



INTERNATIONAL JOURNAL

— OF GOVERNMENT AUDITING —

Audit Methodologies for Impact

Board of Editors

Margit Kraker, President, Rechnungshof, Austria

Karen Hogan, Auditor General, Canada

Nejib Gtari, Premier Président, Cour des Comptes, Tunisia

*Gene L. Dodaro, Comptroller General, United States of
America*

Dr. Elvis Amoroso, Comptroller General, Venezuela

President

Michael Hix (U.S.A.)

Editor and Vice President

Jessica Du (U.S.A.)

Guest Editor

Diana Vu (U.S.A.)

Administration and Operations

Peter Knopes (U.S.A.)

Michael Huskey (U.S.A.)

Associate Editors

AFROSAI Secretariat

ARABOSAI Secretariat

ASOSAI Secretariat

CAROSAI Secretariat

EUROSAI Secretariat

OLACEFS Secretariat

PASAI Secretariat

INTOSAI General Secretariat

Office of the Auditor General, Canada

Office of the Auditor General, Tunisia

Office of the Auditor General, Venezuela

U.S. Government Accountability Office

INTERNATIONAL JOURNAL

OF GOVERNMENT AUDITING

Q3 2023 - Audit Methodologies for Impact
Vol. 50, No. 3

The International Journal of Government Auditing is published quarterly in Arabic, English, French, German and Spanish on behalf of the International Organization of Supreme Audit Institutions (INTOSAI). The Journal, which is an official organ of INTOSAI, is dedicated to the advancement of government auditing procedures and techniques. Opinions and beliefs expressed are those of individual contributors and do not necessarily reflect the views or policies of the organization.

The editors invite submissions of articles, special reports, and news items, which should be sent to the editorial offices at:

U.S. Government Accountability Office
441 G Street, NW, Room 7814
Washington, D.C. 20548
U.S.A.

E-mail: intosajournal@gao.gov

Given the Journal's use as a teaching tool, articles most likely to be accepted are those that deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies, or details on audit training programs. Articles that deal primarily with theory would not be appropriate. Submission guidelines are located at <https://intosajournal.org/submit-an-article/>.

The Journal is distributed electronically to INTOSAI members and other interested parties at no cost. It is available online at intosajournal.org and intosai.org, and by contacting the Journal via email at intosajournal@gao.gov.

Cover Art Source: Adobe Stock Images, royyimzy

Table of Contents



04

Editorial

- *Making a Great Impact on Government and Citizens: Audit Methodologies and the Working Group on Value and Benefits of SAIs (WGVBS)*



08

Feature Article

- *Incorporating a Sustainable Development Goal Lens in Performance Audits*
- *Power Up Your Evidence*
- *A New Handbook Highlights Ways External Audits Can Strengthen Budget Credibility*
- *Assessment of the Maturity and Impact of Tax Incentives for Regional Development: Application of the Control Framework for Public Policies and Impact Assessments*
- *The Australian National Audit Office Develops Methodology for Auditing Ethics*
- *Evaluation of Information Quality From the User's Perspective*
- *Boost the Impact of Your Performance Audits: Building Blocks for a Theory on the Impact of Supreme Audit Institutions*
- *Leveraging A Geographic Information System (GIS) in Public Audit*



61

Special Contributions

- *Supreme Audit Institutions in the Wake of the Pandemic: Addressing Methodologies and Challenges in a New Era*
- *The Development of Financial Audit Approaches and Impact on Efficiency and Effectiveness*
- *Brokerage to Strengthen the INTOSAI Community: An Interview with Marcela Hommefoss*
- *Brokering Support for SAIs: Get to Know the INTOSAI Donor Cooperation's Brokerage Initiatives*



78

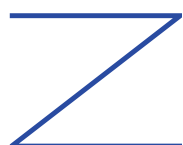
Spotlight on Capacity Building

- *PASAI Collaborates with CAAF to Develop Performance Measurement Systems in Two SAIs*

84

Spotlight on Diversity, Equity, and Inclusion

- *How are governments ensuring that no one is left behind? IDI and UN Women are developing a 'Leave No One Behind' Audit Framework*



87

Spotlight on Science and Technology

- *Auditing Efficient and Safe Environments for Remote Work in the Public Sector in Georgia with IT Governance*



Making a Great Impact on Government and Citizens: Audit Methodologies and the Working Group on Value and Benefits of SAIs (WGVBS)

By Mr. David Rogelio Colmenares Páramo, Auditor General of the Supreme Audit Institution of Mexico (ASF)

In order to face the challenges of developing new strategies for public governance, it is a sine qua non requirement to work with efficiency and the citizen trust. To achieve this, the Supreme Audit Institutions (SAIs) are indispensable to ensure government transparency and accountability, which helps to maintain a financial discipline, and fight against corruption and impunity.

EDITORIAL

Having an adequate audit methodology becomes essential to achieve this purpose, it allows to improve trust and transparency for evaluating the proper use of public resources and expose irregularities. Also, it helps to prevent fraudulent practices and corruption, which makes possible to guarantee a honest use of public funds. Furthermore, its recommendations allow to optimize government policies and programs, which impacts on public services being carried out optimally by improving services; and, in consequence, the citizen confidence in government institutions is strengthened.

To achieve this, the Financial Audit Principles (ISSAI 200), the Performance Audit Principles (ISSAI 300) and the Compliance Audit Principles (ISSAI 400), and its methodologies, play an important role in meeting these goals. The financial audits make possible to assess the conformity of financial statements and ensure regulatory compliance. These audits are essential to obtain the accuracy of financial statements, strengthening confidence in financial management, ensuring accurate and transparent information on the use of public resources and regulatory compliance.

“INTOSAI has fought to defend the value and benefit of SAIs for all the positive aspects they represent for citizens and their indisputable value for good governance.”

- Mr. David Rogelio Colmenares Páramo

On the other hand, compliance audits seek to promote transparency and ethical behavior, prevent fraud and corruption, and promote inclusion and compliance with standards. These audits add value to citizen transparency by ensuring that rules and regulations are met. Audits also encourage ethical behaviour, which benefits citizens by enabling them to hold government officials accountable and improve accountability mechanisms through transparency in governments.

EDITORIAL

Finally, we can highlight that performance audits allow to optimize government performance, by promoting accountability and improving service delivery. By doing so, it is possible to focus the government's attention on areas with potential for improvement, which helps to build constructive recommendations for the audited entities to optimize their performance and efficiency. This allows for the achievement of the effective use of public resources, and for addressing fundamental aspects for society in social and economic areas, since it allows analyzing how vulnerable groups are served in government decisions and policies.

The International Organization of Supreme Audit Institutions (INTOSAI) has fought to defend the value and benefit of SAIs for all the positive aspects they represent for citizens and their indisputable value for good governance. Thus, in the XIX INCOSAI, held in 2007 in Mexico City, it was agreed to create the Working Group on the Value and Benefits of SAIs (WGVBS) with the aim of developing a framework and measurement tools for defining the value and benefits of SAIs. Later, in XX INCOSAI, the working group completed the first phase of its work, which was to define a framework for communicating and promoting the value and benefits of SAIs. The framework establishes the value and benefits of SAIs from two perspectives: First, to be recognised as an institution that makes a difference to the lives of citizens, and second, to be recognised as an independent model organisation.

The INTOSAI – P 12, endorsed by the XXI INCOSAI, held in China in 2013, and formerly known as ISSAI 12, was constructed around the fundamental expectation of SAIs making a difference to the lives of citizens. The extent to which a SAI can make a difference to the lives of citizens depends on the SAI: Strengthening the accountability, transparency and integrity of government and public sector entities; demonstrating ongoing relevance to citizens Parliament and other stakeholders; and being a model organisation through leading by example.

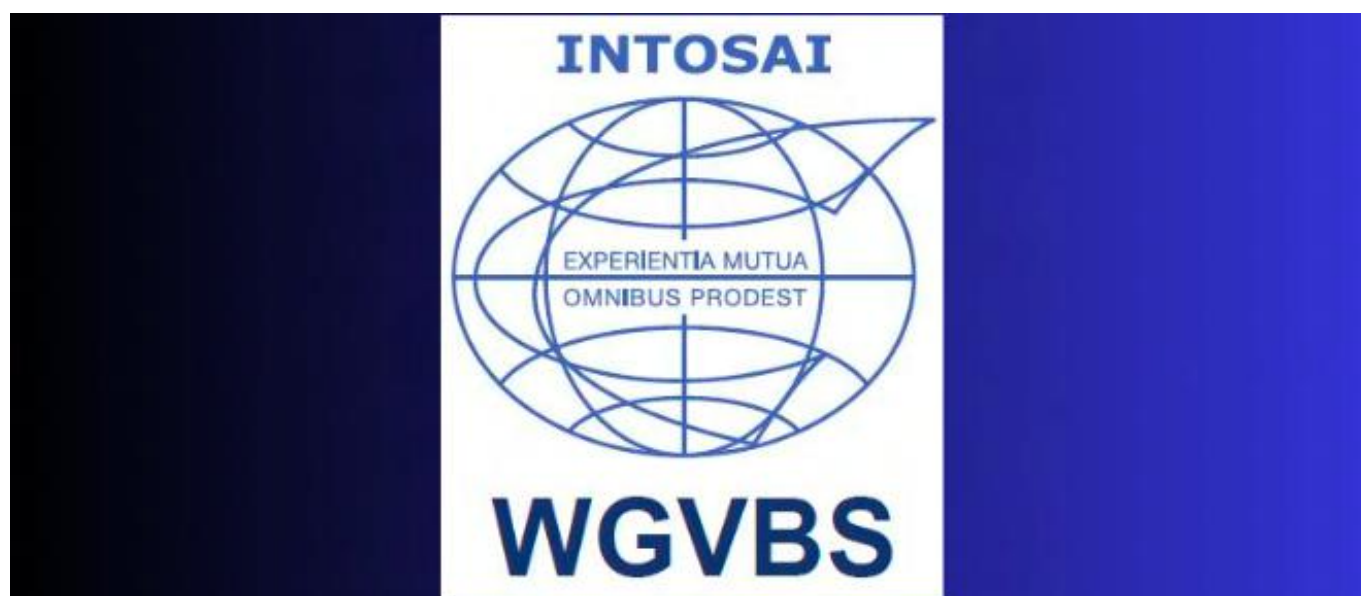
EDITORIAL

From the WGVBS, we are working to conclude with different projects that are developing, for example, the update of the document Communicating and Promoting the Value and Benefits of SAIs: An INTOSAI Guideline; a Paper on a Risk-Assessment Framework for SAIs to Incorporate Relevant SDGs-Related Programs in their Annual Audit Plans, among others. Therefore, we will fight and seek to meet the objectives of this group from the secretariat that presides the SAI of Mexico.

We would like to celebrate the leadership that the SAI of the USA has made in the International Journal of Government Auditing (IJGA). So, we consider very beneficial that the issue of its journal focuses on the Audit Methodologies and the Value and Benefits of SAI. We have no doubt that the content of this edition will contribute to achieving this objective and state of the art in this field. Congratulations!

Sources

1. [OECD, Good Practices for the Support of Supreme Audit Institutions.](#)
2. [OECD, OECD Studies on Public Governance, Supreme Audit Institutions and Good Governance.](#)
3. [Cordery, C. & Hay, D., Supreme Audit Institutions and public value: demonstrating relevance.](#)
4. [IDI, Performance Audit. ISSAI Implementation Manual.](#)
5. [IDI, Compliance Audit. ISSAI Implementation Manual.](#)
6. [IDI, ISSAI of Financial Audit. Implementation manual.](#)
7. [INTOSAI WGVBS, background](#)





Incorporating a Sustainable Development Goal Lens in Performance Audits

by Sherazade Shafiq, Director, International Programs, Canadian Audit and Accountability Foundation (CAAF) and Kimberley Leach, Principal, Office of the Auditor General (OAG) of Canada

Introduction

Auditing the Sustainable Development Goals (SDGs) can increase accountability of government for commitments made to the 2030 Agenda for Sustainable Development as well as expedite progress towards achieving these goals.

The global audit community has embraced their role in contributing to Agenda 2030 under the INTOSAI Strategic Plan and shown their commitment specifically through:

- Contributing to conversations at the High-Level Political Forum,
- Developing a robust methodology to audit the implementation of SDGs, i.e., the IDI SDG Audit Methodology (ISAM), and
- Conducting over 130 SDG audits between 2014 and 2023, as illustrated in the SDG Atlas.

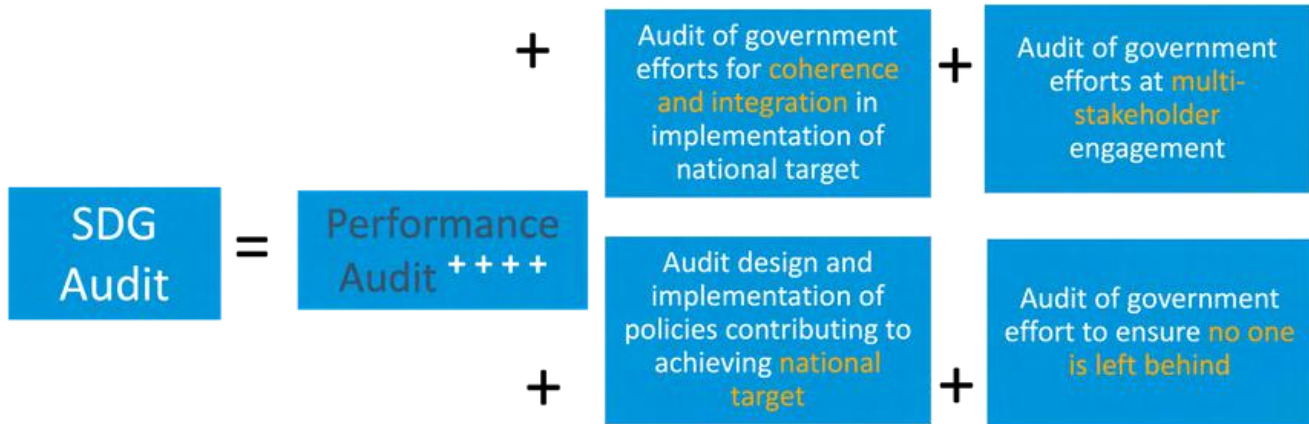
FEATURE ARTICLE

This article shares experience from trainings conducted by the CAAF in Canada and abroad. It also draws from experience at the OAG Canada to show how audit offices can take concrete steps to incorporate an SDG focus into performance audits.

Incorporating an SDG Lens into Audits

Audit offices have increasingly wide and complex priorities regarding the audits and activities they undertake. While auditing government commitments and progress toward the SDGs is important, audit offices need some options on how to do this in an efficient and effective manner that fits into existing methodologies and national and international standards.

