.e. serves the needs of different stakeholders at the respective institutions), and the commitments included in the MoU are comprehensive and actionable.

A three-step process is suggested for drafting a Parliament-SAI MoU. **Step One** is defining the parties and ascertaining demand to enter a MoU. **Step Two** is the planning stage that is conducted by the respective institutions independent of each other. **Step Three** is the co-creation stage where the parties come together to collectively draft the MoU.

**Step One: Confirm Intentions of the Parties**

A MoU is an agreement between two or more parties set out in a formal document. It captures a common understanding as to the respective obligations the parties voluntarily take on as they work toward achieving shared objectives. Before creating a MoU, two or more parties need to confirm their intention to agree to a set of commitments focused on improving their collaboration that will be captured in an instrument.

Either the heads of the respective institutions or senior officials who have authority to commit their respective institutions to negotiating and drafting a MoU should confirm their interest in preparing a MoU. This can be done through an exchange of letters or during a meeting between the parties.

As noted, a natural window for parliaments and SAIs to meet to discuss the nature of the Parliament-SAI relationship is immediately after a new parliament announces its committee assignments for the forthcoming parliamentary session. The Secretary to the Committee can suggest to an incoming Chair that one of her/his first actions could be to meet with the Auditor-General or Head of the Audit Board to discuss the parameters of the relationship.

This Guidance Note can be used by the secretary or SAI to brief the incoming Chair about the use of Parliament-SAI MoUs and how such an instrument could serve their respective objectives. If the incoming Chair sees value in having a MoU, s/he can raise it during their initial meetings with the SAI. Similarly, the Chair of the Committee could reach out to a new Auditor-General to raise the prospect of preparing a MoU.

Once all parties clarify their intention to enter a MoU, they should agree on the process they would like to follow. Step Two and Three outline an inclusive process that aims to ensure the commitments in the MoU are multifaceted.
Step Two: Planning

The planning stage should involve the members of the Committee/Committee Secretariat and SAI independently taking stock of their needs and distilling their value proposition for the other party.

This internal process should be inclusive if the MoU is to serve the needs of different stakeholders within the respective institutions. For instance, the Chair of Committee should consult with the Deputy Chair and Members of the Committee along with the Committee Secretariat. Meanwhile, the Auditor-General should include other auditors, staff who monitor audit recommendation implementation, and other officials who work closely with the parliament.

Preparations could be led by a focal point who conducts interviews with individuals or uses a focus group methodology to surface broader feedback. Alternatively, an internal working group/resource group could be used to conduct broader consultations. New technologies such as internet forums and online platforms can also be useful tools when collecting internal inputs, especially if staff aren’t located in the same office. Irrespective of the approach used, by the end of the preparation stage, each institution should independently be able to:

- Articulate their needs
- Clarify the expectations they have of the other party
- Identify what they can provide to the other party (i.e. how they can maximize their value proposition for the other party); and
- If there are sticking points, what commitments/practices they are willing to set aside or change in order to reach agreement.

Step Three: Co-Creating the MoU

Co-creation is a business concept used by organizations to promote internal and external collaboration in the development of new products. Co-creation processes promote innovation in the development of new processes/products by introducing voices that would otherwise not have been involved. The inclusion of additional or new voices helps with the ideation around a new product by introducing new perspectives and challenging established thinking as to how best to do something.

In this instance, co-creation occurs between the parliamentary committee and SAI, which come together to collectively develop a Parliament-SAI MoU. Innovation is bolstered through the inclusion of a broader set of voices from within each institution in the planning stage. An inclusive approach during Step Two ensures that ideas that are surfaced during internal consultations are multifaceted and serve the needs of different stakeholders in the respective institutions. This improves the chances that a newly crafted MoU will include commitments to support new ways of collaborating or address any confusion or inefficiencies around traditional approaches to collaboration.

