

# Evaluating the Role of Supreme Audit Institutions in Fostering Accountability and Transparency in Emerging Oil and Gas Economies: Strategies for Improved Efficiency, Effectiveness, and Relevance

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## Abstract

Globally there is a demand for accountability and transparency in governments thus, the expectancy of Supreme Audit Institutions (SAIs) is no longer geared towards financial and compliance audits only but performance audits (measuring governments performance). While the expectancy is there, SAIs are faced with independence, political interferences, and funding challenges. Moreover, the functionality of SAIs in emerging oil and gas production nations have also changed drastically taking into consideration the vast revenue this sector brings, the shock of plenty, increased legislators' responsibilities and power, the tendency of governments being secretive, and the non-disclosure and non-availability of information. Thus, SAIs independence, leadership, professionalism, and stakeholders' engagement have become pivotal in enhancing accountability and transparency of governments. Hence, the researcher is propelled to focus its study on *Evaluating the Role of Supreme Audit Institutions in Fostering Accountability and Transparency in Emerging Oil and Gas Economies: Strategies for Improved Efficiency, Effectiveness and Relevance*. Currently, there is no research on the transparency and accountability of governments being enhanced through the efficient, effective, and relevant functionality of SAIs in emerging oil and gas production nations. The researcher applied a systematic review of the literature to identify the key challenges and barriers hindering the efficiency and effectiveness of SAIs in fostering accountability and transparency within the oil and gas sector; and determine the role of SAIs' leadership (Head of SAIs); professionalism, independence; and stakeholders' engagement in the process with the aim of enhancing governments' accountability and transparency.

**Keywords:** Accountability, Effectiveness, Efficient, Financial Management and Relevance, O&G, SAIs, Transparency.

## Introduction

The demand for oil and gas (O&G) continues to escalate [71] which have led to the agreement by the oil and gas industry that fossil fuel will continue to play a vital role in the global energy mix [24].

The world's economy is highly dependent on O&G sources and the demand for fossil fuels is still rising [3]. Thus, countries with vast O&G reserves around the world continues to dig new wells while emerging O&G production nations

are extracting hastily. While these facts are captivating, governments need to be aware and fulfill its responsibilities, moreover in emerging O&G production nations. In addition, the role of SAIs' has become indispensable.

Countries around the world continues to gain excessive revenue from this industry. The leading global O&G producers recorded US\$2.857 trillion dollars in revenue during 2023 [68]. For example, in 2022, Guyana's economy grew by 62.3 percent and according to

the World Bank, Guyana is expected to remain one of the fastest growing economies with double-digit growth in 2023 and 2024 as additional oil fields start operations.

[10, 40, 66] noted that nations with this natural resource have the potential to experience vast economic growth, supported government programmes, reduced public debt, and savings for the future generations however, there is no guarantee. Noteworthy, the lack of financial accountability in government provides opportunities for public fund wastages, corruption, a variety of unethical public sector actions, misallocation of public resources, and weak performance by service providers. Consequently, budgets which worth billions of dollars adds little or no value to the economy [40, 65, 66].

As a matter of fact, many emerging oil and gas production nations try to take advantage of the natural resources available in their countries in order to boost development [17] resulting in the prioritization of economics [7] while ignoring key aspects of good financial management practices which is demonstrated through governments being accountable and transparent.

As a point of reference, studies conducted by [48] of some African countries revealed:

1. one of the ways through which countries can ensure there is a corresponding economic growth in oil and mineral rich countries is to adopt good resource governance strategies that entrench the concept of transparency and accountability; and
2. the enablers of mismanagement of public resources are the aspect of governmental secrecy and lack of transparency and accessible information on petroleum contracts entered between governments and the oil companies.

The researcher is persuaded that in emerging oil and gas production nations there is an irresistible need for established mechanisms to assist governments to combat the challenges of

unaccountability and non-transparency. Hence, the researcher is further persuaded that one such mechanisms can be the Supreme Audit Institutions (SAIs) performing its roles and responsibilities in an efficient, effective and relevant manner.

According to [33] SAIs are public oversight institutions responsible for the audit of government revenue and expenditure. SAIs audit reports and recommendations contribute to accountability and transparency in Public Finance Management (PFM) and by extension to good governance [55, 69].

Not to be naive, SAIs' are faced with institutional, technical, political and communication challenges [66, 76]. Moreover, the functionality of SAIs in emerging oil and gas production nations have also changed drastically as such, SAIs methodologies must take into consideration the vast revenue this sector brings, the shock of plenty, increased legislators' responsibilities and power, the tendency of governments being secretive, and the non-disclosure and non-availability of information.

Therefore, SAIs independence, leadership, professionalism, and stakeholders' engagement have become essential to SAIs performance and enrichment of the accountability and transparency of governments.

By extension, the role of SAIs is becoming indispensable to public sector financial management due to SAIs being the only institution that can independently audit the state, reduce fiduciary risks, measure the outcomes of government programmes, and create transparency and accountability support to the political systems [8, 57, 65]. A synopsis of the role of SAIs is to provide advice to parliamentary committees, create an atmosphere for public institutions to promote integrity, transparency, and accountability and to add value to all citizens, legislators, civil society and other stakeholders [14, 69].

Therefore, it is imperative to note that SAIs' are evolving due to:

1. a changing triple bottom line;
2. the global call for sustainability; modification of its objectives; and methodologies; and
3. changing public financial management functionality [4, 57].

Mindfully, these changes are geared towards the administration of efficient, effective and relevant functionality of SAIs. Consequentially, SAIs' have extended itself to compliance and performance (value for money) assurance audits to respond to its changing environment.

Thus, this research will evaluate the role of SAIs in fostering accountability and transparency in emerging O&G economies while applying strategies for improved efficiency, effectiveness, and relevance.