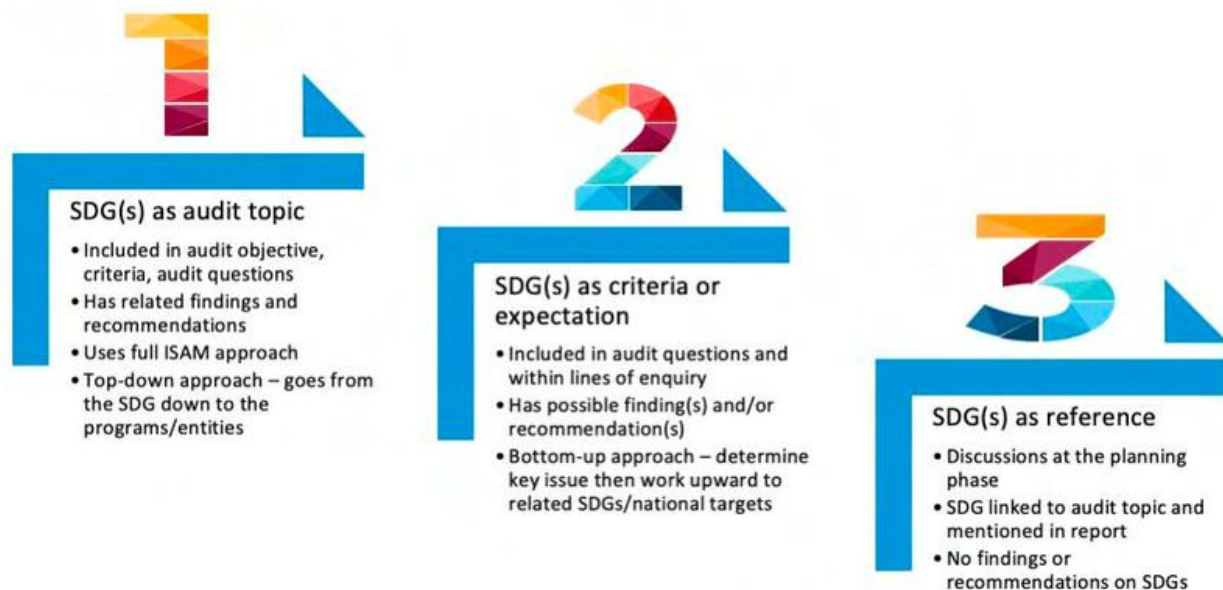
We believe that audit offices can incorporate an SDG lens into most audits and that this does not have to be daunting. We believe that an SDG audit isn't all that different from a performance audit and that, simply put, a comprehensive SDG audit is just "performance audit ++++" as depicted below:



FEATURE ARTICLE

Three Levels of Integrating the SDGs into Your Audits

Applying an SDG lens to your audit can take many forms and can be integrated into existing methodology and standards. We think of three levels of integrating the SDGs into audits. Your performance audit can take the form of a comprehensive SDG audit, which we refer to as Level 1 SDG Integration, or could be at Level 2 or Level 3 as illustrated below:



Level 1 – A full-fledged SDG audit in line with ISAM would consider all four elements below as part of audit scope:

- progress against national targets,
- extent of stakeholder engagement,
- whether the concept of ‘Leave No One Behind’ (LNOB) has been considered in program design, implementation and monitoring and
- extent of policy coherence and integration across levels of government.

This audit would require reference to the national goal as part of the audit objective, availability of data which measures and reports against indicators, comprehensive stakeholder mapping to ensure consideration of key marginalised groups and stakeholders within the audit scope and review of tangential policies adopted by other ministries or other levels of government.

FEATURE ARTICLE

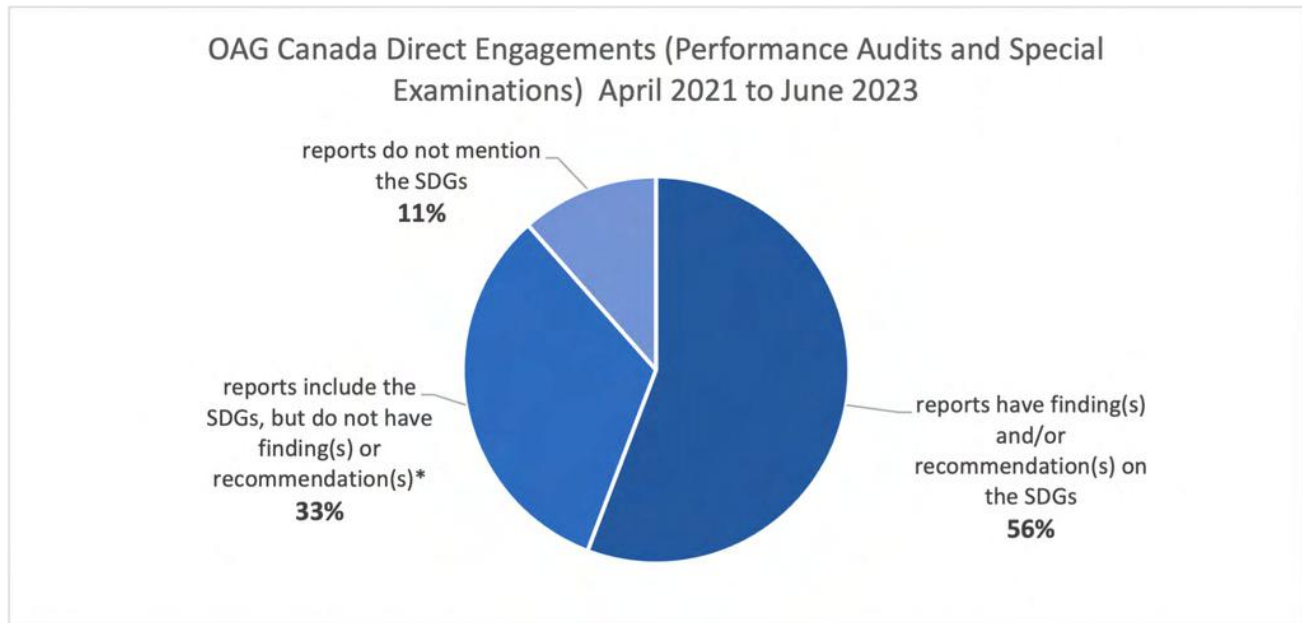
As defined by ISAM, the audit would conclude on “the progress made towards the achievement of the national target, how likely the target is to be achieved, and the adequacy of the national target in comparison with the SDG.” For example, see [Jamaica’s 2023 audit focusing on SDG 3.d Resilient National Public Health Systems](#) or the [OAG Canada 2021 Audit on Implementing UN SDGs](#) which assessed progress toward target 1.2 on poverty reduction; target 5.5 on gender equality in leadership; and target 8.6 on youth unemployment.

Level 2 – At this level, one could start from the key issue to be audited, and then incorporate one or more lines of inquiry or audit questions to support the main audit objective, which address only one, two or three of the above elements. This approach is more bottom up, starting from the key issue as an audit topic, and with SDGs targets and indicators providing possible auditable and results-oriented criteria. For example, [OAG Canada’s 2021 audit of Emissions Reduction Fund](#) examined SDG target 9.4 on upgrading infrastructure and retrofitting industries to make them sustainable, while also considering whether the auditee had applied a gender lens.

Level 3 – Since almost all potential audit topics will tie into one of the 17 goals, a link could be made to the audit topic and to the related goal, target and indicator. At this level, a performance audit would not be classified as an ‘SDG audit’ since none of the +++++ are integrated into the audit. But the audit would help to raise awareness of the SDGs and their connection to the audit subject. Auditors should, however, be cautious to avoid ‘greenwashing’ their reports by giving the misleading impression that they have more focus on sustainability than they really do.

OAG Canada integrates SDGs into all its audits by considering linkages to SDGs early during audit selection and planning. As a result, many performance audit reports include findings and recommendations related to SDG implementation. From 52 total published reports between April 2021 and June 2023, 46 mention the SDGs, and 29 of those have findings and/or recommendations related to SDGs.

FEATURE ARTICLE



*This category includes reports that make no finding(s) or recommendation(s) on the SDGs, but still reference the SDGs somewhere in the report. For example, identifying linkages to the SDGs in a contextual paragraph, using the SDGs as a source of audit criteria, or highlighting the SDGs in the audit scope and approach section.

Top Ten Tips to Start Auditing SDGs.

Based on discussions with many audit offices, we offer the following tips to start auditing SDGs:

- 1 Don't wait for government to be ready before auditing** – At the 2023 High-Level Political Forum, the UN is expected to report falling behind on almost all targets. An audit that identifies gaps in preparedness and frameworks can help expedite government action. While performance auditors often hesitate to audit 'what's not there', SDGs are one of the exceptions to this rule.
- 2 Raise awareness across all levels of government** – Don't assume that everyone knows about the SDGs. Government employees may not even know what their national commitments are, much less consider them in their work. This is particularly relevant at the subnational level. While commitments are made at the national level, they cannot be achieved unless all levels of government are involved. For example, if a federal government is committed to achieving national targets, subnational governments might not be thinking in terms how their activities fit or feed into national targets.

FEATURE ARTICLE

3

Involve and educate internal auditors – Internal auditors in line ministries can also apply an SDG lens to their work, allowing much more to be done across government. Don't try and do it alone.

4

Talk to financial auditors – The issuance of the new sustainability standards, means that once these are adopted, sustainability and climate related disclosures will form part of financial statement disclosures. While private sector will lead this, the public sector will also follow suit. SDG targets and indicators are an existing way to provide results focused performance indicators. The UN Secretary General, António Guterres said at a 2020 United Nations Leaders' Summit that "SDGs could be a ready-made tool to take ESG reporting to the next level".

5

Data will lead the way – Unless disaggregated data is collected, measured and monitored, achieving these goals is like running in the dark and hoping for the best. It is recommended that National Statistics Bureaus are involved in conversations around gathering, maintaining, measuring and reporting data to support achievement of targets and indicators.

6

Remember that national targets can and often should be different from the global goals and indicators – When auditors start to consider SDGs, the first misconception is often that countries need to adopt the global goals word-for-word. This is not the case. Ideally, national targets should be customised to make them relevant to the local context.

7

Refer to other SDG audits – A review of SDG audits will show you that similar issues crop up. These include issues of policy coherence, lack of structures and poor data frameworks. Focusing on these can save time.

8

Use existing structures and systems – Rather than separate and stand-alone consideration of SDGs, build this into existing processes, methodology and templates.

9

Keep scope manageable – SAls sometimes scope SDG audits too broadly. Try limiting the scope to a single target or try limiting the scope to fewer higher risk auditees based on stakeholder analysis

FEATURE ARTICLE

10

Add an SDG lens to your audit topic selection and multiyear planning process

Audit offices consider multiple factors when setting annual or multiyear audit plans. These include auditability (availability of resources, skills and data), potential value-add from the audit, a risk assessment, financial materiality, public interest and importance to parliamentarians. An SDG lens can be applied across these areas. Under risk assessment, consider the progress against linked national targets or incorporation of the concept of LNOB in the program design. Under auditability, consider the availability of relevant national statistics. Under value addition, ensure that environmental, social, and economic areas are covered when selecting topics.

Conclusion

An SDG audit does not have to be daunting. To make an impact, it could be as simple as a regular performance audit, with one or more additional lines of inquiry that address one of the four 'plusses' of an SDG audit.

Contacts:

Contact Sherazade Shafiq at sshafiq@caaf-fcar.ca and Kimberley Leach at Kimberley.Leach@oag-bvg.gc.ca for more information about this article.

Additional Resources and Tools:

Learn more about how to incorporate an SDG lens into performance audits.

CAAF resources:

- Sign up for a 2-day workshop on [Auditing the Implementation of the Sustainable Development Goals](#)
- Watch our webinars at any time, including [Auditing Progress Toward the United Nations' Sustainable Development Goals](#) and [Vaccine and SDG Audits](#). (Available to CAAF members only)
- Read our [Practice Guide to Auditing the United Nations Sustainable Development Goals: Gender Equality](#).

International resources:

- [WGEA – Key Principles and Tools on Policy Coherence and Multi-stakeholder Engagement for Supreme Audit Institutions](#)
- [WGEA – SDGs unfold into targets and indicators which can provide very auditable criteria that are results and outcome oriented – Annex 1 Scoring Matrix](#)
- [GAO – Evaluation and Management Guide by the GAO for the identification of fragmentation, overlap and duplication](#)

Power Up Your Evidence

By Loren Yager and Martin Alteriis, US Government
Accountability Office's Center for Audit Excellence

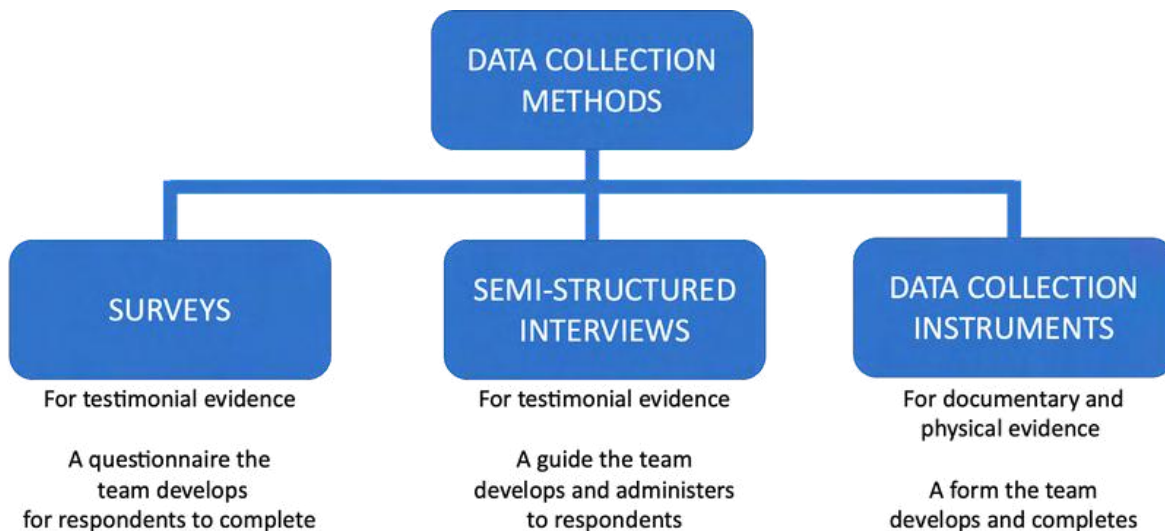
Introduction

One of the distinguishing features of audit organizations and reports is the emphasis on evidence to support findings and recommendations, so any techniques that have the potential to make that evidence more powerful should be given high priority. One way that offers that potential is to closely examine three of the techniques used by audit organizations to collect evidence: surveys, semi-structured interviews, and data collection instruments (DCIs).

Surveys are an invaluable tool for audit organizations when the necessary information is not available from documentary sources, although the time and resources required to implement surveys limits their use. On the other hand, it appears that a better understanding of semi-structured interviews and data collection instruments has the potential to add rigor to audits without such a large investment. For example, audit organizations generally use some form of interviews in all their audits, and modest changes that add structure to the process may have a large payoff without much additional investment. Similarly, many audits involve inspections of some form, whether those are inspections of physical facilities or of agency documents. Using a more structured approach such as a DCI may also add power to the findings without added time or resources.