Broad participation by both parties in the drafting process, coupled with joint decision-making around what is included in the MoU, ensures co-ownership not only of the MoU but also the nature of the relationship it is designed to nurture and strengthen. The drafting can be done as part of a joint session with representatives from both parties, contemporaneously using real-time online document authoring tools, or by using more traditional approaches where mark-ups on various drafts are exchanged over a longer period. What is important is that both parties have co-ownership of the document, there is no ambiguity around the commitments, the commitments are actionable, and it is clear which party is responsible for acting.

B. PARLIAMENT-SAI MOU CONTENTS

A MoU is an ideal instrument for a Committee and SAI to set out commitments related to their day to day workings and activities around financial oversight. Section 8 of the Guidance Note provides options for specific practices/commitments parties can raise during the co-creation process (i.e. Step Two and Three) for potential inclusion in the MoU. However, the commitment options in section 8 are not comprehensive, and the parties should feel empowered to include any additional commitments relevant to their context. The guidance below acts as a litmus test to help parties determine whether a commitment is appropriate for a MoU.

A MoU is not meant to define every aspect of the Parliament-SAI Relationship. Rather, it is a tool for clarifying existing practices or defining new practices the parties want to adopt that are not outlined elsewhere.

The practices should relate to the relationship (i.e. what one party can do for the other to help strengthen their performance or what the parties can do collectively to improve external audit and scrutiny). Therefore, it makes sense to focus on those parts of the audit and oversight process where there is the greatest interface between the Committee and SAI. Irrespective the commitment, one or both parties should be able to directly implement or act on it.

When contemplating whether a commitment should be included in an MoU, the parties can apply the following checklist:

- Does the potential commitment replicate or merely reframe obligations or processes already established in law or regulation?

- Does the potential commitment capture a convention or established practice that the Committee and SAI already do and have done for some time?

If the answer to either of these questions is ‘yes’, the parties should reflect on whether it is necessary to include the commitment in the MoU.

The one exception is if a commitment relates to how the parties can best fulfill established legal obligations. For instance, legal provisions related to audit might specify that the SAI should submit the audit report to parliament according to a specific timetable. A corresponding commitment in an MoU might touch upon how the SAI should formally submit the audit report to parliament and if there are protocols for simultaneously transferring the audit report to the Committee Chair. The inclusion of commitments that expand on legal obligations enriches the parties’ understanding as to how to work together to meet the letter of the law.
Recognizing the value of MoUs as a practical tool for establishing expectations and managing the relationship between the two primary external audit and legislative scrutiny actors, it was agreed that the Western Balkan parliamentary and SAI communities would seek to build consensus on different practices parliaments and SAIs could include in a MoU that outlines how they will work together.

This section highlights commitments or provisions drawn from existing Western Balkan practices and international experience, which the Western Balkan parliamentary and SAI communities feel parties should consider when preparing future MoUs.

Commitment options for a MoU have been organized according to the phases of the annual audit and oversight cycle when SAIs and parliaments have the greatest interface. Four specific stages in the external audit and legislative scrutiny cycle have been identified where collaboration between the Committee and SAI are critical. They are around the Committee’s understanding of the audit report, using the audit report for legislative scrutiny, following up on audit and committee findings, and work-planning.

Although these are the points of greatest interface where collaboration is essential, it does not preclude the parties including other commitments that are more general in nature or that relate to other aspects of the relationship. Therefore, section 8 outlines options for both general provisions and commitments related to the specific interfaces.

A. MOU TITLE

The title provides an opportunity to define the parties to the agreement and the capacity in which they are entering the MoU. A template for the MoU title is below:

Memorandum of Understanding between ["Name of the Committee"] or [Administrative support secretariat that supports the functions of the "Name of the Parliament"], being the Committee in the ["Name of the Parliament"] responsible for scrutinizing the audited annual public accounts, and ["Name of the SAI"].

THE COMMITMENT OPTIONS FOR A PARLIAMENT-SAI MOU SECTION IS STRUCTURED AS FOLLOWS:

- The MoU Title
- General Provisions of the MoU
- Interface One: Understanding the Audit Report
- Interface Two: Using the Audit Report to Scrutinize Government Performance
- Interface Three: Monitoring Implementation of Recommendations; and
- Interface Four: SAI Work-Planning and Budgeting

COMMITMENT OPTIONS FOR A PARLIAMENT-SAI MOU
Core Principles: There are some core principles that underpin the Parliament-SAIs Relationship that, even though it might already be a convention or established practice between the parties, the parties feel that it is important to recommit to it in the MoU.