### **Opportunities and Challenges of Emerging Oil and Gas (O&G) Production Nations**

In 2023 the leading global O&G producers recorded US\$2.857 trillion dollars in revenue [68]. For instance, in 2022 Guyana's economy grew by 62.3 percent and according to the World Bank, Guyana is expected to remain one of the fastest growing economies with double-digit growth in 2023 and 2024 as additional oil fields start operations. This is evident to the fact that this natural resource has the potential to massively increase the financial inflows into a country which can support and contribute to massive economic growth, supported government programmes, reduced public debt, and savings for the future generations, and create numerous jobs however, it is evident through the literature that there is no guarantee. In addition, these opportunities if not managed well can develop into challenges [10,40, 66]. Thus, financial accountability in governments become important since the lack of it creates avenues for public fund wastages, corruption, a variety of unethical public sector actions, misallocation of public resources, and weak performance by service providers [ 40, 65, 66].

Further, [17] noted that the vast financial wealth that this industry brings to emerging producers creates the shock of plenty which can lead to speedy spending with the original aim of boosting development however, without strong institutional management frameworks that mirrors transparency and accountability economic growth and development will be impeded.

[10] mentioned that the O&G industry historically have experienced a boom-and-bust cycle. Consequently, changing global factors such as energy demand, energy prices, market conditions, and exchange rates can pose major challenges for emerging O&G nations who are heavily dependent on the revenue from this sector. For instance, the constant lower oil prices are a reality of the industry thus, governments are encouraged to:

1. lower their spending levels;
2. raise alternative sources of revenue;
3. diversify their economies away from oil and gas as the core revenue intake; and
4. adapt policies that will foster sustainability for its economy [69].

Moreover, the resource curse is also a reality that needs to be embraced. It oftentimes impedes the sustainable development of many nations. This principle becomes even the more of concern taking into consideration the reality that the O&G industry are faced with other challenges such as climate change policies; geopolitical interferences, technological advancements; and accessibility due to easy oil reserves being depleted [49, 54]. These challenges thus affecting the revenue the industry creates.

The Academics and IFS analysts, noted countries such as Bostswana, Chile, and Malaysia are resource development successes. While Norway, Australia and Canada, United States and the United Kingdom have avoided the resource curse. The literatures conclude that the main reason for their successes is the strength and quality of their institutions prior to the resource development. Consequently, the

opportunities offer by this sector is tremendous but its success is heavily depended on its institutional strength.

Another challenge nicely reported by [69] is that because of the lack of tax revenue from diverse sources may lead to a weakening of democracy and the development of institutions that provides checks and balances for government power and spending. [16] further contributed by noting that oil revenue is not just an economical issue but is also framed by policies within specific political and institutional frameworks. The examples of Guyana and Venezuela noted by [43] and [12] endorse this truth.

Persuasively, the comments of [11] is welcoming. He noted that having more money to spend can be tempting and lead to unrestrained spending and by extension it tends to weaken prudence and due diligence. Therefore, the legislators need to recognized the pivotal role they play in managing these opportunities since they determine: (i) the pace of extraction; (ii) how the revenue is used; and (iii) which investment will address the country's needs.

[48] studies highlighted that in oil and mineral rich countries adaptation of good resource governance strategies that entrench the concept of accountability and transparency creates corresponding economic growth. While, governmental secrecy, lack of transparency and accessible information on petroleum activities enables mismanagement of public resources.

An independent evaluation done by [70] for the Extractive Industry Transparency Initiative

(EITI) emphasized that global experience has shown that converting the natural resources under the ground remains a substantial development challenge. They further noted that effective resource management can contribute significantly to national development while the effects of poorly managed resource extraction can produce long-lasting negative impacts that are felt at the national level. For instance, misappropriated and mismanaged extractive revenues may result in a resource-dependent economy and a failure to generate improved public goods.

The reality speaks clearly, the decisions governments make on the aforementioned opportunities and challenges can have long lasting impact and can affect the wellbeing of today's as well as future generations in a country [11].

### **Accountability and Transparency of Governments**

The concept of accountability has become of substantial discourse in the social sciences, it is intensively used within the public sector inclusive of SAIs [69]. According to [25] accountability is a process through which officers, public servants and individuals managing public funds, report and explain in detail to the relevant authority and its stakeholders the decisions made while performing their duties and account for the management and results of their actions. They noted key components of accountability as is illustrated in Figure 1. These components are essential to keeping governments accountable.



**Figure 1.** Components of Accountability

*Source: Insausti, M. and Leal, L. (2014)*

Consequently, accountability will positively impact the government's institutional practices, increase trust on public institutions by citizens and foster citizens' participation. Noteworthy, SAIs' are critical to any government accountability system [15].

Accountability is being answerable to the ones who have put their trust, faith, and resources in its electorates. Thus, public accountability is crucial to the functionality of political systems, since it mandates electorates who are charged with drafting and/or carrying out policies to give an explanation for their actions. By extension, public officials need to be transparent in accordance with due processes and providing ample feedback to adequately give an account for their governance and management of the public sector. Noteworthy, to enhance governments' accountability for decisions making a high level of transparency is required [26].

[13] states that transparency serves two important purposes: (i) it is a powerful weapon against corruption; and (ii) it opens the government to those it serves by creating an opportunity for participation in the democratic process and to keep informed of government budgets, spending and projects.

The function of accountability and transparency is to help citizens understand how

governments are managing public funds received and spent, and the how and why decisions are made on their behalf [11, 26] noted that transparency serves to achieve accountability. He emphasized that in the absence of transparency and accountability trust will be lacking between governments and those whom it governs which results in an instable environment that is often times less conducive for economic growth. [67] endorsed this view when he noted that governments are more susceptible to conflict and social unrest when there is a lack of effective rule of law or accountability in governments.

Consequently, these two concepts are critical for the efficient functioning of modern economy and for fostering social well-being since many powers are delegated to public authorities [11].