FEATURE ARTICLE

Figure 1: Types of commonly-used data collection methods



Surveys

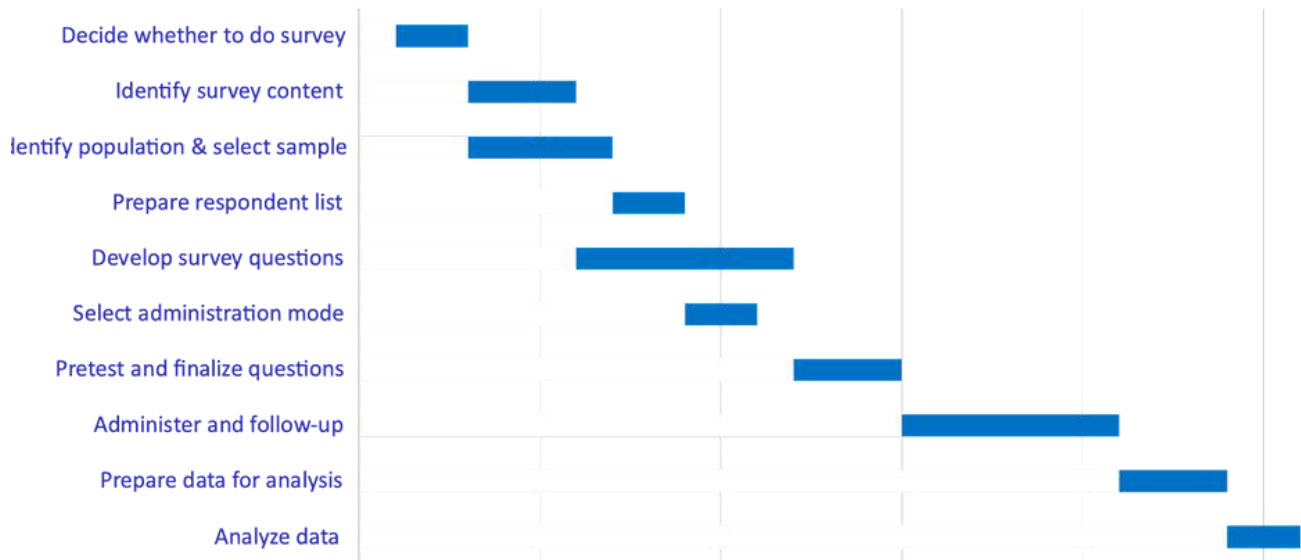
Surveys can be an effective tool in the collection of audit evidence, particularly when there are no other ways to generate that type of information. For example, surveys are often the only way to collect information regarding opinions of respondents, and more generally, surveys offer a way to collect testimonial evidence in a more rigorous manner. In a sense, surveys offer an opportunity to make 'data' out of testimonial evidence.

The downside is that surveys that are of sufficiently high quality to serve as audit evidence are costly and time consuming to develop and implement. One of the crucial distinctions between surveys and the other two collection methods is that the audit team is not present when the respondents complete the survey. In contrast, semi-structured interviews and data collection instruments are administered or completed by members of the audit team (see figure 1). This distinction has implications for the time required for the preparation and pre-testing required for a survey. Since the team will not be present to address any questions, survey questions must be designed and implemented in a way that does not introduce bias or confusion and generates an acceptable response rate.

Figure 2 provides an illustration of the steps that are required to successfully complete a survey, although the time involved can vary greatly depending on factors such as the size experience of the audit team, the complexity and sensitivity of the subject matter, and the and the size and accessibility of the target population.

FEATURE ARTICLE

Figure 2: Key steps involved in survey implementation



There are cases where surveys are the best method available to collect evidence required for an audit, but as with any decision that involves a large investment, the use of surveys merits a careful examination of the costs and benefits of this technique vs. other methods of collecting audit evidence.

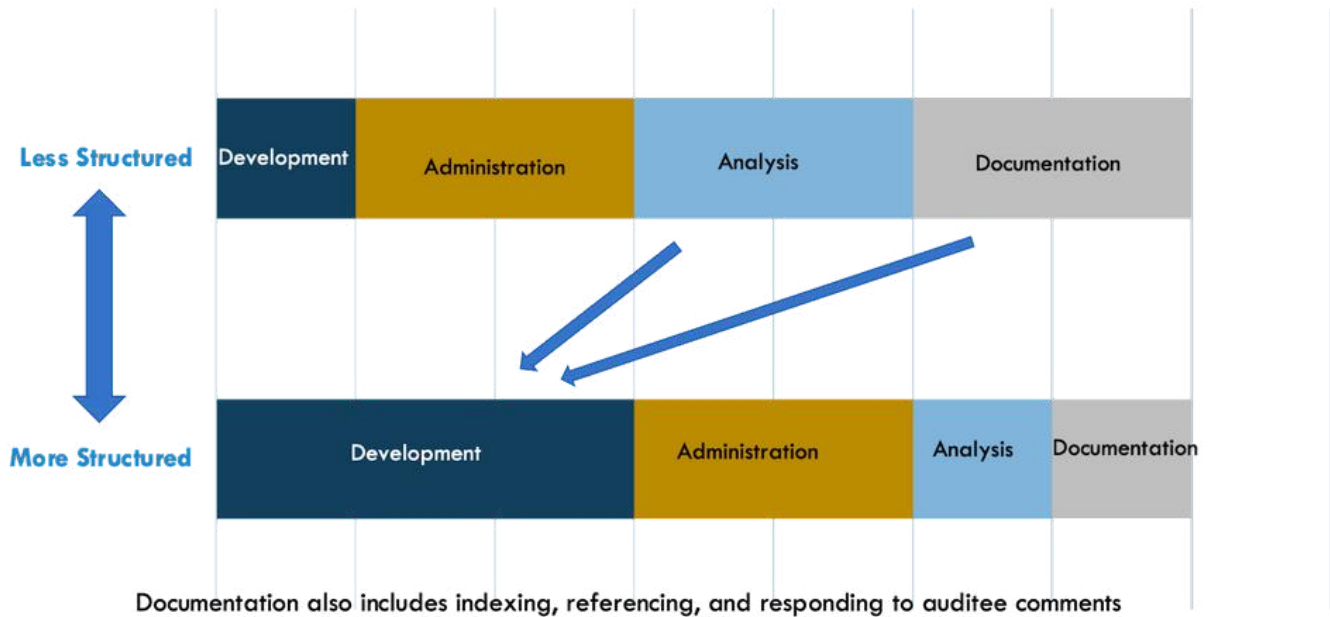
Semi-Structured Interviews

On the other hand, there are other data collection techniques that appear to have significant potential to add rigor without much additional investment. One of these can be called 'semi-structured' interviews, and these differ from normal interviews as they often involve some combination of open-ended questions and closed-ended questions. The closed ended questions have a specified set of options for the responses, which could include yes/no, extent ranges (great extent, moderate extent, little extent), etc.

Semi-structured interviews have the potential to add rigor to the evidence collection process, as teams can use some of the same selection and implementation techniques as are used in surveys. The result is that additional time is needed in the development stage of the interviews since the goal is to have a more stable instrument before the interviews begin.

FEATURE ARTICLE

Figure 3: Adding structure to interviews shifts time to development



On the other hand, this advance planning has two potential benefits for the audit. One is that the planning of the interview tends to decrease the amount of time need in the later stages of the audit, particularly in terms of the analysis and documentation. For example, if the team has incorporated some closed ended questions in the interview, such as the example below, the range of responses is limited.

Did the training provide you with the skills necessary to carry out the inspections?

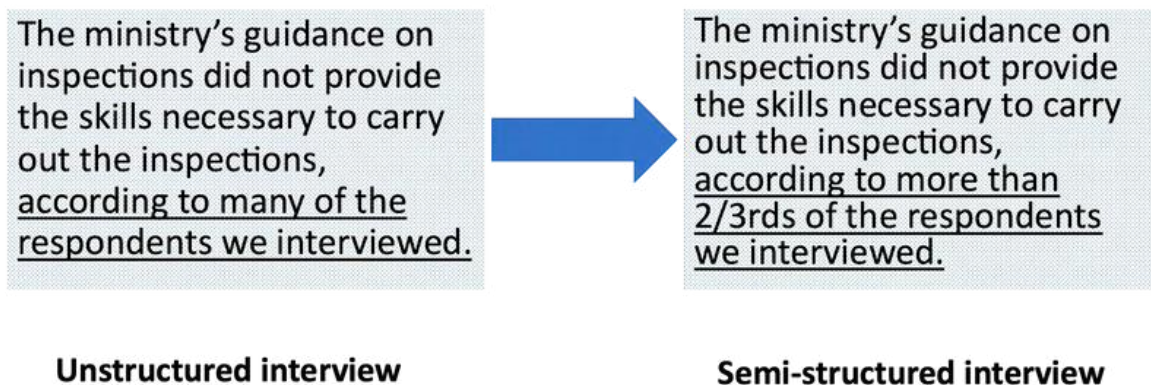
- a. to a great extent
- b. to a moderate extent
- c. to a small extent

In those cases, the analysis and the documentation of the structured questions is greatly simplified since it only involves a tally of the responses. The semi-structured format is also flexible since the team can incorporate open-ended questions where the responses are not as easy to anticipate and categorize in advance.

FEATURE ARTICLE

A more important advantage of semi-structured interviews is that they have the potential to generate more powerful evidence and audit findings. For example, if the above question was one that was not part of a semi-structured interview, the key finding might read something like the statement on the left of figure 4:

Figure 4: Typical findings of unstructured vs. semi-structured interviews



On the other hand, if the same question was asked of all the respondents in the same manner, the audit team could report the evidence in a much more precise and powerful manner, as in the statement on the right-hand side of the Figure. Additional questions in a semi-structured interview could solicit additional insights on what aspects of the training were inadequate, so the semi-structured interview format provides a 'best of both worlds' approach for a modest investment in the development stage prior to the interviews.

Data Collection Instruments (also known as Analyst Data Entry Forms)

The second technique that can generate more powerful findings is the use of a DCI. These are structured data entry forms that analysts administer following procedures and processes developed for the audit. Many audit organizations likely employ these tools in one way or another, but the opportunity to add rigor to audits through these tools seems almost unlimited. One of the most common images of a data collection instrument is a building inspector with a clipboard checking off each of the required elements, although it may be more common now for the clipboard to be replaced by an electronic tablet of some kind.

FEATURE ARTICLE

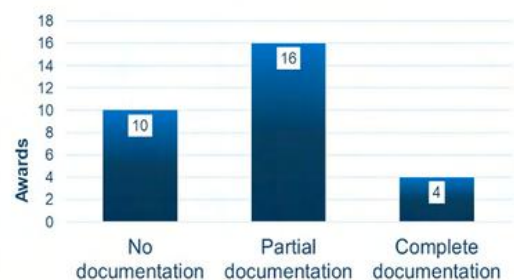
This form of data collection instrument may be of value to auditors when they perform inspections of buildings, inventories, or other physical assets, and helps ensure that a consistent examination is applied to all the cases selected for review. However, data collection instruments may also be used to add rigor to the examination of documents provided by a ministry or department. For example, auditors frequently review progress reports or contracts to ensure that specific legal requirements are met, and it is often possible to create a data collection tool that enables auditors to perform a more consistent examination of the documents. As in the case of semi-structured interviews, there is a tradeoff between additional time in the development stage in return for easier analysis and more powerful results.

As an example, the text on the left is typical of the findings if the review is not conducted in a structured manner. By contrast, if a data collection instrument is utilized and auditors can categorize the quality of documentation into the three categories, the findings could be summarized in a graphic on the right with significantly greater impact.

Figure 5: Typical findings of unstructured reviews vs. use of a data collection instrument (DCI)

Based on our review, we found that the bureau did not document many of its decisions about whether to make awards between FY18 and FY20.

Unstructured review



Review using a DCI

FEATURE ARTICLE

One of the additional advantages of the audit team's development of a data collection instrument is that any steps taken to increase the rigor of evaluation is likely to pay off in other ways. For example, the team would have to clarify exactly what language is required based on the criteria such as the specific conditions that would merit a designation of 'partial documentation' vs. 'complete documentation'. These rules would help ensure consistent application of the criteria and facilitate internal review prior to publication. This kind of rigor would be especially valuable when the auditee takes issue with the findings and asks to see the methodology. Without a rigorous set of decision rules and clear tally of results, the auditee might call for changes to the findings, but with a data collection instrument and clear decision rules, the audit team might even welcome a challenge to the methodology and the findings.

Conclusion

A key element of the ISSAI definition of Performance Auditing is "providing an independent and authoritative view or conclusion based on audit evidence." As a result, any steps that government auditors can take that deliver more powerful evidence should be a high priority of audit organizations. Based on our experience with U.S. and international audit organizations, it appears that a more targeted use of surveys and more frequent use of semi-structured interviews and data collection instruments have the potential to power up audit evidence and maximize the positive impact of audit organizations.



**CENTER FOR
AUDIT EXCELLENCE**

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

A New Handbook Highlights Ways External Audits Can Strengthen Budget Credibility

Authors:

- Claire Schouten (IBP)
- Cora Lea A. Dela Cruz, Josephine B. Manalo, and Paul Jonel Pollicar (Commission on Audit of the Philippines)
- Cynthia Grace Matimba, Ngawa Mphande, and William Chibesa (National Audit Office of Zambia)
- Neemias Albert de Souza and Roberto Santos VÍcter (Federal Court of Accounts of Brazil)
- Maximiliano Castillo Carrillo and Anibal Kohlhuber (Office of the Auditor General of the Nation of Argentina)
- Martin Bamulumbye and Peter Oyo Mugenyi (Office of the Auditor General of Uganda)
- Mouhcine Hanoun and Abedaali Ouissole (Court of Accounts of the Kingdom of Morocco)
- Tsothe Karkashadze and Lasha Kelikhashvili (State Audit Office of Georgia)
- Winarno, Thopan Aji Pratama, Ramadhan Nugraha Putra, and Anisa (Audit Board of The Republic of Indonesia)

Recognizing the significance of budget credibility and the demand for further research and practical guidance on this critical topic, over the last two years Supreme Audit Institutions (SAIs) have collaborated with the Division for Public Institutions and Digital Government of the United Nations Department for Economic and Social Affairs (DPIDG/UNDESA) and the International Budget Partnership (IBP) to develop a handbook for auditors on how their work can contribute to improving budget credibility. The output of this far-reaching effort has been published recently in *Strengthening Budget Credibility Through External Audits: A Handbook for Auditors*.

FEATURE ARTICLE

Why the focus on budget credibility?

A country's budget reflects its agreed priorities and commitments – and should be credible.