Core principles would normally touch upon the nature of the Parliament-SAIs dealings at all stages of the audit and oversight cycle. For instance, parties may like to include provisions relating to:

- The operational, financial and functional independence of the SAI
- Parliamentary input/role in the selection and removal of the Head of the SAI (aside from any formal role detailed in legislation)
- Information sharing/confidentiality
- Codes of conduct, ethics commitments; and/or
- Asset disclosure

Coordination Arrangements: If the purpose of a MoU is to strengthen cooperation, collaboration and communication between the parties, it is important to set out in the General Provisions what arrangements will be put in place to achieve this. This is reinforced by the International Standards for Supreme Audit Institutions (ISSAI) which require SAIs to establish good working relationships, communications policies and procedures in liaison with parliament.6

For instance, SAIs could identify a specific officer who will act as the day-to-day liaison between the SAI and the Committee. Conversely, if the Committee is from a bicameral parliament and there is a primary Committee in both chambers, the MoU might set out coordination principles/arrangements between the Committees and how the SAI is to liaise with one or both of those Committees.

6 ISSAI 12 Principle 3 & ISSAI 20 Principle 7

B. GENERAL PROVISIONS

There are several items that should be addressed under the General Provisions in the MoU. These include:

- The Aim/ Purpose of the MoU
- Definitions
- Statement of Common Goals
- Commitment to Core Principles of the Relationship
- Coordination arrangements

Purpose: This provision sets out the rationale for the MoU. In other words, the MoU Purpose should state what the MoU aims to achieve. Normally, this would be formulated in terms of strengthening cooperation, collaboration and/or communication between the parties.

Definitions: The Definitions section is designed to make reading and understanding the MoU easier. Words are usually included in the Definition section when they have a technical meaning, or the MoU wishes to confer a special meaning on a word that would normally be understood to mean something different. General usage words need not be included in the Definitions section. Words that are included in the section should start with a capital letter in the body of the MoU to ensure readers understand the words has a specific meaning.

Common Goals: The common goals of the parties should be articulated in the General Provisions. In the context of a Parliament-SAIs MoU, common goals would normally be framed in terms of Parliament and the SAI fulfilling their mandates, contributing to high quality external control, and ensuring financial accountability. Depending on the types of audit reports produced by the SAI and the mandate of the Committee, the common goals might also include ensuring value for money in government programming etcetera. The commitments each party includes in the MoU should all contribute to achieving these common goals.
C. INTERFACE ONE: UNDERSTANDING THE AUDIT REPORT

It is the role of the parliament to scrutinize the audited financial reports of the government and any additional compliance or performance audit reports prepared by the SAI. Parliament should be able to rely on technical assistance from the SAI when reviewing and using the audit reports to scrutinize government performance.

Interface One focuses on the period from when the SAI transmits its audit report to parliament through to the Committee’s decision as to which reports to scrutinize more closely in a formal hearing. Commitments related to Interface One should focus on how the SAI can better brief and help the Committee understand the main audit findings included in the audit report and potentially prioritizing which findings the Committee should focus on.

Interface One MoU Commitment Options include:

- The SAI is free to independently publish its audit reports on submitting them to parliament.\(^7\)
- The Committee and SAI will meet periodically or on an ‘as needed’ basis to discuss issues of importance to external audit and financial oversight or to cooperate.\(^8\)
- The SAI will provide relevant, timely, and objective information to the legislature.\(^8\)
- Either party may refer matters to the other that they determine warrants consideration by the respective institutions. Recognizing that both institutions operate at arms-length, a referral should not be construed as a direction or instruction.\(^7\)