*The question to be answered is – where is the SAI in the value chain of transparency and accountability of governments? Theoretical, with all things being equal SAIs have:*

1. audit mandate which is generally broad enough to provide oversight to all public sector and governments' activities;
2. the toolkits of various types of audits are also available to enable the SAIs to evaluate the legality, integrity, efficiency,

and effectiveness of governments' operation;

3. they are the most trustworthy institution resulting in an opened audit process for stakeholders' engagement;
4. they can help governments by providing policy makers of the emerging trends and future challenges in order for them to take action to avoid crises and by extension improve performance, enhance transparency, ensure accountability, maintain credibility, fight corruption, promote public trust, and foster effective receipt and use of public resources for value and benefits to the country [38, 75].

However, despite this ideal, SAIs' are faced with its own challenges that often times are created or influenced by the said governments whom they seek to keep accountable and transparent. For example, [1] noted that in both developed and developing countries the influence of the social-political environment on SAIs' activities shapes the audit processes and outcomes to the extent that corruption is sustained rather than curtailed.

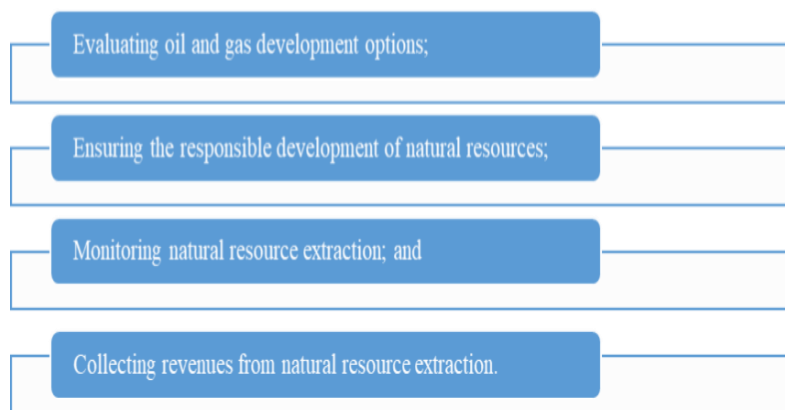
Research have proven that SAIs' are only able to keep governments accountable and

transparent through the collaborative support of the legislators, civil society, citizens, and the international community especially those that set audit standards and best practices [73, 15].

Extensively, governments and SAIs will need to be aware of the best practices of mechanisms of monitoring the O&G companies and their operations throughout the value chain of this sector.

Governments need to be aware because they are the custodians of this natural resource who acts as a representative of its citizens who have been entrusted to secure and use the revenue from these natural resources to better the lives of its citizens through its programmes, investments, savings and reduction of public debts [40, 66].

While SAIs' need to be aware because they are the chief auditors of the government and plays a pivotal role in ensuring governments are transparent and accountable [75]. The researcher is enthralled by the compilation of best practices of governments' responsibilities that were captured by the [10] in the Practical Guide to Auditing Oil and Gas Revenue and Financial Assurances for Site Remediation. See details in Figure 2 below:



**Figure 2.** Governments' responsibilities for the Oil and Gas Sector

*Source: The Canadian Audit and Accountability Foundation (2016)*

Conclusively, governments' accountability and transparency in emerging O&G economies is essential to the triple bottom line more so with the aim of being sustainable. Researchers [25] concluded that effective accountability

must involve the dimensions of information, explanation, responsibility and sanction if necessary.

Thus, the efficient, effective, and relevant functionality of SAIs in emerging O&G

producing nations becomes even the more indispensable in keeping governments accountable and transparent.

## **Overview of Supreme Audit Institutions (SAIs)**

SAIs are independent external auditors that are mandated to examine and review the public funds. According to [66] in performing its constitutional role it is anticipated that SAIs will be independent and approach its work with skills and due diligence. Their main objective and aim is to strengthen and promote transparency, efficiency, effectiveness and accountability of the public sector entities which by extension adds value to the lives of citizens and limits the opportunity for corruption [15, 38].

SAIs reliable and objective reporting is essential to them keeping governments accountable and transparent. Notably, this outcome is dependent on their audit methodology, professionalism, moral integrity and by extension its engagements with all stakeholders from the citizens to the legislatures [9, 16]. In addition, their work constitutes a guarantee for transparency of the management of public funds, a representation for society for higher social inclusion, democratic strengthening, and directly affecting the compliance of people's economic, social, and cultural rights [25].

Accountability and transparency of public funds are the foundation of good Public Financial Management (PFM). SAIs' are considered as the national agency who acts as a cornerstone in PFM to prevent and discourage corruption by enhancing good governance through transparency and accountability. They provide an independent opinion on how the executive has used and managed all public resources. It is imperative to note, SAIs are not usually stand-alone institutions they are a part of the PFM architecture like budgeting, accounting, internal control, legislature oversight and government response in

improving the way they function. In particular, they are integral to providing information for improving the overall PFM system [51].

[18, 76] noted the Four Lima Declaration of Guidelines on Auditing objectives of public auditing, that promotes:

1. the proper and effective use of public funds;
2. the development of sound financial management;
3. the proper execution of administrative activities; and
4. the communication of information to public authorities and the general public through the publication of objective reports.

The distinctive characteristic of SAIs' is that they interact with the supreme state bodies (parliament and government) who relies on them for assurance about the accuracy and regularity of government accounts. SAIs are tasked with the responsibility of providing assurance that the systems of its country are working in a just and professional manner while holding officials who have mismanaged the public financial resources accountable. Noteworthy, SAIs' have the legal provisions from the constitution and/or legislation to exercise its audit authority over government finances [8, 25, 59] noted that the independent work of SAIs constitutes a guarantee of transparency for the management of public funds.

SAIs legal mandate and reporting relationships are dependent on the specific national legal framework. There are three common legal models, the Parliamentary, Judiciary and Board Models [8, 18, 33, 73].