Revenue and spending plans presented in the national budget are expected to successfully deliver public services and advance sustainable development priorities. When the budget is implemented as approved by the legislature, the budget is considered “credible.” But, when the budget veers off course, trust in public institutions diminishes and the risk of corruption rises. In acknowledgment of the importance of credible budgets for effective, accountable, and transparent institutions, the global framework monitoring the Sustainable Development Goals (SDGs) has dedicated an indicator (#16.6.1) to measure it.

The urgency of strengthening budget credibility is further emphasized in a recent special report of the Secretary-General of the United Nations, “Progress towards the Sustainable Development Goals: Towards a Rescue Plan for People and Planet”, which points to:

- Multiple crises undermining budget credibility across all regions.
- Budget credibility (as measured via SDG16.6.1) deteriorating and reaching an average deviation of almost 10% for some regions in 2020- 2021.

Lack of credibility of the planning and budgeting system as a whole can compromise the delivery of critical services necessary for the attainment of the SDGs, and more broadly inhibit the transformation towards sustainable and resilient societies.

Supreme Audit Institutions are uniquely well-positioned to contribute to budget credibility

In their role auditing public funds and government policies, Supreme Audit Institutions (SAIs) can help identify deviations from the budget, examine why they are happening, and discern the impact on different groups or across policy areas. Independent, evidence-based, and publicly available audit reports can raise awareness of budget credibility and reveal how it relates to the performance of the country's public financial management (PFM) system and ultimately the achievement of national goals and effective service delivery.

Audits help assess whether the country is meeting international commitments and budget standards. Checking and reporting on the legality and accuracy of public accounts, as well as the credibility of budgets, can be instrumental in governments delivering on their sustainable development promises.

Developing the handbook

When the idea for the handbook emerged in 2020, the literature on public finance management was very sparse on how auditors have contributed to understanding and assessing budget credibility.

FEATURE ARTICLE

Thus, to kickstart this project, UNDESA and IBP released a [report](#) in 2021 to demonstrate how SAIs around the world had addressed budget credibility issues in their audits.

The handbook was developed in collaboration with SAI resource experts from Argentina, Brazil, Georgia, Indonesia, Morocco, the Philippines, Uganda, and Zambia. It has also benefited from the ongoing contributions and feedback from experts from SAI Jamaica, SAI South Africa, and the US GAO.

SAI experts worked together in workstreams, which focused on different methodological approaches to assess budget credibility including: (a) recurrent audits of the state budget execution, (b) audits of the performance of the entire public finance management system or its components, (c) audits of credibility risks across the budget cycle and in specific entities and programs, and (d) monitoring and follow-up to audit recommendations related to budget credibility.

The INTOSAI community has been engaged in the development of the handbook through several activities, including webinars, a survey conducted in early 2022, participation in technical meetings, a side event in the margins of the XXIV International Congress of Supreme Audit Institutions (INCOSAI), and presentations at meetings of relevant INTOSAI groups and regions such as the Working Group on Public Debt and OLACEFS' Commission on SAI Performance Evaluation and Indicators (CEDEIR) to further discuss the contribution of SAIs to assessing and addressing budget credibility.

A critical milestone was the review meeting held in person in New York in June 2022. This provided an opportunity to share the draft chapters and get valuable feedback from experts and auditors on the drafts. The peer review process that followed was extensive and involved over 20 reviewers including experts from SAIs and other organizations.

Launched in July 2023, the handbook aims to share SAI audit practices relevant to assessing issues related to budget credibility and to support SAIs in improving their analyses of the credibility of government budgets. Specifically, the handbook (i) exposes SAIs to how their work can inform analyses of budget credibility; (ii) illustrates how audit work already conducted by SAIs provides insight on budget credibility; (iii) outlines and illustrates key steps that SAIs can contemplate when aiming to assess and address budget credibility; and (iv) shares existing SAI practices and experiences in this area.

The handbook promotes a systematic approach to assessing budget credibility through audits. Ultimately, in strengthening the role of SAIs in this area and advancing budget oversight and credibility within the INTOSAI community, this work strives to enhance budget credibility at the national level.

FEATURE ARTICLE

Contents

Following the Introduction, the handbook is organized into seven chapters:

Chapters 1 and 2 introduce the concept of budget credibility in the context of public financial management systems. These chapters identify several dimensions that can be considered in auditing credibility, and how SAIs may determine whether and how issues related to budget credibility could be audited and reflected in audit plans. These chapters present international standards and diagnostic tools that can be useful for auditors.

Chapter 3 focuses on how to identify and assess risks that relate to budget credibility at the whole-of-government level.

Chapter 4 presents examples of auditing the performance of the public financial management system or some of its processes and institutions. The chapter also presents tools other than audits that are used by SAIs to assess these aspects.

Chapter 5 provides guidance on auditing the execution of the state budget or the year-end accounts on a regular basis. These audits usually have a financial and compliance focus, but some SAIs have started to incorporate performance elements.

Chapter 6 examines budget credibility risks at the entity or program levels.

Chapter 7 focuses on audit reporting and the monitoring and following up to audit recommendations related to budget credibility.

FEATURE ARTICLE

For example, the handbook provides questions for SAIs considering prioritizing budget credibility (Box 2.4 in handbook)

Questions for SAIs to consider when deciding whether or how to prioritize budget credibility:

- Is the budget perceived as credible in the country?
- Is the PFM system performing according to international standards?
- What do aggregate indicators on the credibility of the budget indicate for the country (e.g., PEFA)?
- Has the government prioritized SDG 16.6.1 in its SDG implementation plans/national development plans?
- What might be the sources of budget deviations at the national level?
- Do government entities provide enough information on the rationale for budget deviations?
- Are budget deviations transparent?
- What are the impacts of budget deviations on the quality-of-service delivery?
- Are there indicators that budget deviations exist on the revenue/expenditure side and/or in spending composition?
- Are there indicators that budget deviations are relevant at entity or program levels?

Hands-on chapters

The handbook is practical in nature. Chapters focused on various methodologies to assess budget credibility include:

- A brief summary of the approach
- Relevant standards
- How-to practical steps and procedures
- Examples
- Tools and checklists
- Challenges and recommendations

FEATURE ARTICLE

Practical illustrations

All chapters include practical illustrations from different regions. Selected examples include:

- Analysis of systemic causes of unreliable revenue and expenditure forecasts (Uganda)
- Budget credibility and performance indicators and information (New Zealand, Rep. of Korea)
- Use of the Public Expenditure and Financial Accountability (PEFA) framework to assess budget credibility (Peru)
- Audits of the performance of specific public financial management (PFM) processes, using Risk-Impact-Auditability-Significance (RIAS) method and big data analytics (Indonesia)
- Examples of positive impacts of SAIs auditing the performance of the PFM system (Latvia, Ireland, Egypt)
- Combining financial, compliance and performance audit to assess the year-end accounts (Brazil)
- Audit questions to assess budget credibility risks at program level (Philippines)
- Communication strategy and leveraging information and communications technology (ICT) for monitoring recommendations (Georgia, Indonesia, USA)
- SAI-civil society collaboration improved budget credibility and health sector outcomes (Argentina)

Box 7.13. SAI Colombia and CSOs work together through a practice of articulated audits

In Colombia, the articulated audit (AA) is a practice of participatory fiscal control through which CSOs with deep knowledge about an audited entity support the auditing process of the General Comptroller of the Republic of Colombia (CGR). In essence, the social control action carried out by CSOs articulates with the fiscal control processes run by the CGR.

The CGR and the CSOs bring their priorities to the table and jointly establish monitoring mechanisms. The articulation between the CSOs and the CGR is carried out through at least a couple of meetings. The first is held during the planning stage of the AA, where the CSO provides inputs and makes contributions that are validated by the audit group. The other meeting is held at the end of the process where the final audit report is presented and shared. Informative meetings could also be scheduled during the execution period of the audit at the request of citizens. If required, the CSO may also contribute to the process of collecting information related to the object of the AA.

The CSO provides the citizen's perspective on the work of the audited entity so that the auditors can include it in their financial, compliance or performance analyses.

Source: Marcos Mendiburu, 2020. La participación ciudadana en las entidades fiscalizadoras superiores en América Latina: avance o impasse?, p. 43-44 <https://www.rendiciondecuentas.org.mx/wp-content/uploads/2020/05/PANORAMA-mayo2020.pdf>

Illustrative Examples from the Handbook

FEATURE ARTICLE

Numerous tables and annexes provide useful tools such as checklists, sample audit questions, and audit planning matrixes, among other resources.

The handbook is a living document that will benefit from inputs from different stakeholders and from the practical experience of auditors using the handbook in their audit work going forward.

Moreover, it provides a shared understanding of budget credibility for SAIs and other stakeholders, such as budget officers. The existence of common methods, shared premises and the same language is critical to strengthening collaboration between SAIs and other actors, and to creating institutional spaces where joint efforts can help strengthen budget oversight and accountability.

ANNEX 6.2. Self-checklist for assessment of budget credibility risks at program/entity level						
Entity audited		:				
Program/Project/Activity/Accounts Audited		:				
Period covered		:				
Auditor/Names of Audit Team Members		:				
Activities / Questions		Yes	No	NA	Remarks	Audit WP Reference
Mandate and independence of the SAI to conduct budget credibility audit						
1	The SAI is free from direction and interference in the selection of audit issues, planning, conduct, reporting, and follow-up of their audits (ISSAI 10:3).					
2	There is a law that provides the SAI with unrestricted right of access to records, documents, and information (ISSAI 1:10).					
3	The SAI has the right to decide which information it needs for its audits (ISSAI 1:10).					
4	The SAI staff have the right of access to the premises of audited bodies in order to do the fieldwork the SAI deems necessary. (ISSAI 1:10).					
Selecting audit topic						
5	Budget credibility audits are included in the SAI's strategic audit plan for the year.					
6	In case the SAI does not specify the budget credibility area as a priority theme in its audit plan, there are specific sectoral/office audit instructions from appropriate officials within the SAI.					
7	The SAI has undergone the process of understanding the risk factors for critical areas for audit (sectoral programs and government-wide activities).					
8	The SAI determined the selection criteria in determining the audit topic.					

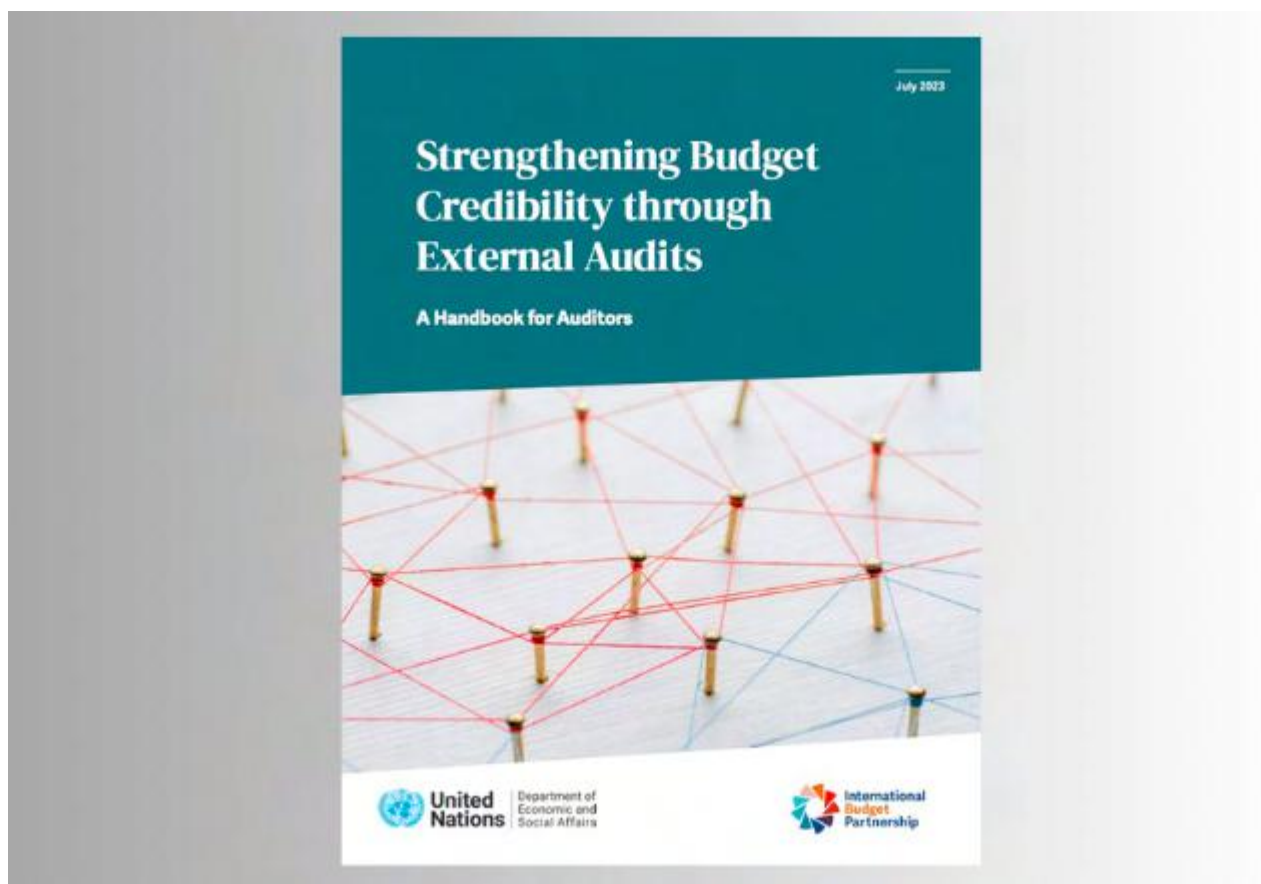
A sample of a checklist from the Handbook

FEATURE ARTICLE

Going forward

The launching of the handbook culminates a joint effort but also marks the beginning of new activities to enhance budget credibility and the contribution of SAIs and auditors. There are various opportunities to put the handbook in practice going forward.

- Piloting the handbook: engage with the INTOSAI community and other stakeholders and collaborate with SAIs to integrate credibility into audit planning and to conduct audits on budget credibility, using different approaches.
- Promoting peer learning: develop training contents and products, and support knowledge-sharing and mutual support and collaboration among SAIs and with other stakeholders on budget credibility audits.



Cover image: Vlad Bashutskyy, Shutterstock

Assessment of the Maturity and Impact of Tax Incentives for Regional Development: Application of the Control Framework for Public Policies and Impact Assessments

Authors: Marcos Araújo Mortoni Silva and Rafael Encinas

Background: Audited Public Policy

In 2022, the Brazilian Court of Audit (TCU) and the Comptroller General of the Union audited the Automotive Regional Development Policies (PADR) of the Brazilian government. These policies, created in the late 1990s, granted tax credits to automobile manufacturers that established factories in less developed regions of Brazil.

The PADR costs R\$5 billion per year in tax benefits and currently benefits four companies, which have factories located in the cities of Goiana and Belo Jardim, in the state of Pernambuco, and Anápolis and Catalão, in the state of Goiás.