- The number/intensity of the audit reports submitted by the SAI to the Committee and at what interval. This could extent to indicating a preference for a constant stream of reports or a smaller number of consolidated reports.
- The percentage of audit reports the Committee will review and by when.
- The SAI will liaise with other oversight committees that have intersecting jurisdiction so to better align audit scrutiny and ongoing institutional/sector oversight.
- Structure of the audit report (i.e. Executive summaries, level of narrative, placement/emphasis of findings)
- Audit reports should identify themes, common findings, trends, root causes and audit recommendations.\(^9\)
- The SAI can provide suggestions, using clear criteria (Risk/negative findings etcetera), as to which audit reports the SAI think are the highest priority.
- The Committee should, when determining which audit reports to prioritize, use a criterion that is shared with the SAI. Criteria the Committee could consider using includes:
  - The audit opinion
  - Size of the budget allocation
  - Budget performance
  - The incidence of similar negative audit opinions; and
  - Any special aspects raised by the SAI when prioritizing consideration of audit findings

\(^7\) ISSAI 10 Principle 7; ISSAI 12 Principles 2, 3 & 4; ISSAI 20 Principle

\(^8\) ISSAI 12 Principle 3

\(^9\) ISSAI 12 Principle 3
D. INTERFACE TWO: USING THE AUDIT REPORT TO SCRUTINIZE GOVERNMENT PERFORMANCE

After receiving an audit report, the Committee organizes in-depth hearings on key findings of the audit report. The SAI should identify common findings and trends in its audit reports and support the Committee undertake a risk analysis of the audit findings to help it prioritize which spending agencies and/ or programs to focus their scrutiny.

Interface Two focuses on the period from when the Committee has identified which audit findings it would like to scrutinize in greater depth, through preparations for a hearing on the audit findings, and conducting the hearing. Commitments related to Interface Two should focus on how the SAI and Committee can work together to prepare for hearings on the audit report and scrutinize the actions of public officials during the hearing.

Interface Two MoU Commitment Options include:

- Committee will share with the SAI its hearing schedule, including audit reports that it has prioritized and the reasons why it selected those reports.
- The Committee Secretariat and SAI will collaborate to link audit outcomes with budget execution data to help identify spending agencies that have poor audit outcomes and poor budget performance.
- The SAI will provide additional content/ analysis as needed once the Committee has decided which audit reports to prioritize/ hold hearings around.
- The SAI will make auditors available to the Committee to provide an in-depth briefing for the Members and Committee Secretariat on the audit reports/ findings the Committee has prioritized and provide technical inputs to hearing preparations.
- On request, the SAI will provide additional briefing materials (within the scope of the SAI’s mandate and expertise), including statistics/ infographics etcetera.
- Committee Secretariat and SAI will consult to identify who else could be called in addition to the Accounting Officer and manager of the audited entity.
- SAI will assist with the preparation of questions for Member to ask during the hearing.
- On invitation, the SAI will provide a short introduction to the audit report at the beginning of a hearing.

E. INTERFACE THREE: MONITORING IMPLEMENTATION OF RECOMMENDATIONS

Parliament issues recommendations detailing actions to be implemented by government to address performance challenges or systemic/ compliance issues. These recommendations can mirror or draw heavily on the recommendations in the audit report and/ or be original. Ideally, the Committee will systematically follow up on the implementation of the recommendations.

Interface Three focuses on the period from the conclusion of a hearing, but before the Committee begins to prepare the Committee Report, and the implementation of recommendations by the audited agencies. Commitments related to Interface Three should focus on collaboration between the parties in preparing the Committee Report and recommendations, institutional arrangements for the systematic follow-up of external audit findings and committee recommendations, including who is responsible for monitoring implementation of recommendations and how the Committee and SAI collaborate to hold audited agencies to account for implementing all recommendations.

Interface Three MoU Commitment Options include:
SAI to support the Secretariat and Members craft parliamentary recommendations that are clear, concise, and actionable. Recommendations should also be measurable so that they can be monitored.