The Parliamentary model is known as the Westminster or Anglo-Saxon model. With this model the national audit office is headed by an Auditor General or equivalent who reports to a committee of parliament often times referred to as the Public Accounts Committee (PAC). The Judicial model is known as the Napoleonic

model [33]. With this model the SAI is referred to as a Court of Account and is usually a part of the judicial system and has jurisdictional functions while operating independently of the executive and legislative branches. SAIs in this model has the authority to issue resolutions to impose administrative sanctions and can exercise jurisdictional control activities based on their audit findings [18, 33]. The Board model is decisions are made by college of independent auditors who are board members auditors. This model is primarily used in Asia. The chairman of the college often acts as a de facto auditor general [8].

It is argued that judicial model gives a more dynamic outcome for the work of the SAIs when compared to the parliamentary model. On the contrary, [39] opposed this view through their research and noted that SAIs who were organized according to the Anglo-Saxon philosophy achieved better scores and significant statistical differences for all indexes when compared to that of the judicial SAIs. By extension [21] noted that there are studies in the public sector which used the agency model to assess what difference SAIs makes. The researcher assessed the economic effects of differences in organisational designed of SAIs on a cross-country basis among forty countries and it was concluded there were little to no significant differences except in that countries using the Napoleonic system or court model of SAIs are associated with greater corruption.

[76] research identified some critical pros and cons of these two legal frameworks. They noted that relative to the centrality parliamentary model it requires knowledgeable and actively involved legislators for it to function properly thus if the legislators refuse to read, understand and act upon the SAIs reports this will definitely lead to a broken-down system which by extension affects the impact of the SAIs work. In addition, this model cannot impose its recommendations on the executives directly it depends on the legislators and a weak legislator result in an ineffective

model regarding the state of the SAIs. Further, this model is prone to political challenges. On the other hand, the judicial model seems like perfection especially when it is viewed from the other side. The ability to operate independently of the executive and legislative branches and to impose penalties or recommendations on audited officials seems like a wow for the SAIs. However, cons such as this system being formalized by nature can result in controls being applied mechanically resulting in minimal impact. In addition, there is a limitation on the role of the legislators resulting in reduced openness of the accountability process. For instance, there is less debates on the findings and the process of holding officials accountable is relatively closed. Conclusively, this model leads to more vulnerability to communication challenges SAIs faces. Further, it focuses greatly on compliance with the rules and regulations relative to monies being spend properly while missing the key risk of how well the monies are spent taking into consideration the economy, efficiency and effectiveness of expenditures resulting in SAIs not pursuing or conducting Value for Money Audits which is an audit tool to examine the effectiveness of budget implementation as a whole. These arguments put forward by [76] are also endorsed by [5, 35, 36].

Hence, the researcher is persuaded that each model has its pros and cons thus, the authentic SAI independence and leadership can make a difference in SAIs accomplishing its mandate efficiently and effectively resulting in the SAI being relevant to society. [25] contributed to this belief by noting that under the constitutional framework of Latin America there is no possibility of a popular sanction since every legal system foresees the way of removal of officers in charge of SAIs. Followed by [36] who mentioned that auditors' independence and relevance are persistent challenges faced by the SAIs in both legal frameworks. The World Bank research on the importance of SAIs in curbing corruption does



not highlight neither of the models as being more effective is fighting corruption [8].

Conclusively, despite the differences in model from country-to-country SAIs are mentioned as a “*powerful government watchdogs*” or the “*cornerstone of transparency and accountability*” of public financial management [38, 50].

INTOSAI-P-12 standards have comprehensively noted the value and benefits of SAIs where the core objective is to make a difference to the lives of citizens. The twelve principles cover three core components, these are: (i) the extent to which a SAI is able to make a difference to the lives of citizens, depends on the SAI; (ii) demonstrating ongoing relevance to citizens, parliament and other stakeholders; and (iii) being a model organisation through leading by example [28].

Noteworthy, the work of SAIs is well guided and there are tools and resources available to assist SAIs in performing its function of keeping governments accountable and transparent. However, realistically, despite the mechanisms in place and the support that SAIs’ around the world are experiencing, SAIs’ are faced with external and internal challenges that hinders and affects their efficiency, effectiveness and relevance in accomplishing their Mandate and/or keeping governments accountable and transparent in its operations. For example, minimal to no SAI independence, political influence and interferences, appointment and promotion of SAIs’ heads, insufficient funding, lack of qualified personnel, lack of auditors’ independence (familiarity treats), low or inadequate audit staff emolument, untimely submission of financial statements by government agencies, lack of human resource capacity, lag in technological resources and tools are a few notable hindrances to SAIs efficiency, effectiveness, and relevance [5, 36, 73].

Therefore, the indispensable role of SAIs cannot be over emphasized and the reality of the challenges faced by SAIs cannot be ignored.

However, determining what those challenges are and what strategies SAIs’ leadership have developed will be essential.

## **The Role of Supreme Audit Institutions**

Traditionally, the function of SAIs’ audits were to evaluate and examine the control to determine if the state financial management operations complied with legislation and the provisions which are laid down in parliament or the granted authority [8]. However, modern society audit requires more, this fact was endorsed by the report on the 22<sup>nd</sup> UN/INTOSAI Symposium where it was emphasized that the modern and effective approach of SAIs toward better governance does not limit itself to financial auditing. The purely retrospective identification of shortcomings and deficiencies is no longer sufficient for SAIs to be perceived as an effective control element [28].

According to [76, 15] the demands on SAIs have expanded to include consideration of how well government institutions are performing their functions through the eyes of economy, efficiency and effectiveness of service delivery to citizens. In other words, SAIs’ are propelled to go beyond the traditional SAIs approach to evaluate governments’ performance and the value for money through governments’ operations.

There is a current debate on the role of SAIs in tackling corruption and fraud many researchers believe that the SAIs role is to directly tackle corruption and contribute more to the fight against corruption. However, its rightly noted by the [82, 50] that SAIs are not primarily responsible for tackling corruption and fraud nevertheless, their nature of activities can contribute to the anti-corruption agenda to fight corruption [8].