Objectives and Audit Questions

The audit was structured to allow for a comprehensive opinion on the current situation of the PADR regarding its maturity as public policies and their results. Figure 1 presents the analytical framework and audit questions that were developed for the work.

FEATURE ARTICLE

Figure 1 – Analytical framework of the PADR Audit

Analytical Category	Objective	Scope Range	Audit Questions
Public policy maturity	Carry out a complete analysis of the PADR, covering all the main aspects of formulation, implementation and evaluation of public policies.	Problem definition, agenda setting and decision making	<ol style="list-style-type: none"> 1. Have the causes and consequences of the public problem been investigated, characterized, evidenced, and do they keep logical coherence? 2. Are the reasons that motivated state decision-makers and pressure groups on behalf of the PADR, as well as the agents who took the decision to approve these policies, clearly highlighted?
		Design and institutionalization	<ol style="list-style-type: none"> 3. Were the PADR formulated based on evidence that demonstrated its ability to address public problems at the lowest cost to society? 4. Were the PADR designed with a clear theory, logical model, objectives and indicators, goals and deadlines? 5. Were the PADR instituted in a normative act of suitable level and in compliance with the principles of Public Administration?
		Governance and Management (design and implementation)	<ol style="list-style-type: none"> 6. Have the PADR governance and management structures necessary for the general direction, operation and risk management and internal controls of the policies been institutionalized, in a coherent and integrated way, and do they work? 7. Have the PADR governance and management structures necessary for policy monitoring and evaluation been institutionalized, in a coherent and integrated way, and do they work?
Outcomes of public policies	Analyze if the PADR have proven to be effective in addressing the causes that prevent the necessary socio-economic development in the North, Northeast and Midwest regions	Outcomes in regions where PADR were implemented	<ol style="list-style-type: none"> 8. Have the PADR promoted decentralization of the automobile industry, encouraging investments in production and research and development (R&D), making up for the natural disadvantages of the eligible regions by settling in locations most in need of investments, or benefiting from locations already provided with infrastructure capable of attracting investment without state aid? 9. Did the PADR promote the local development of the regions where automotive factories were settled, by expanding and qualifying the labor market and leading to a greater local income?

Findings

The audit found that:

- a) The PADR were not formulated based on a prior and consistent diagnosis of a public problem, which made it difficult to define objectives and analyze alternatives to determine the most efficient approach to addressing the causes of a public problem. As a result, the PADR currently lack a logical framework, failing to demonstrate how they will address the causes of a public problem at the lowest possible cost.
- b) The key roles of direction, supervision, and coordination of implementation, monitoring, and ex-post evaluation processes were not established for the policies and are not being performed, leaving the PADR in an inert state, with the federal government unaware of their results. This condition hampers the accountability of these policies, as the executive branch fails to present taxpayers with the performance of the PADR and its responsibility for them.
- c) The more than R\$50 billion spent on the PADR since 2010 did not bring significant socio-economic improvements to the territories where the beneficiary car factories are located, resulting in a high cost per job created.

FEATURE ARTICLE

Methodology and Analytical Framework

Policy Maturity

The development of the questions and procedures for the analysis of policy maturity in the PADR was based on the methodological and material foundations of the Control Framework for Public Policies (RCPP) of the TCU, which was also developed based on INTOSAI ISSAI 100, 300, 3000, and 3100. The RCPP presents an analytical rationale structured in control blocks (Figure 2), designed in line with the phases of the policy cycle, providing a conceptual basis and a toolkit for guiding public policy analyses (Figure 3).

Figure 2 – Analytical structure of the RCPP and policy cycle

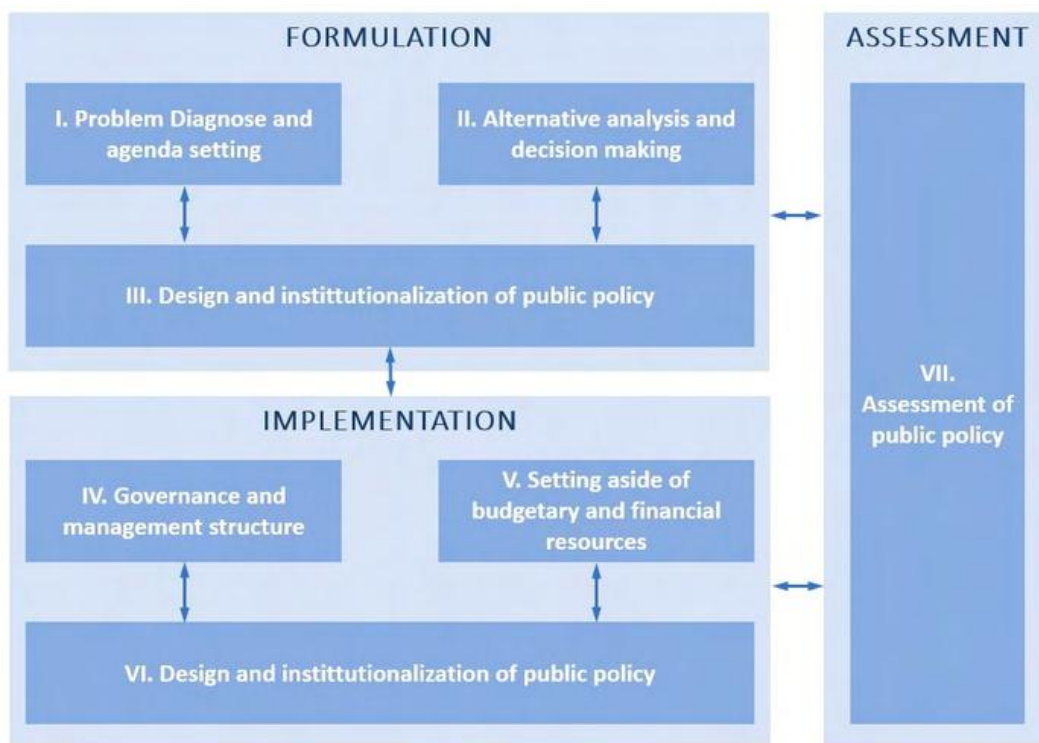


Figure 3 – RCPP – toolkit for public policy analysis

GROUPS OF CONTROL	
	benchmarkings
	audit criterias
	audit questions
	checklist
	audit project

FEATURE ARTICLE

The RCPP served as an integrating reference for relevant analytical and methodological perspectives in public policies in the audit of the PADR, facilitating dialogue between the team and the internal supervisors and decision-makers of the TCU on common ground. In addition, since incentives and constraints influence agents in their decisions, the audit was innovative and also considered this context in the analysis of the PADR.

Thus, consolidated perspectives from the literature, such as public choice theory and agency theory, were adopted for the formulation of questions, analysis of responses, and justification of the characterization of the causes and effects of the audit findings. This analytical framework was highly useful in demonstrating the material relevance of accountability for the effectiveness of governments in public policies.

Impact Assessment

To assess the impact of the PADR, the Synthetic Control Methodology, proposed by Abadie and Gardeazabal (2003), was used. According to Abadie (2021, p. 392), the method was developed to estimate the effects of aggregate interventions, i.e., interventions that are implemented at an aggregate level, affecting a small number of large units (such as cities, regions, or countries), on an outcome of interest. According to Athey and Imbens (2017, p. 9), it is “arguably the most important innovation in the policy evaluation literature in the last 15 years.”

The method is primarily used in comparative case studies, comparing the evolution of the outcome variable in the unit that received the government intervention with a set of untreated units that, when combined into a synthetic unit, form the counterfactual of the treatment unit.

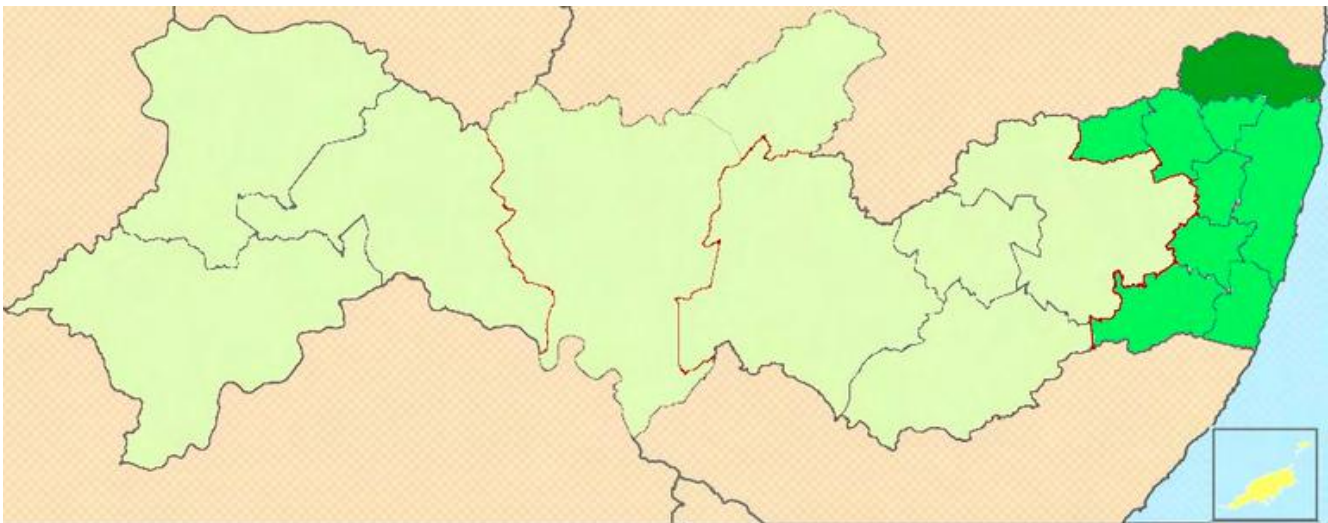
Although the PADR currently benefits four automotive factories, the impact assessment was only possible for a factory inaugurated in 2015 due to data availability, as the national indicator databases did not have information prior to the inauguration of the other factories.

FEATURE ARTICLE

In Brazil, municipalities are grouped into two levels of regions (IBGE, 2017): immediate and intermediate. Immediate regions are characterized by integration into the urban network, based on nearby urban centers that satisfy the immediate needs of the populations. Intermediate regions correspond to an intermediate scale between the federal unit and the immediate region, delimited by the inclusion of metropolises, regional capitals, or representative urban centers for a set of immediate regions (IBGE, 2017, p. 20). Both types of regions were defined as the territory for impact assessment.

Figure 4 shows the map of the state of Pernambuco with the division of its immediate and intermediate regions. The immediate region where the evaluated factory was installed is the region shaded in dark green, composed of eleven municipalities and a population of approximately 350,000 inhabitants. The light green-shaded region is the intermediate region, which encompasses the immediate region of the factory, consisting of 72 municipalities, with a total population of 5.7 million.

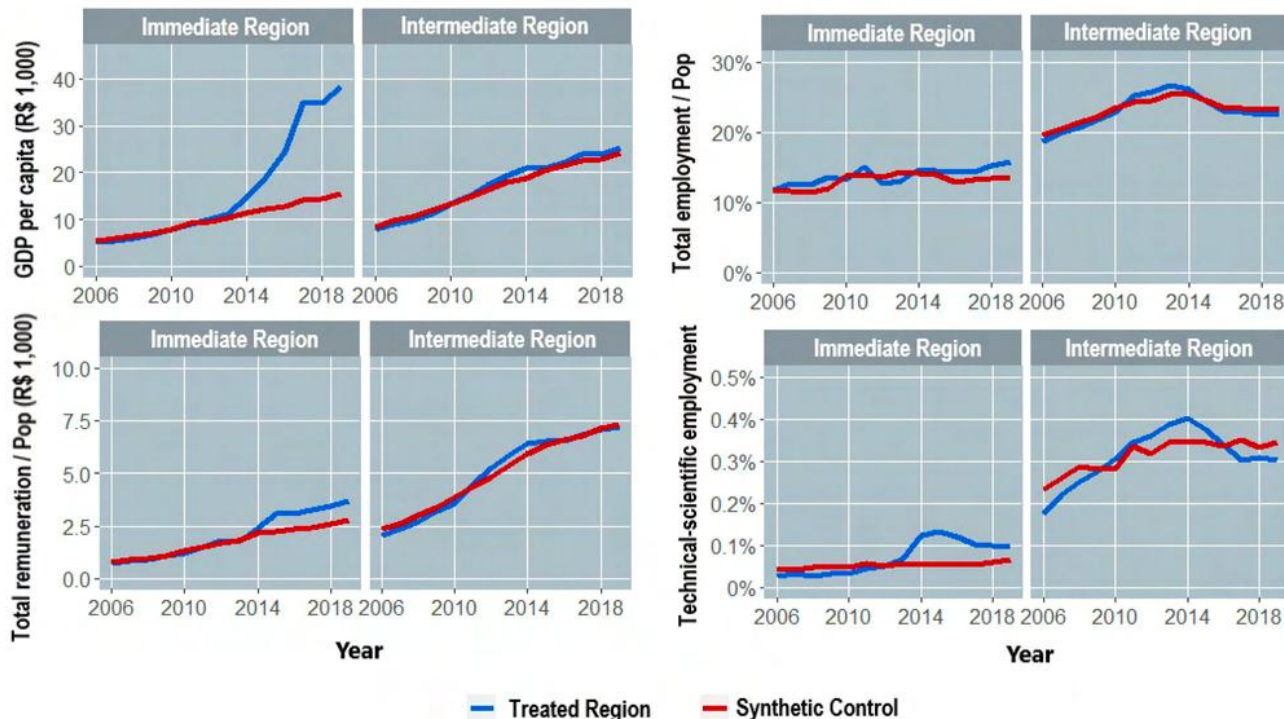
Figure 4: Map of the state of Pernambuco, with the immediate and intermediate regions where the factory was installed



The synthetic control evaluation indicated a significant impact on per capita GDP, total employment, technical-scientific employment, and total remuneration in the immediate region that benefited from the PADR, but no impact in the intermediate region, as shown in Figure 5.

FEATURE ARTICLE

Figure 5: Results of the synthetic control analysis for per capita GDP, total employment, total remuneration, and technical-scientific personnel



In the case of total employment, the proportion to the population in the treated immediate region reached 14.64% in 2019, while in the synthetic control, it was 11.4%. The difference of 3.24% over the population of the region corresponds to 11,258 jobs generated.

In 2019, the factory received R\$4.6 billion (USD 1.1 billion) through tax incentives, which corresponds to R\$388 million (USD 92.4 million) per month, resulting in a monthly cost of the policy per job created of R\$34,000 (USD 8,100), a high cost considering the national minimum wage of R\$998 (USD 238) or the amounts transferred by other social programs, such as Bolsa Família, which averaged R\$186 (USD 44).

The results of the impact assessment were supported by employment generation data from national records, which indicated low job creation in other sectors of the economy, with a migration of jobs to the automotive sector. Furthermore, information on the factory's input purchases showed that only 6% of suppliers were from the target regions of the policy, while 94% were acquired from companies in more developed regions.