Ideally, for every parliamentary recommendation, the government should confirm whether they accept or reject the recommendation or accept the recommendation with caveats (i.e. a Ministerial Undertaking). The audited agency, which is the subject of the recommendation, should provide the Committee with an action plan detailing the steps and timeline for implementing the recommendation. The SAI should provide its assessment on the robustness of the action plan to the Committee.

Clarity as to roles and responsibilities for monitoring implementation of recommendations (both SAI and Committee) and how to conduct the monitoring.

Clarity as to expectations for managing and sharing information related to consolidated recommendation tracking systems (which is usually managed by the SAI) and verifying progress made in implementing recommendations.10

The format/structure of follow-up reports the SAI submits to the Committee.11

The Committee hold hearings on the follow-up reports at certain intervals (either a devoted hearing each year or as part of the regular scrutiny of certain spending agencies) where the audited agency appears to update the Committee on their progress.

If the Parliament has centralized mechanisms for following-up on Ministerial Undertakings related to all recommendations made by the Parliament (including from the Committee responsible for scrutinizing the audit reports), the Committee will act as a liaison for the SAI to ensure follow-up on implementation of recommendations is integrated into the centralized undertakings process.

F. INTERFACE FOUR: SAI WORK-PLANNING AND BUDGETING

The Committee and the SAI should hold consultations on the SAI’s annual work-plan. As the Parliament and SAI should be operating at arm’s length, the Committee should not dictate the SAI’s work-plan. However, the SAI should consider the Committee’s priorities when developing its work-plan to ensure that its audit work is responding to the Parliament’s needs.

Interface Four focuses on how the Committee can help guarantee the SAI’s operational, financial and functional independence and the SAI through its work-planning process, can ensure the audit agenda responds to the needs of the Committee. Commitments related to Interface Four should focus on strengthening the institutional arrangements around SAI independence around SAI work-planning.

Interface Four MoU Commitment Options include:

- SAI is solely responsible for setting its work-plan using stated criteria (usually risk-based). However, the SAI should consult with the Committee on the Parliament’s audit priorities to see if they can be accommodated in the SAI’s work-plan. The SAI should ensure the Committee’s expectations and views are factored into organizational and audit planning.12
- If the Committee can make special audit requests, what protocols should be followed to convey the request to the SAI.

10 ISSAI 10 Principle 7; ISSAI 20 Principle 3
11 ISSAI 10 Principle 7; ISSAI 12 Principle 3; ISSAI 20 Principle 3 & 7
12 ISSAI 12 Principle 5
Where possible/permissible, the SAI should share its work-plan with the Committee to inform the preparation of the Committee’s work-plan (ideally harmonization of work-plans to create efficiencies).

Clarify expectations regarding the publication of work-plans.

Adequate funding and resourcing are critical to a SAI’s independence and proper functioning. Any expansion of the scope of the SAI’s work in response to Committee requests should be accompanied with an increase in resources.

The SAI needs to follow the same budgeting principles as other spending agencies; however, the SAI should discuss the budget they need to deliver the finalized work-plan with the Committee so that it can advocate for an appropriate resourcing envelope for the SAI to deliver its auditing plan and maintain its financial independence.

The Committee should advocate to Treasury/Ministry of Finance, on the SAI’s behalf, for supplementary budget allocations if during the budgeting year the SAI finds it does not have enough resources to perform its auditing responsibilities.

The SAI should submit an annual activity report to Parliament. 13

SAIs should be subject to external scrutiny 14 including accounting to the Committee for its use of public funds and overall performance.

The Committee should support the SAI’s and the government’s efforts to ensure the timely recruitment of qualified audit staff.

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13 ISSAI 10 Principle 3
14 ISSAI 12 Principle 8; ISSAI 20 Principle 7 & 9
SAFE means **Strengthening Accountability and the Fiduciary Environment**. It is a Trust Fund program administered by the World Bank and was established by the **Swiss State Secretariat for Economic Affairs (SECO)** and the **European Commission** with the aim of improving public financial management in Europe and Central Asia region.

This Trust Fund program provides support for activities to assess public financial management (PFM) performance, identify and implement actions to achieve improvements and share knowledge and good practices across countries in the region.