In addition, there is a growing awareness of SAIs role in measures to encounter corruption. [43] emphasized that even in situations where suspicious cases of corruption are noted SAIs most often do have the power to investigate

those cases. [40] contributed to the argument by noting that initially the role of the auditors was searching, discovering and preventing frauds however, with the increasing events of financial statement frauds the increasing pressure of auditors having the responsibility to detect fraud have increased.

In addition, SAIs' are tasked with the role of notifying the legislators of emerging trends and future challenges to help them take appropriate actions to avoid crisis [38].

Henceforth, the indispensable role of SAIs cannot be over-emphasized.

Commendably, over the years' prominent international organizations have sought to enhance the role of SAIs through funding and capacity building. For instance, the International Organization of Supreme Audit Institutes (INTOSAI) experienced a nearly 60-years milestone when the UN General Secretary adopted Resolution A/66/209 on 22 December 2011 at the 66<sup>th</sup> United Nations General Assembly under the theme *"Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions"* [20]. This resolution has created networking and support from INTOSAI and its subsidiaries', United Nations, World Bank, Transparency International, and International Public Sector Accounting Standards, just to mention a few. Notably, INTOSAI is an autonomous, independent and non-political organisation who operates as an umbrella organisation for the external audit community [33].

INTOSAI has four key strategic goals that focuses on (i) professional standards for the public audit profession; (ii) capacity development of SAIs; (iii) knowledge sharing and services for SAIs; and (iv) good governance of INTOSAI. As such, INTOSAI members are exposed to unwavering support and benefits that relates to safeguarding the independence of SAIs and promoting public transparency and good governance. In addition, fostering the economy, effectiveness and

efficiency of government programs for the benefit of all.

Hence, SAIs' are expected to conduct and report the results of its audits to ensure that governments and public sector entities are held accountable for their stewardship of the collecting and expending of public resources.

Relative to the O&G industry, the role of SAIs has expanded since they are expected even the more to help government to be transparent and accountable taking into consideration the vast revenue that is associated with this industry. Notably, revenue received by governments are used for social programs, services, infrastructure, payment of loans and creating opportunities for economic growth of its country. Hence, the SAIs' need to play its role in ensuring government receives all the revenue from their natural resource and to ensure that governments are accountable and transparent on its spending and contractual agreements [10].

[10] noted that there are numerous possible situations that can result in governments not receiving all the revenue it should from O&G extraction for example: (i) The list of operating companies has not been updated and is incomplete (risk of unreported extraction); (ii) Producers use tax avoidance practices to reduce amounts otherwise owed to governments; (iii) Companies' declarations of production volumes are understated; Royalty rates are out of date and do not reflect changing market values of extracted resources or changing government policy objectives; etcetera.

Thus, SAIs being aware of these situations will assist them in being relevant and keeping governments accountable.

Notably, the role of SAIs is well defined by its legal framework and its mandate however, other factors such as unclear defined statutory position or limitations created to affect its normal freedom can affect the role SAIs' play in keeping governments accountable and transparent [5].

Additionally, according to [6] for SAIs to fulfil their role effectively they would need to put into practice the principles of good governance, particularly the principles of transparency and accountability. Notably, being transparent and accountable will increase the effectiveness and legitimacy of SAIs and consequently, they can lead by example for other public institutions. ISSAI 20 noted SAIs' transparency as SAIs timely, reliable, clear and relevant public reporting on its status, mandate, strategy, activities, financial management, operations and performance. It also includes, the obligation of public reporting on audit findings and conclusions, and public access to information about SAIs. The effective and efficient functionality of SAIs results in SAIs being relevant.

### **The Efficient, Effective and Relevant SAIs**

According to [51] *efficient* is defined as doing something in a good, careful and complete way with no waste of time, money or energy. From a SAIs perspective efficiency relates to having the mechanisms in place to perform its audit function in a timely, complete and accurate manner. This desire is accomplished through auditing knowledge which is the ability to create an auditing routine, practice on a professional basis to meet the relevance expectations of its stakeholders and to increase the results and impacts of audit outcomes in order to achieve sound financial management in public finance [76]. SAIs freedom to decide what should be audited and when, technological capabilities, professionalism, independence (auditors from its auditees and SAIs from outside influences), adequate funding, financial and administrative independence, availability of adequate materials, human resources, a wide range manual, unlimited access to information needed to perform its activities, the right and obligation to report on its work and adequate follow-up procedures on its recommendation are all

essential elements for SAIs to work efficiently [59].

By extension, [5] noted that other conditions such as supportive environment, clear mandate, sharing knowledge and experiences and adherence to international standards are crucial to the efficient operation of the SAIs.

According to [50] *effective* is defined as producing the results that is wanted or intended, producing a successful result. The Canadian Comprehensive Auditing Foundation (1987) concluded that effectiveness means differently to different people however, a central effectiveness question is “*are we achieving our objectives*”. According to [38] the main objective of SAIs is to strengthen the accountability, transparency, and integrity of government and the public sector entities as well as making a difference in the lives of citizens.

Thus, to be effective, SAIs must be appropriately funded and staffed, with the independence to effectively fulfill their Mandates, delivering both financial audits (in accordance with International Standards on Auditing), and performance and compliance assurance engagements, which is essential to building trust in the information that public sector entities provide to stakeholders [26].

In addition, for SAIs to be more effective there is a need for strengthened relationships and dealing with the communication challenges between the political, legislatures, Civil Society Organisations (CSOs), the media and public [73, 35]. For instance, one main contributor to this challenge is the complexity and technicality of audit reports. Consequently, the significance of the audit report if not communicated well the findings and recommendations will be less effective. According to [76], the writing style of the audit reports should be examined to generate interest in the issues from stakeholders. Reports should be concise and clear while providing sufficient audit evidence to convince an objective reader of the validity of the audit findings. In addition, [32] noted that

SAIs should engage in meaningful and effective dialogue with stakeholders about how their work facilitates improvement in the public sector.