FEATURE ARTICLE

The conclusions are aligned with studies from multilateral organizations such as the OECD (2015) and the World Bank (Kronfol & Steenbergen, 2020), which state that tax incentives alone do not have the ability to attract investments, as other factors are equally or more important in the decision-making process of private agents.

Applicability in Audits

The maturity analysis of public policies adopted in the audit of the PADR can be replicated by Supreme Audit Institutions (SAIs), with contextualizations as necessary.

The applicability of the content of the RCPP needs to be verified on a case-by-case basis, as its criteria are largely based on Brazilian legal frameworks, as well as the competencies and jurisprudence of the TCU. On the other hand, the analytical framework of the RCPP and its toolkits, developed based on the phases of the policy cycle, can be fully replicated by SAIs, being useful for the assembly of audits aimed at a comprehensive analysis of public policies.

The adoption of theoretical perspectives that consider the behavior of agents can also be replicated for the maturity analysis of policies. In this case, not as a normative compliance criterion, but as a scientific basis to guide investigative perspectives and explain the causes of findings in audits of public policies.

The impact assessment conducted in the audit of the PADR can also be used in audits that evaluate public policies in various sectors. The synthetic control method allows for the construction of a counterfactual in case studies, so that the impact of health, education, economic development, environmental, and other policies on large aggregates such as municipalities, states, or countries can be evaluated.

References

1. Abadie, A. (2021, June 1). Using Synthetic Controls: Feasibility, Data Requirements, and Methodological Aspects. *Journal of Economic Literature*, 59(2), 391–425. <https://doi.org/10.1257/jel.20191450>.
2. Abadie, A., & Gardeazabal, J. (2003, February 1). The Economic Costs of Conflict: A Case Study of the Basque Country. *American Economic Review*, 93(1), 113–132. <https://doi.org/10.1257/000282803321455188>.
3. Athey, S., & Imbens, G. W. (2017, May 1). The State of Applied Econometrics: Causality and Policy Evaluation. *Journal of Economic Perspectives*, 31(2), 3–32. <https://doi.org/10.1257/jep.31.2.3>.
4. Instituto Brasileiro de Geografia e Estatística (IBGE) (2017). *Divisão Regional do Brasil em Regiões Geográficas Imediatas e Regiões Geográficas Intermediárias 2017*. IBGE, Rio de Janeiro.
5. Kronfol, H., & Steenbergen, V. (2020, January 1). Evaluating the Costs and Benefits of Corporate Tax Incentives: Methodological Approaches and Policy Considerations. *Finance, Competitiveness and Innovation in Focus*. World Bank, Washington, DC. <https://doi.org/10.1596/33433>.
6. Organisation for Economic Co-operation and Development (OECD) (2015), *Policy Framework for Investment 2015 Edition*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264208667-en>
7. Tribunal de Contas da União. (2020). *Referencial de Controle de Políticas Públicas (1st ed.)*. <https://portal.tcu.gov.br/referencial-de-controle-de-politicas-publicas.htm>



The Australian National Audit Office Develops Methodology for Auditing Ethics

Author: Australian National Audit Office

The importance of ethics in government programs has been highlighted in multiple Australian National Audit Office (ANAO) audits, particularly those examining procurement and grants administration. The lack of adequate documentation and records to support the rationale for decisions made and actions undertaken by audited entities is a consistent theme.

In his mid-term report, Auditor-General Grant Hehir identified the ANAO's consideration of ethics as an area for improvement, and pointed to the need to develop a framework and methodology for assessing the ethical use of public resources, in addition to looking at technical compliance with rules and policy frameworks.

A Framework for Auditing Ethics

The ANAO consulted with the Australian Public Service Commission and the Department of Finance to develop a framework for auditing ethics based on existing Australian Government Sector ethical requirements.

FEATURE ARTICLE

The ANAO defines the Australian Government Sector ethical framework as:

- The legal framework applicable to the entity being audited. The legal framework applying to all Australian Public Service (APS) agencies comprises the finance law and the law governing the operation of the APS including the APS Values and Code of Conduct.
- Activity-specific frameworks (that is, key public sector resource management frameworks for specific Australian Government activities such as the Commonwealth Grants Rules and Guidelines and the Commonwealth Procurement Rules).
- Government Policy Orders, which are orders made by the finance minister under finance law that specify a policy of the Australian Government that is to apply to the entity being audited.
- Entity-specific frameworks, which may include, for example, the entity's policies, guidelines and procedures.

The selection of the appropriate elements of the ethical framework to apply to an audit will depend on the type of entity being audited, the type of audit and any circumstances unique to the activity being audited.

The Australian Parliament has established requirements in the Public Governance, Performance and Accountability Act 2013 (PGPA Act) including to require the Commonwealth and Commonwealth entities to use and manage public resources properly (section 5). The accountable authority for an entity responsible for relevant money has a duty under section 15 of the PGPA Act to promote the proper use of the money for which the accountable authority is responsible. 'Proper', when used in relation to the use or management of public resources, means efficient, effective, economical and ethical (section 8). The ANAO assesses all aspects of the proper use of resources, with effectiveness being the most common of these objectives examined.

The Department of Finance PGPA Glossary defines ethical as:

- the extent to which the proposed use of public resources is consistent with the core beliefs and values of society. Where a person behaves in an ethical manner it could be expected that a person in a similar situation would undertake a similar course of action. For the approval of proposed commitments of relevant money, an ethical use of resources involves managing conflicts of interests, and approving the commitment based on the facts without being influenced by personal bias. Ethical considerations must be balanced with whether the use will also be efficient, effective and economical.

FEATURE ARTICLE

The Australian Parliament has also established, through the [Public Service Act 1999](#) (PS Act), the APS Values set out in section 10. Subsection 10(2) states that: 'The APS demonstrates leadership, is trustworthy, and acts with integrity, in all that it does'. The APS Commissioner has made directions under the PS Act including in subsection 16(f) requiring accountability of APS members by 'being able to demonstrate clearly that resources have been used efficiently, effectively, economically and ethically'. A mandatory code of conduct is set out in section 13 of the PS Act for APS employees.

In conducting performance audits of entities, the ANAO obtains evidence to inform an assessment of whether the audited entity executes its activities in accordance with the requirement to promote proper use of public money. Findings may be made as to whether the use or management of public money was efficient, effective, economical and ethical. In forming an overall conclusion in a performance audit, the ANAO may also form a view on whether the entity's activities have been executed in accordance with both compliance with the Rules framework and the intent of that framework, including the requirements of the PS Act for the APS (the entity) to act with integrity in all that it does.

Where ANAO findings or a conclusion are made as to whether the use or management of public resources by the entity has been ethical, it is a matter for an accountable authority to assess whether the audit findings in the particular case reflect the broader posture of the entity or relate to individual APS staff conduct.

PGPA Act requirements, including ethical requirements, directly inform key public sector resource management frameworks for specific Australian Government activities addressed through performance audits.

These frameworks contain ethical requirements specific to the activity they regulate. Examples of such frameworks include the Commonwealth Procurement Rules and the Commonwealth Grants Rules and Guidelines. Commonwealth entities may also be subject to one or more Government Policy Orders, which are orders made by the finance minister under the finance law that specify a policy of the Australian Government that is to apply to the entity being audited. Finally, the ANAO may also audit against the audited entity's specific frameworks, such as policies, guidelines and procedures that establish ethical requirements.

A Methodology for Auditing Against the Framework

While methodologies for internal audits of ethics and entity culture are well documented, both within and outside of Australia, such methodologies for independent audits of ethics in public sector entities are not readily available. The ANAO consulted with the Institute of Internal Auditors Australia to help inform the development of practical guidance on auditing against the Australian Government Sector Ethical Framework.

There are three scenarios included in the methodology under which ANAO performance audits may include consideration of ethics: effectiveness audits of ethical frameworks; audits with specific ethical criteria; and audits which include consideration of ethics in findings.

The objective of an effectiveness audit of ethical frameworks is to examine the effectiveness of the establishment or implementation of the Australian Government Sector ethical framework by the audited entity or entities. This type of audit incorporates aspects of audits of effectiveness of governance frameworks, compliance with ethical frameworks and organisation culture.

FEATURE ARTICLE

Audits with specific ethical criteria have a narrower focus and consider specific matters such as compliance with ethical requirements as one of the criteria in a performance audit, which is also considering effectiveness, efficiency or economy. For example, in an audit considering effectiveness of a procurement, the ethics of decision-making in the conduct of public administration, the provision and consideration of advice, and evidence and management of conflicts of interest and probity may also be considered. This type of audit would conclude on whether the procurement was ethical, as well as effective and economical.

In audits which include consideration of ethics in findings, there are no specific criteria regarding ethics, but during the course of the audit as findings relating to effectiveness, efficiency or economy are made, there is consideration of whether those findings also indicate unethical conduct.

The methodology also provides a framework for applying the ethics methodology to any performance or financial audit throughout the typical phases of an audit i.e. assessing and responding to the risk of ethical matters on the audit, assessing if findings are of an ethical nature, assessing the materiality of ethical findings, the impact of ethical findings on the overall audit strategy and risk assessment, reporting ethical findings, and the impact of ethical findings on the audit conclusion.

Following further consultation, both broadly within the ANAO, and externally with those previously consulted as well as the Office of the Auditor-General New Zealand, the ANAO's framework and methodology for assessing the ethical use of public resources were finalised in November 2022.

Recent Audits with Ethical Considerations

As the ethics methodology was being developed, the ANAO continued to assess all aspects of the proper use of resources. In some audits where instances of non-compliance with key ethical behaviour requirements were identified, the ANAO included an appendix to the audit report summarising these key requirements and the findings raised. The first example of such an audit is [Digital Transformation Agency's Procurement of ICT-Related Services](#), including Appendix 3 Ethical behaviour requirements. In this audit, the ANAO concluded that for the procurements examined, the entity did not conduct the procurements effectively and its approach fell short of ethical requirements. Findings included conflicts of interest not being identified and managed by officials involved in procurement, the entity not dealing with potential suppliers equitably, and a senior entity official accepting a gift from a supplier.

More recently, the [audit of the Department of Health and Aged Care's administration of the Community Health and Hospitals Program](#) was found to be ineffective and fell short of ethical requirements. In this audit, the ANAO found several instances of non-compliance with the requirement in the Commonwealth Grants Rules and Guidelines to ensure that decisions relating to grant opportunities are impartial, appropriately documented and reported, publicly defensible, and lawful.

FEATURE ARTICLE

The Future of Auditing Ethics

With the methodology finalised, the ANAO is signalling its intent to start applying greater scrutiny to the public sector for the ethics of their decisions. It has been noted in the ANAO's Corporate Plan 2022-23 and Annual Audit Work Program 2022-23. Implementation of ethical frameworks in APS Agencies is listed as a potential audit topic in 2022-23. The Auditor-General and staff of the ANAO have also presented at several external forums, including the Audit Committee Chairs Forum in December 2022. At this forum, the Auditor-General presented insights on integrity and ethics, and the ANAO also facilitated a panel discussion and Q&A titled 'Spotting ethical red flags in procurement'. At the International Meeting of Performance Audit Critical Thinkers (IMPACT) in April 2023, the ANAO moderated a panel discussion on 'ethical and integrity challenges in Government'. The panellists were John Ryan, Controller and Auditor-General, Office of the Auditor-General, New Zealand/Secretary General of PASAI; Dr Gordon de Brouwer PSM, Secretary for Public Sector Reform, Australia; and Daniele T Bird, Partner, EY Australia.



John Ryan, Controller and Auditor-General of New Zealand, Dr Gordon de Brouwer PSM, Secretary for Public Sector Reform and Daniele T Bird, Partner EY Australia leading discussions on ethical and integrity challenges in Government at the International Meeting of Performance Audit Critical Thinkers (IMPACT) in Canberra, Australia in April 2023. Picture: Gary Ramage

FEATURE ARTICLE



CANBERRA, AUSTRALIA – APRIL 19, 2023: The IMPACT 2023 conference was held at the Realm Hotel in Canberra. Picture: Gary Ramage

An ethics panel discussion involving several senior ANAO staff featured in LearnFest – the ANAO’s annual whole-of-office festival of capability, continuous learning, community and culture – held in November 2022. Training on the methodology has been provided to all ANAO auditors in the first half of 2023. It is hoped that greater scrutiny in the area of ethics will help ensure that the public sector is looking beyond technical compliance and operating in line with the intent of established rules and frameworks, alongside community expectations of integrity. A culture of integrity in an organisation flows from the standards set by its leaders.



Source: Adobe Stock Images, Alek

Evaluation of Information Quality From the User's Perspective

Authors: Klauss Nogueira; Rafael Albuquerque da Silva; and Tiago Menegardo, auditors of the Specialized Information Technology Audit Unit of TCU (Brazilian Federal Court of Accounts).

This article presents a methodology to assess the effective transparency of information published on public entities' portals. It considers not only the mere availability of information but also quality requirements of information, such as timeliness, completeness, conciseness, accuracy, clarity, reliability, accessibility, and relevance.

The methodology involves evaluating the perception of information users, as the value of information depends on the user and the context in which it is considered.

The mentioned methodology was applied in an audit conducted by the Brazilian Federal Court of Accounts (TCU) between 2020 and 2021. This audit evaluated the portals of the Ministry of Health, the Chamber of Deputies, and the TCU itself.