Further, [1] noted that adopting strategies to combat corruption also adds to the effectiveness of SAIs. They noted that reporting and exposing corruption despite facing pressures not to do so. They pointed to the fact that due to the sociopolitical environment in some instances public audits actually facilitate corruption by not reporting and exposing corrupt practices.

It has been agreed by all stakeholders and researchers that SAIs should play an effective role in promoting transparency and accountability yet research has proven that most of the SAIs in the developing world still lack adequate independence and resources to fulfill this role [5].

As a matter of fact, Ahmed El Midaoui, First President of the Court of Accounts of the Kingdom of Morocco, and Chairman of INTOSAI Capacity Building Committee made a tremendous contribution to SAIs effectiveness by noting that there is a call for sustainable, effective, and long-term process of a constantly improved interactive control [46].

Thus, effective SAIs will be birthed from SAIs independence, leadership and stakeholders' engagements. [59] noted that if SAIs is to be effective other pillars such as an effective parliament, free and independent media are also essential.

According to [52] *relevant* is defined as closely connected with the subject you are discussing or the situation you are thinking about. Answering the question: Is the SAI giving the stakeholders what they desire? Give birth to the creation of SAIs' relevance.

SAIs fostering good stakeholder engagement will provide guidance on performing its duties and choosing the right audit approach (Compliance, Performance or Financial). In addition, SAIs independence also contributes to the relevancy of the SAIs. According to [32], SAIs demonstrates relevance by appropriately

responding to the needs of citizens and expectations of key stakeholders, and the emerging risks and changing environments in which audits are conducted. The report on the 22<sup>nd</sup> UN/INTOSAI Symposium concluded and recommended that when considering SAIs impact the importance of the SAIs' independence, new means of communication, boundaries between internal and external audits, timelines of audits, performance measures of SAIs and the participation of citizens are essential [28].

Mills, L. (2020) reiterates that: "*Achieving effective audit and oversight requires several actors, conditions, and processes to be in place and working in tandem toward the goals of accountability and, ultimately, social and economic development*". She further noted six components that plays an integral part of the "audit and oversight ecosystem" these are:

1. Institutional framework for SAIs which includes independence of and sufficient resources for SAIs to do their job;
2. SAI Audit Reports: "The quality and relevance of audit reports are key determinants of the impact of the auditing function";
3. Oversight by the legislature: Timely deliberation of SAI audit reports by a committed legislative body;
4. Executive response: Government's response to, and implementation of, audit findings and recommendations;
5. Independent follow-up: Scrutiny to ensure audit recommendations are effectively implemented (usually by the legislature or SAI); and
6. Public participation in the audit and oversight process: Opportunities for the public to be involved in the auditing process and dissemination of information to relevant stakeholders.

The aforementioned components are key to when considering the efficient, effective, and relevant functionality of SAIs.

The efficient, effective and relevant functionality of SAIs is heavily dependent these four key areas: (i) SAIs' independence; (ii) the role of Leadership (Head of SAIs); (iii) professionalism; and (iv) stakeholders' engagement. Thus, the researcher examined them and note their impact on SAIs keeping governments transparent and accountable.

### **SAIs' Independence**

SAIs independence according to [72] comes from many sources such as business and auditing laws, professional codes, auditing procedures, citizenship education and knowledge of how democracies operate. SAI independence is a prerequisite for the successful accomplishment of its Mandate. This independence creates the opportunity for SAIs to be efficient, effective, and relevant. It contributes to SAIs keeping government accountable which helps to build trust between governments and its stakeholders.

[32] noted that the best way to maintain and strengthen independence is for the SAI to acquire trust, by demonstrating credibility, competence and transparency in the way it works, and manages its resources. While [40] noted that an effective way for SAIs in promoting and protecting their independence is by clearly and consistently demonstrating the value and benefits of SAIs as was created by INTOSAI and enacted through INTOSAI-P-12 standards.

INTOSAI have been an advocate for SAI independence. The INTOSAI LIMA and Mexico Declarations have paved the way. The resolutions of the two have provided guidance on helping SAIs to pursue its independence. Notably, SAIs can only be objective, credible, and effective if they are independent, this independence is twofold, it's the SAIs from outside influencers (legislators and governments), and SAIs' from the audited entity.

### **Outside Influencers (legislators and governments)**

Research conducted by INTOSAI noted that several SAIs faces financial independence, legal protection for SAI heads, restrictions in making their reports public and legislative follow-up on recommendations. While [72] research noted that political hegemony as a factor that affects SAIs' independence. Notably, both authors highlighted outside influencers which oftentimes are instigated by governments and legislators to reduce and hinder the effectiveness and of the work of the SAIs. Gramsci's hegemony theory in public sector auditing reiterate that political hegemony through coercion, ruling class mentality, spheres of influence and ideology erodes the constitutional role of the SAIs while using political power to erode the auditors' beliefs, ideas and values. In other circumstance, where the executive could appoint and remove the SAIs heads unilaterally is a very effective control mechanism for governments. This ability of the executive creates avenues for SAIs leadership to be politically loyal to the government which by extension compromises the SAIs objectivity [76].

### **Inside Influencers to SAIs Independence**

Often times when SAIs' independence are examined and reported on the concept of the outside influencers (legislators and governments) are most targeted however, as was mentioned by [72] SAIs independence are affected both externally and internally.

They mentioned that two of the three factors affecting SAIs independence relates to inside influences these are auditors' tenure and auditors' relationship with the auditees. Studies conducted by [64] argues that auditors' independence are affected by the length of audit time between auditor and the auditee. Another internal element is family members of SAIs who are participating or is involved in the audited entity business and SAIs auditors whose families are government leaders or an

influential political figure and auditor's peer. Thus, research conducted of Indonesia suggested that auditors' independence is less trusted and their independence is reduced in these circumstances. On the other hand, due to the repetitive nature of audit procedures, the extended tenure at the auditee relationships of comfort can be developed leading to a negative effect on the auditors' independence subject to compliance during audits [72].

Other common threats to SAIs' independence relates to its leadership threats, mandate, timely publication of its audit reports, inadequate financing, minimal support from government and/or parliament [33].

Further, these inside influencers such as friendship and hierarchy also affect the professionalism of SAIs auditors' resulting in auditors not meeting the public expectations [44].

Noteworthy, SAI leadership and all stakeholders should be advocates of SAIs' independence. For instance, SAI auditors are ambassadors to this independence, thus, their understanding, commitment, ethical behaviour and conduct are critical for SAIs to effectively execute and deliver value and benefits to citizens [30].

Assessing SAIs independence is a key factor to resolving SAIs' independence challenges. The INTOSAI has established measures such as the SAI Performance Measurement Framework (SAI-PMF), that can enable SAIs to do a self-assessment of their independence. Noteworthy, SAI-PMF finalized 105 assessments as at January 2024 however, only 18 reports were published [31]. This result is alarming, taking into consideration, SAIs are desiring transparency and accountability from other government institutions but is struggling to reciprocate conduct of good governance through transparency and accountability of its own operations.

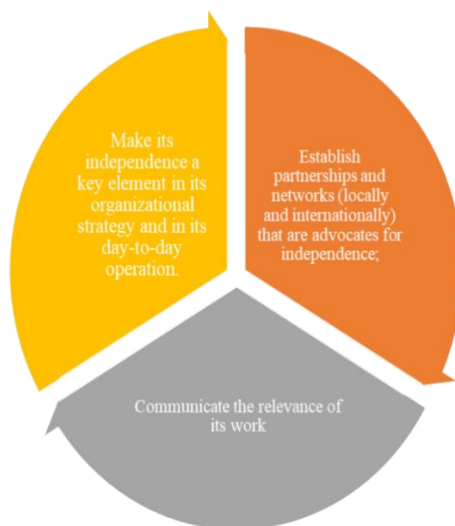
## **The Role of Leadership (Head of SAIs)**

Often, the power of leadership is overlooked especially when it comes to government institutions similar with SAI leadership. Examination of the literature shows there is minimal emphasis on SAIs leadership rather there are heavy emphasis on SAIs independence. However, as is noted by many scholars SAI independence has no perfect definition but they alluded to SAI independence being a state of mind [72].

SAIs fulfilling its Mandate efficiently and effectively is not a walk in the park. As a matter of fact, one known external hindrance to SAIs not meeting the expectations of its stakeholders is political interferences especially relative to promotion and selection of Auditor Generals or Heads of SAIs. Nevertheless, as is the case of the corporate world once you are hired you can be fired therefore, SAIs leaders ought not to be intimidated. According to [65] research organisations such as the World Bank and the Asian Development Bank have eventually embraced the view and argued that SAIs in developing countries are not independent since they are often subject to political manipulation resulting in SAIs' leadership failing to play their constitutionally or legally mandated roles.

ISSAI 130 – Code of ethics promotes fundamentals such as integrity, independence and objectivity, competence, professional behaviour, confidentiality and transparency for all SAIs' executive, employees and partners [29]. Thus, the researcher is persuaded that if SAIs auditors are encouraged to function professionally, be committed and demonstrate commitment to ethical behaviour and conduct, Head of SAIs or Auditor Generals need to be encouraged along the same path.

Realistically, there are numerous challenges that affects or hinders SAIs' independence but its leadership need to be strategic in its approach. The researcher concurs with the recommendation of the INTOSAI Development Initiative as is illustrated in Figure 3 below.



**Figure 3.** Strategic Approach to SAIs' Independence

*Source: INTOSAI Development Initiative (2023)*

SAI leadership can advocate for its independence by establishing ethical rules and appropriate measures to supervise the fulfillment of its Mandate with professionalism and dignity. Establishing of partnership is also key. According to [76] research argues that legislatures and civil society organisations can play an important role in helping SAIs respond to their many challenges. Further, communicating the relevance of their work is essential. [25] noted in their research that government unaccountability does not hinder SAIs from reporting and communicating its of its institutional work. They also noted that some SAIs' have developed public hearing to present the results of audits and special investigations. This resulted in opening the possibility of stakeholders, citizens, civil society organisations to follow-up on recommendations.

Conclusively, SAIs leadership need to be persuaded and teach its auditors the magnificent role it has as being an ambassador to SAI independence. Therefore, SAI leadership needs to strategize and put measures in place to help them understand, commitment, demonstrate ethical behaviour and conduct, which are critical for SAIs to effectively execute and deliver value and benefits to citizens [33, 76]

research emphasized that SAIs should play a more proactive than is often attributed to and played by them. Additionally, according to the Mexico Declaration Principle 1, the independence of SAI should be guaranteed by the Constitution and legal framework regulating the SAI. It also noted that the establishment and revisions to the legal framework is outside the direct scope of the SAIs, however, SAI leaders need to be advocate for its own independence.

[62] book review of 'The Leadership Code: Five Rules to Lead" highlighted the five rules which are: (i) shape the future by being a strategist; (ii) make things happen by being an executor; (iii) engage today's talent by being a talent manager; (iv) build the next generation by being a human capital developer; and (v) invest in yourself by being personally proficient.

Thus, the researcher endorses these five leaderships codes and believes that SAIs leadership need to be strategic and executional through their team to combat both internal and external challenges faced by the SAIs all with the objective of attaining efficient, effective and relevant outcomes. For instance, [53] encourages SAIs' leadership who might not

have full autonomy to plan to all extent possible under legislative boundaries.

### **Professionalism**

According to INTOSAI, the ability of a SAI to act professionally and deliver high quality and high impact audit work that meet applicable standards, is the foundation of the value and benefits of a SAI. [72] emphasized the comments of [56] by noting that that SAI auditors are mandated to have a high level of objectivity, honesty, integrity, professional skepticism since the significance of their role is to keep governments accountable while managing the public funds and by extension creating trust with other stakeholders.