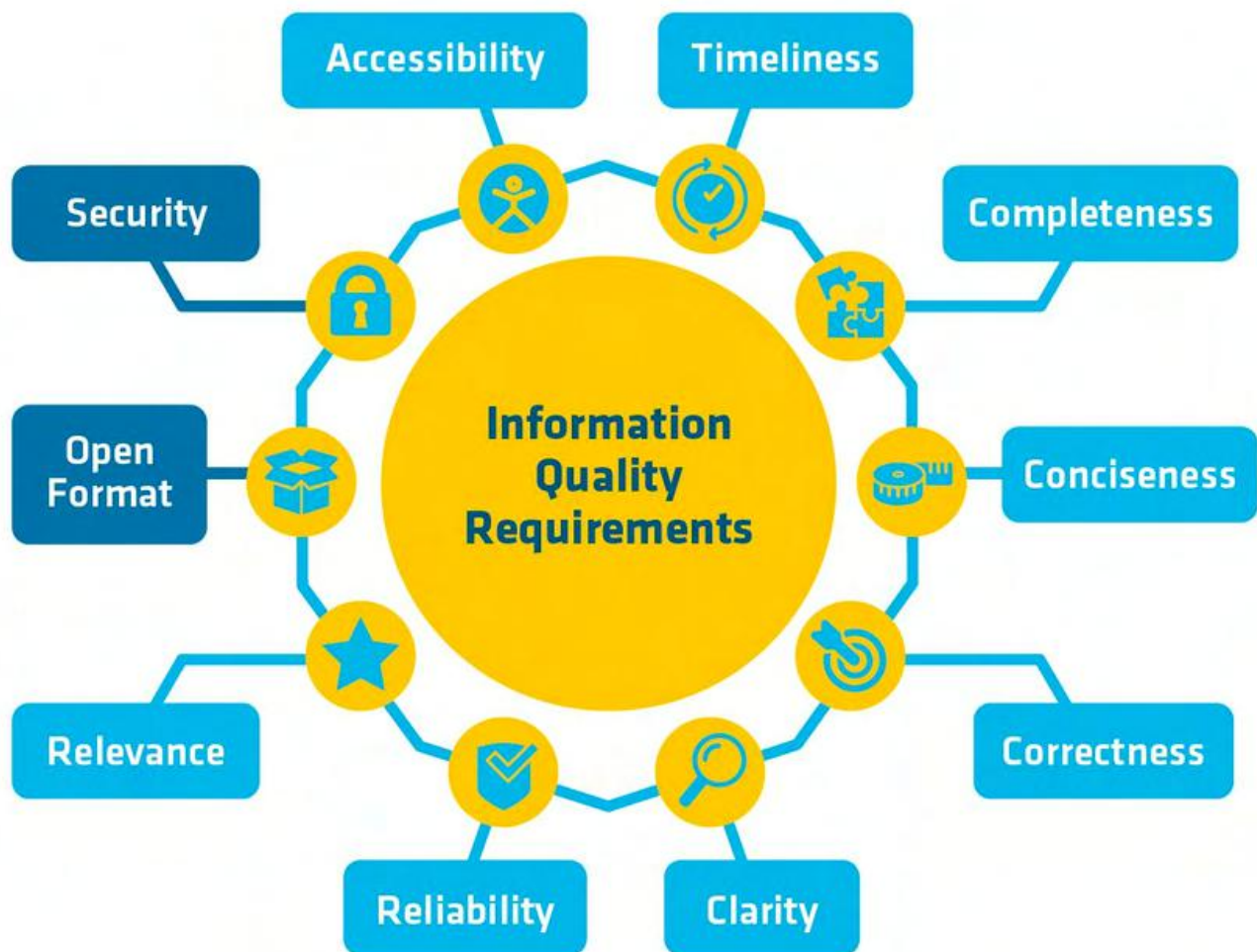
FEATURE ARTICLE

Quality Requirements of Information

Quality requirements of information are characteristics that can be used for analysis and measurement of information quality, considering subjective and objective aspects. This includes characteristics related to the information itself and those related to its use.

Therefore, since information is subject to various criteria by which its quality can be assessed, it was essential to quantify the value of the information through evaluating its quality requirements to verify the effectiveness of the provided information.

Consequently, after analyzing information science academic studies and the Enabling Information reference guide from Cobit 5, the following information quality requirements were adopted: timeliness, accessibility, clarity, correctness, reliability, conciseness, relevance, open format, security, and completeness.



FEATURE ARTICLE

However, since the audit's objective was to verify the real usefulness of the information from the users' perspective, the security attribute was not effectively assessed from that standpoint. It was evaluated using a self-assessment questionnaire on security, as conducted by the respective organizations, which is beyond the scope of this article. Similarly, the "open format" requirement, being more technical, was evaluated by the audit team itself using a specific evaluation model.

Methodology

The evaluation started by selecting the portals based on input from representative groups of society, such as business entities, government entities dealing with public data, social control organizations, consumer protection institutes, and researchers working with public data. After the consultation, 192 portal pages containing important information for these entities were listed, and the portals of the Ministry of Health, the Chamber of Deputies, and the TCU were the most cited.

The audit team then met with each portal's managers to understand the information publishing process and the existence of procedures to ensure information quality.

Data Collection

To gather user perceptions regarding information quality, the audit team used two testimonial data collection techniques: focus groups and a survey with an evaluation questionnaire.

Focus Groups

The focus groups involved specialized users of the evaluated portals, such as journalists, lawyers, researchers, and representatives from social control entities, among others. The goal was to discuss the quality of information published on the portals from their professional perspective.

Survey with Evaluation Questionnaire

An evaluation questionnaire was designed to quantify the value of information published on the portals concerning the chosen quality requirements. The respondents could provide their perceptions and feedback through both rating scales and free-text responses.

FEATURE ARTICLE

The questionnaire included the following questions related to various aspects of information quality:

- The way to find and obtain information on the portal is simple and uncomplicated (**Accessibility**).
- The information and data found on the portal are relevant and meet your needs (**Relevance**).
- The information found on the portal is easy to understand and interpret (**Clarity**).
- The information and data found on the portal are correct, i.e., free of errors such as grammatical and spelling mistakes, incorrect symbols, values, and units, etc. (**Correctness**).
- The information found on the portal is complete, meaning there is all the necessary and sufficient data to make it useful (**Completeness**).
- You trust the information and data found on the portal to make decisions or perform tasks (**Reliability**).
- The information found on the portal is sufficiently up-to-date (**Timeliness**).
- The information and data found on the portal are presented concisely, meaning they have an appropriate level of detail and do not contain unnecessary elements (**Conciseness**).

The survey respondents were mainly reached through collaboration from the portal managers, who published notes and news on their portals and official social media accounts, encouraging users to participate.

Results

The data collected from users indicated that important quality requirements established in legislation and best practices were not fully met by the portals of the TCU, the Chamber of Deputies, and the Ministry of Health, potentially compromising users' effective utilization of the published information.

Some issues highlighted were difficulties in locating certain information, inadequate timeliness, lack of conciseness, and insufficient data for usefulness.

However, overall, users believed that the portals information was relevant, clear, correct, and reliable.

FEATURE ARTICLE

In addition, interviews with the portal managers revealed that there was no internal process for evaluating the quality of published information, considering the audited quality requirements and involving user feedback.

Conclusion

The evaluation of effective transparency of information on public entity portals must not neglect information quality requirements, such as timeliness, completeness, conciseness, accuracy, clarity, reliability, accessibility, and relevance.

It must also consider the users' perception of the information since the value of information depends on the user and context.

The evaluation should involve different user groups, including the general public, experts, academics, professionals related to the portal's field, journalists, decision-makers, people with limited experience in consuming information, among others.

By the way, it should be clarified that the selection of other different criteria to assess information quality, as well as the choice of another data collection methodology and evaluation, are feasible. This makes the work easily replicable by other public audit organizations.

Finally, besides fostering the debate on the subject, it is understood that ensuring the information published on public entities' portals follows information quality requirements can contribute to disseminating useful information to society, facilitating the effective exercise of social control, as well as combating the spread of fake news.

Beyond its direct applications in audits, this methodology's adoption can spark valuable discussions and positive changes within the realm of public information dissemination. By emphasizing the importance of adhering to information quality requirements, SAIs can contribute to the dissemination of reliable and valuable information to society at large. This not only aids in the effective exercise of social control but also plays a pivotal role in countering the proliferation of false information and misinformation. As the debate surrounding information quality gains momentum, this methodology can act as a catalyst for broader improvements in transparency and accountability practices across various sectors.

The full report of this audit can be found at tcu.gov.br by searching for: "ACÓRDÃO N° 878/2022 – TCU – Plenário; TC 037.554/2020-4", or requested from klaussho@tcu.gov.br

Boost the Impact of Your Performance Audits: Building Blocks for a Theory on the Impact of Supreme Audit Institutions

Author: Prof. Dr. Sjoerd Keulen, Strategic Advisor, Netherlands Court of Audit and Professor by special appointment on Public Audit, Policy evaluation and Accountability on the Netherlands Court of Audit endowed chair at Leiden University.

This article has been written in a personal capacity. The survey was conducted as independent academic research and not performed under the NCA's mandate.

Introduction

Many Supreme Audit Institutions (SAIs) have in recent decades adopted performance auditing as one of their main tasks. Performance audits extend a SAI's role from main public auditor to judge, jury and even management consultant. INTOSAI has promoted performance auditing as a method to establish the economy, effectiveness and efficiency of government policy ('the 3Es') and a means to strengthen government accountability and transparency.

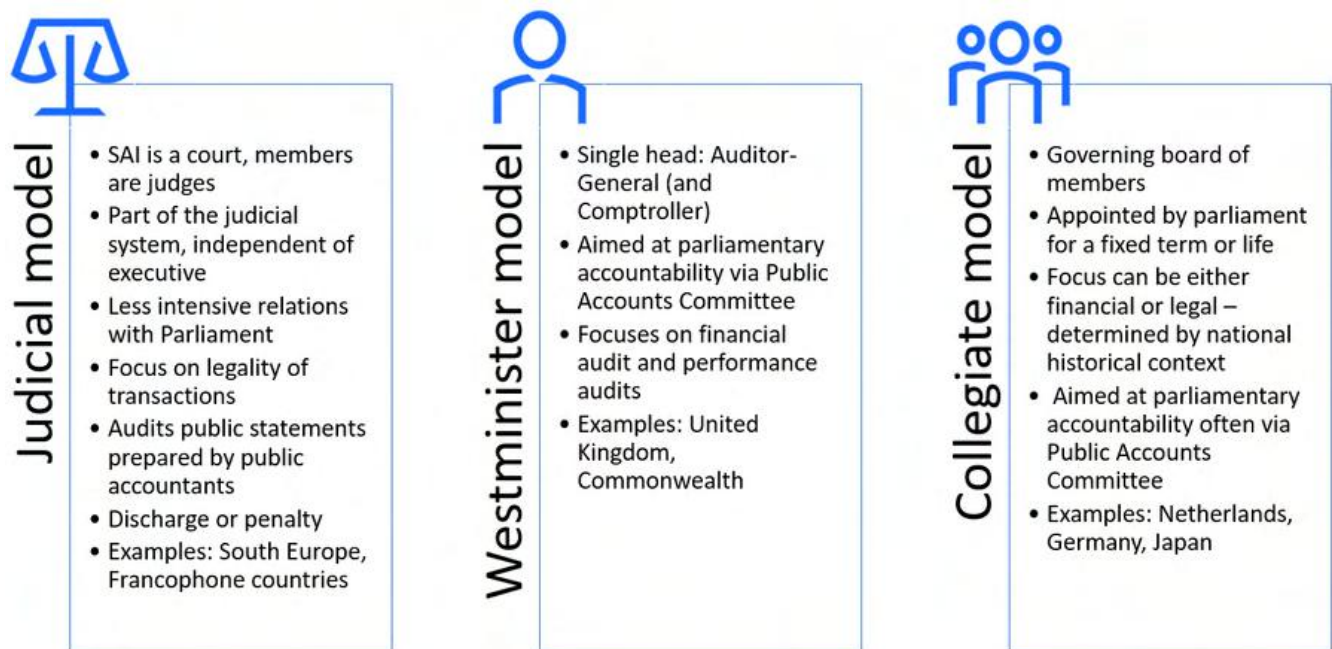
However, some critics say performance audits have not lived up to expectations, but have become a hollow ritual or led to nitpicking. The available evidence on the impact of performance audits is indeed ambiguous. Firstly, the wide range of audit designs makes comparisons difficult (Rana et al., 2022). Secondly, not all SAI governance models have been analyzed quantitatively and there is no evidence regarding the collegiate model, such as that at the Netherlands Court of Audit (NCA).

FEATURE ARTICLE

To assess the impact of the NCA's performance audits of central government, we surveyed the performance audits carried out at all ministries in the Netherlands between 2018 and 2021. We used a scientifically validated survey that has been applied in Canada (Morin, 2014) and Belgium (DeSmedt et al., 2017), conducted by Valérie Pattyn and Minya Chan of Leiden University. Since the survey uses the impact model of Van Loocke and Put (2011), which lies at the heart of many quantitative studies of the impact of performance audits in different parts of the world, it can provide building blocks for a theory on the impact of SAI performance audits.

Before turning to the building blocks, we first explain the impact factors of performance audits and then present the key findings of the Dutch survey before providing the building blocks for a theory on impact.

Figure: The three governance models of Supreme Audit Institutions



Factors that Facilitate Impact

Impact lies at the heart of a SAI's work, but 'impact' is a broad term with a range of meanings that need conceptualizing. The impact of performance audit is 'the direct or indirect effect or influence that a SAI can have as a result of its performance audit work on the practices, performance, and culture of the audited entity' (Lonsdale 1999, p. 171). There are generally thought to be three types of impact: instrumental, conceptual and strategic. These types of impact are non-exclusive and can overlap.

FEATURE ARTICLE

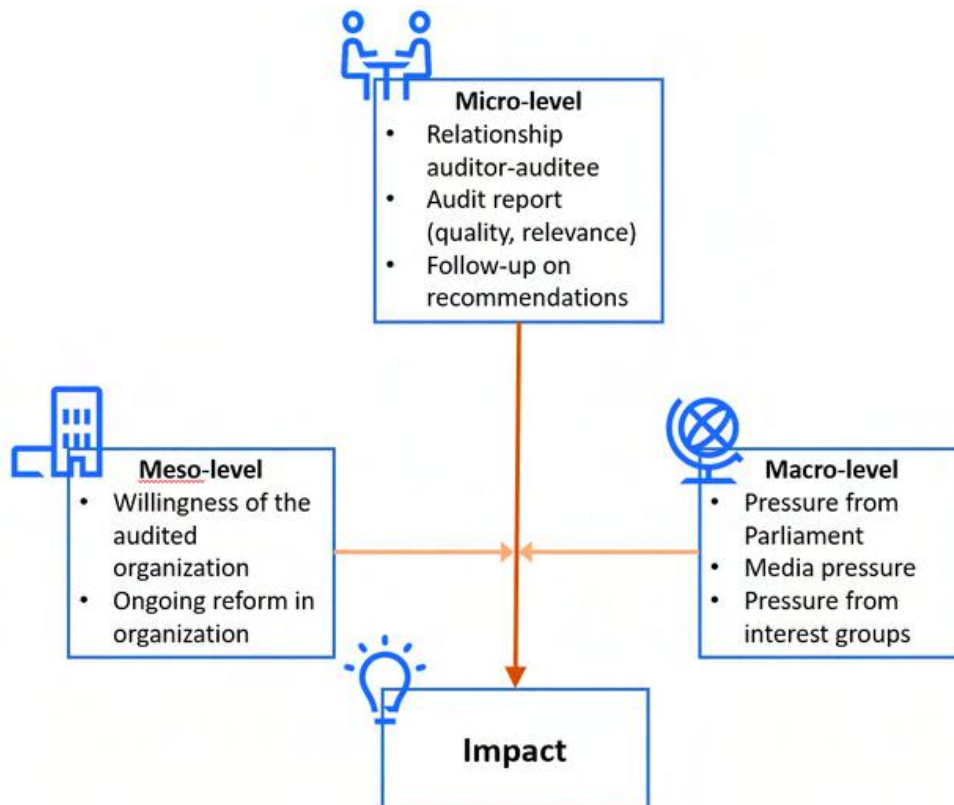
Instrumental impact is the use of performance audits to improve a process during or directly after the audit. The classic form of this impact is the acceptance and implementation of audit recommendations. Hence, this is why virtually every SAI counts how many of its recommendations are followed up.