According to Tsakani Maluleke, Auditor General of South Africa, professionalism is about being responsive, understanding the environment within which we (auditors) operate and really positioning ourselves (auditors) so that we (auditors) can adequately be up to the task [31]. Additionally, she emphasized that professionalism plays a critical role in equipping SAIs with ideal capabilities to deliver public sector audits for public interest which fosters transparency and accountability in the PFM system and by extension it enhances the credibility and independence of SAIs, leading to improve public trust and confidence [2].

[53] emphasized that SAIs must have a motivated and capable workforce to deliver value and benefits to the lives of citizens through effective and impactful audits. Thus, having competent people to deliver the SAIs Mandate is a critical element of being a professional SAI.

The four fundamentals of professionalism that were crafted by INTOSAI Capacity Building Committee (INTOSAI CBC) - SAIs in South Africa and Sweden have added tremendously to the efficient, effective and relevance of SAIs. The four fundamentals are (i) working environment; (ii) audit standards; (iii) performance measures; and (iv) competent

people. Commendably, as was noted by [63], this Committee (INTOSAI CBC) culminate the following pronouncements:

1. ISSAI 150 - SAI responsibilities in ensuring competence of its Auditors.
2. GUID 1950 – Guidelines on the development of competency frameworks that reflects the uniqueness of every SAI.
3. GUID 1951 – Guidelines on the development of pathways for professional development.
4. A guide on competency-based human resource management practices.

Noteworthy, professionalism of SAIs improves public-sector auditing, enhance the professional capacities, and influence of SAIs. As such, SAI leadership should by all means promote professionalism within its institution. Professionalism is a great concept that will help to enhance SAIs efficient, effective and relevancy while enhancing the accountability and transparency of governments.

### **Stakeholders' Engagement**

ISSAI 20 encourages SAIs to promote and implement measures to improve their stakeholders' strategy by fostering a culture of bring awareness of the SAI functions, duties in society and fulfilling the ISSAI 12 where the core objective is to make a difference to the lives of citizens. [58] stated clearly that the effectiveness of SAIs in not solely dependent on resources and capacity levels but ranged equally important with stakeholders' engagements through accessibility and communication of its reports to citizens, civil societies, non-governmental organisations, and the media. Their research highlights that stakeholder's engagement is pivotal to a well-functioning audit cycle.

Engaging with external stakeholders helps to build the SAIs technical capacity which increases the stakeholders' participation resulting in the identification of possible instances of mismanagement, corruption, improved oversight, follow-up of audit findings



and building of trust between the SAIs and the stakeholders [72]. Public trust is essential for SAIs effectiveness and relevance.

Stakeholder engagement can be fostered through SAIs being consistent with its Mandate and legal framework governing them which should be easily accessible, the process related to its work, activities and products should be transparent and made public through open communication to the media and other stakeholders [6]. The report on the 22<sup>nd</sup> UN/INTOSAI Symposium noted that audit reports need to be reader-friendly if citizens were to be involved in the audit work and helping to identify future challenges [28]. Commendably, it was highlighted that SAIs need to move away from the traditional perception of being solely technical and promote an image of being agents that produce valuable information about governments and directly benefit citizens by helping to reduce information gaps between SAIs, governments and public sector institutions.

The INTOSAI Development Initiative published a reflection paper on Reimaging SAI Audit Impact, one reflection notably references to stakeholders' engagement. Reflection No.2 of the paper stated "*SAI audit impact is a shared responsibility involving a value chain and an ecosystem of State and non-state actors. The value chain and the ecosystem need to work as a whole for SAI audit impact to happen*" [32]. The researcher endorses this notion and agrees that the working together as a whole is a prerequisite to SAIs' impact or relevancy.

[27] published an article on OLACEFS assessment of Availability of SAIs information to the Public. This article emphasized that availability of key information on SAI's websites can be a key to citizens holding government accountable. This report highlights the fact that "*...there is progress in developing innovative strategies for communicating audit results. However, more is needed to strengthen collaborative efforts of audited entities, citizens and other stakeholders to enhance audit impact*

*and improve the quality of government services.*"

## Conclusion

Humankind dependency on fossil fuels is beyond comprehension; its global demand continues to escalate [72]. Governments and O&G companies are increasing their production to meet those demands [24, 70]. The O&G industry continues to make countries known to the world. For instance, about ten years ago Guyana even though rich with other natural resources were not known to the world but in 2015 there was a vast discovery of O&G and Guyana become a country of interest and discussions.

Globally there is a call for governments to be accountable and transparent in its operations as such, SAIs' roles are becoming indispensable. Hence, SAIs performing its duty of auditing the revenues and expenditure provides assurance, the opportunity for governments to receive all the revenue that derives from the O&G extraction, helps government to be transparent and accountable, creates the opportunity for public trust and stakeholders' involvement. In addition, SAIs performing compliance and performance audits relative to Profit Sharing Agreements, Contracts, Licensing of O&G fields helps governments to further enhance its accountability and transparency which results in the improvement of public goods.

Convincingly, the challenges that comes with this natural resource needs strong institutions and strong SAIs' leadership and functionality. The researcher is persuaded that SAIs in emerging O&G production nations audit impact is hindered due to internal and external challenges that continue to impair the efficient, effective and relevancy of SAIs.

Nevertheless, the thorough review of the literature provides substantial evidence that there are resources and international support through credible non-political organizations to assist SAIs in being efficient, effective and relevant. Moreover, there are also support for

the O&G sector both for mature and emerging O&G producing nations.

The researcher will gear further research towards the examination of the strategic measures SAIs in emerging O&G production nations have developed, adopted and implemented and how these measures contribute to them being efficient, effective and relevant which by extension is a contributor to keeping governments accountable and

transparent. In addition, the researcher is curious to know how citizens of these countries view their SAIs and their governments' transparency and accountability. Further, with the availability of standards, tools and frameworks from INTOSAI Development Initiative (IDI) to determine if SAIs are using them or not, the reason for its choice and what benefits if any have the SAIs gained.

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