Conceptual impact is about the lessons the auditee learns from the audit. Knowledge gradually influences policy in various ways in the medium to long term. The time span and subtleness of the change make it hard to measure the impact. Conceptual impact takes precedence over instrumental and strategic impact.

Strategic impact is the use of audit reports in discussions or negotiations as tools to influence decision-making, for example to escape from budget cuts.

Impact is typically felt at three levels: the micro, the meso and the macro. The micro-level consists of factors relating directly to the audit itself. The meso-level covers the relationship between the SAI and the audited entity. The macro or national level comprises the sociopolitical context and the public sector characteristics in which the audit takes place.

Figure: The Impact Model of Performance Audits, based on Van Loocke and Put (2011)



FEATURE ARTICLE

The traditional and most common way to measure impact is to count the number of recommendations that are adopted. Adoption rates are high, but SAIs tend to rely on self-assessment by the auditees, and the number might be inflated. Another downside is that counting the adoption of recommendations takes only the instrumental impact into account and pays little attention to the complexity and sometimes long duration of any follow-up. Recent studies have therefore incorporated other impact-enhancing factors such as political accountability, resistance from the auditee and political or media debates.

Factors that Enhanced and Hindered Impact in the Netherlands

In the Netherlands, we used a tried and tested survey that takes all types of impact into account. Our first conclusion was that the NCA's performance audits have a moderately positive impact on central government with a mean of 4.48 on a 7-point Likert scale (standard deviation = 1.29). This is similar to the impact of the Auditor General of Canada (Westminster model) and slightly higher than the Belgian Court of Audit's 3.2/7 (judicial model). The nature of the impact was mainly conceptual, slightly instrumental and moderately strategic. In practice, this means that changes due to the audits were subtle and slow to emerge; this was also the case in Belgium and Canada. Interestingly, a SAI's impact is not always necessarily perceived as a positive thing. Some Dutch ministries reported a rise in operating costs with no increase in mid-term benefits. Furthermore, implementation of additional controls recommended in the audit report led to more dissatisfaction within the civil service.

At the micro-level, two key factors explained an individual auditor's impact: firstly the auditor-auditee relationship and secondly the audit team's expertise. Audits were more readily accepted if communication was open and professional. In particular, willingness to engage in dialogue with the auditee was important for acceptance of the audit findings in the Netherlands. If ministries perceived an audit team to be knowledgeable, its impact was much higher than if the auditee thought the audit team lacked expertise. A final important factor found in the literature is the quality of the audit report.

At the meso-level, impact is more likely if government and parliament and ministry managers and their staff agree about the SAI's recommendations. If the audit findings matched the priorities of the Dutch ministry's senior civil servants, they were more likely to be accepted. Implementation is always dependent on the willingness of civil servants and they will be more inclined to cooperate if they understand the need for and benefits of the audit recommendations.

FEATURE ARTICLE

At the Dutch national or macro-level, parliamentary involvement had a moderate impact, with both positive and negative effects. Parliamentarians could accelerate the pace of implementation, have shortcomings corrected and implemented real solutions to identified problems. However, parliamentary involvement sometimes had negative effects at the ministries, such as an increase in red tape or confusion of what parliament asked of the minister – which resulted in paralysis to handle.

Media attention is the second main determinant of impact at macro-level: it has reactivated political debate in the Netherlands and led to changes in central government. The impact has not always been positive. In some cases, media attention has disrupted an organization’s routine operations and – perhaps as window dressing or in attempt to look decisive – procedures have been tightened up.

Figure: Building Blocks to boost the impact of performance audits



Building Blocks for a Theory on the Impact of Performance Audits on Public Administration

In this final section, we present building blocks for a theory on the impact of performance audits of SAIs. With the survey in the Netherlands, we now have a coherent and consistent body of evidence on all three SAI models, over a period of many years and from different parts of the world. We can therefore identify the most important impact factors for performance audits. A full literature review is needed to build a conclusive theory.

FEATURE ARTICLE

The prerequisite for impact is the legitimacy of the SAI. If a SAI is seen as a legitimate and important aspect of governance, the audit impact tends to be higher. This mechanism was demonstrated in both high-impact developed Scandinavian countries and in developing countries.

The quality of the audit team is a key predictor of impact at micro-level. Constructive interaction between auditor and auditee stimulates acceptance of the audit. A professional working relationship that strikes the right balance between the auditor and auditee's independence and understanding can help stimulate this. The usefulness and quality of the audit report and recommendations are also important factors for impact. The more concrete the report's recommendations, the higher its perceived value and thus impact.

Little research has been carried out on how to increase impact at the level of the auditee. One factor stands out: consensus between the different power centers. Consensus between the auditor, the staff at the bottom of the organization and the senior management and political leaders at the top is the best predictor of impact. The greater the consensus on audit findings and recommendations, the more likely impact seems to be.

At macro-level, many articles find that both parliamentary and media consideration of an audit boosts its impact. This is one of the reasons that INTOSAI promotes the involvement of media and parliaments. NGOs and civil society organizations are also increasingly being seen as channels to increase a SAI's impact. Media attention boosted an audit's impact in all the cases studied. In most cases, the impact was in the form of oversight, of holding someone accountable for the audit findings. Media and political attention does not automatically lead to changes in public administration. Media attention led to changes within an organization in only about half of the cases studied. As we saw at meso-level, senior management consensus and the willingness of the organization are critical if change is to take place.

Conclusion

Performance audits can have a positive impact on government organizations. The impact can be much broader than the typical implementation of audit recommendations. Audits can have a conceptual impact if they change the auditee's way of thinking. Audits can also be used strategically to influence decisions. The impact begins with the individual auditor. The more professional and knowledgeable the auditor is, the more likely there will be a positive impact. His or her professionalism should be evident not only in a well written high quality report, but also in the willingness to communicate openly and engage in dialogue with the auditee.

FEATURE ARTICLE

These micro factors also have an influence at the meso-level. If the organization and its management are not convinced of the necessity to alter their actions in response to the audit findings and recommendations, the less likely impact will be. Political consideration in parliament, the media or even the involvement of NGOs can help reactivate debate and have recommendations accepted, but even then the organization's resistance can be too strong for it to change. This is what makes the individual auditor's professionalism so important. The survey in the Netherlands and much of the academic literature show that professional conduct and open communication with the auditee can overcome an organization's resistance and help get the audit recommendations accepted and implemented.

References

1. Alwardat, Y. A., A. Benamraoui, A., and A. Rieple. "Value for money and audit practice in the UK public sector." *International Journal of Auditing*, 19, no. 3 (2015), 206-217.
2. Alwardat, Y. A., and A.M. Basheikh. "The impact of performance audit on public administrations in Saudi Arabia: an exploratory study." *International Journal of Business and Management*, 12, no. 12 (2017), 144-157.
3. DeSmedt, E., D. Morin, V. Pattyn, and M. Brans. "Impact of performance audit on the Administration: a Belgian study (2005-2010)." *Managerial Auditing Journal* 32, no. 3 (2017), 251-275.
4. Johnsen, Å., K. Reichborn-Kjennerud, T. Carrington, K.K. Jeppesen, K. Taro and J. Vakkuri. "Supreme audit institutions in a high-impact context: A comparative analysis of performance audit in four Nordic countries." *Financial Accountability & Management* 35, no. 2(2019), 158-181.
5. Morin, D. "Auditors General's impact on administrations: a pan-Canadian study (2001-2011)." *Managerial Auditing Journal* 29, no. 5. (2014), 395-426.
6. Rana, T., I. Steccolini, E. Bracci, and D. G. Mihret. "Performance auditing in the public sector: A systematic literature review and future research avenues." *Financial Accountability & Management*, 38, no. 3 (2022), 337-359.
7. Ștefănescu, A., and C.P. Trincu-Drăgușin. "Performance audit in the vision of public sector management. The case of Romania." *Accounting and Management Information Systems*, 19, no. 4 (2020), 778-798.
8. Van Looche, E., and V. Put. "The impact of performance audits: a review of the existing evidence." In *Performance Auditing Contributing to Accountability in Democratic Government*, edited by J. Lonsdale, P. Wilkins and T. Ling, 175-209. Cheltenham: Edward Elgar, 2011.
9. The results of the Netherlands survey will be published as: Minya Chan, Sjoerd Keulen and Valérie Pattyn, "When and how do they matter? An analysis of the impact of performance audits of the Netherlands Court of Audit on the administration."



Source: Adobe Stock, png-jpeg-vector-art

Leveraging A Geographic Information System (GIS) in Public Audit

Author: Senior Auditor – Mai Malek Abdin, SAI Egypt

Introduction

Emerging technology has revolutionized the world, and has become a preferred ally for auditors, as its use can significantly help in improving the efficiency and effectiveness of their work. Governments and public sector organizations worldwide are embracing innovative technologies to modernize their auditing practices. These technologies include blockchain, artificial intelligence (AI), data analytics, etc.

Among these technologies, Geographic Information System (GIS) plays a vital role. GIS provides auditors with a spatial perspective, which allow them to visualize and analyze data within a geospatial context. By using GIS, auditors can identify concentrated fraud risks in specific areas, evaluate the impact of geographic factors on audit outcomes and make well-informed decisions to enhance transparency and accountability in the public sector.

FEATURE ARTICLE

GIS is a “computer-based system for collecting, storing, analyzing, retrieval and display of spatial data” and this system is distinguished from other spatial systems by its large storage capacity.

By leveraging GIS, auditors can delve deeper into data analysis, uncovering patterns and spatial relationships that may not be readily apparent. This spatial understanding equips them with the ability to identify concentrated fraud risks in specific geographical areas and evaluate the impact of geographic factors on audit outcomes.

By making informed and data-driven decisions through GIS, auditors can enhance the accuracy and effectiveness of public sector auditing, and ultimately contribute to increasing transparency, improving resource allocation and strengthening accountability in the management of public resources.

Application of GIS in SAI Egypt: Case Study Audit

Egypt has faced considerable loss of agricultural lands over the past decade which led to heavy financial burdens for the State to compensate for the lost lands. This has been coincided with unauthorized construction, which caused the loss of a large space of agricultural lands and placed a strain on the state’s resources and infrastructure.

To tackle these challenges, Egypt initiated the “Go Green” initiative in January 2020 as one of State’s efforts to increase environmental awareness and encourage sustainable resource utilization. The initiative aims to achieve long-term sustainability and meet sustainable development goals within three years.

Egypt has also approved its commitment to combating global climate change through hosting the United Nations Climate Change Conference (COP 27) in 2022. As a part of strategic audit plan, SAI Egypt has considered the topics of environmental auditing and the implementation of sustainable development goals as a top priority.

One of the recent audits conducted by SAI Egypt using GIS was “**Assessing Performance and Impacts of Agricultural Land Fertility Programs through GIS Analysis**”. The audit’s objective was to evaluate the effectiveness of these programs within an area of 50459.04 hectares along El Bahria Oasis road in Giza governorate. The specific focus was to assess the outcomes and impacts of the programs based on predefined criteria such as crop yield, improvement of soil quality, and sustainability.

FEATURE ARTICLE

The GIS was used in this audit in the following ways:

During the planning phase, auditors considered GIS methodologies to help them to select the audit topic and align it with SAI Egypt's strategic audit plan. To further develop and improve the audit objectives, the auditors identified specific criteria and metrics to evaluate the effectiveness of the land fertility programs. The audit aimed to determine the extent to which these programs contributed to increasing agricultural productivity, improving soil characteristics, and enhancing sustainability in the targeted area. SAI Egypt selected this project, as agriculture projects were classified as priority projects at the national level.

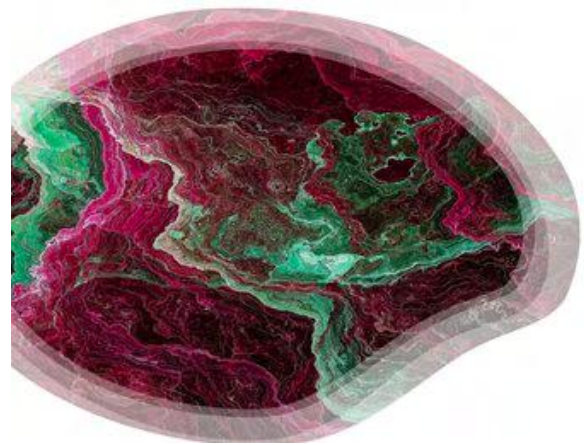
In the data collection and analysis conducting phase, auditors – with the help of GIS experts – obtained and analyzed geographic information to verify the validity of audit evidence by comparing them with relevant standards.

Auditors conducted a **risk analysis**, considering factors like water sources and steep slopes within a geographical context. This helped to identify challenges and areas for improvement in land fertility programs.

The auditing team evaluated the area's fertilizer requirements using a geographical database, ArcGIS capabilities, and created maps of fertilizer requirement based on the prevalent soil properties and expected usage of lands.

During the audit process, auditors used GIS to generate information on current and potential land capability, in addition to crop suitability.

In the reporting and follow-up phase, auditors leveraged GIS information to effectively communicate the audit results to stakeholders. The visualization capabilities of GIS enabled auditors to present a clear and concise message, using maps and visual representations in addition to written reports. This comprehensive approach allowed for greater understanding and transparency among stakeholders.



GIS Generated Mapping

FEATURE ARTICLE

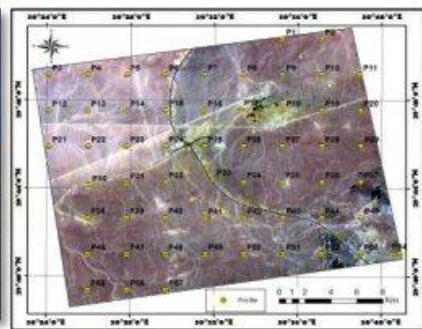
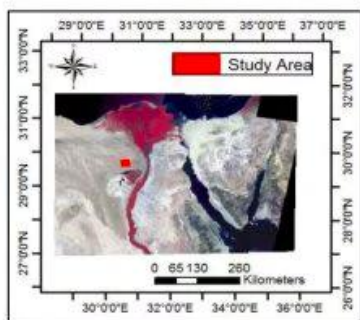
Audit Findings

Soil Nutrient Analysis: The audit findings indicate that the soil nutrient analysis, which was conducted as a part of the land fertility programs, was generally accurate and reliable. The GIS-based methodology effectively captured soil characteristics, nutrient status and land capability for crop cultivation. However, in some instances, auditors found variations in sampling methods and data inconsistencies, which require further attention and standardization.

Digital Mapping: The digital maps used, which were generated through GIS, depict soil characteristics and nutrient status, and were highly beneficial for assessing the land fertility programs. These digital maps, provided a valuable visual representation of the agricultural landscape. However, the auditors identified some minor discrepancies in certain areas, such as misrepresentations of soil types and limited resolution in specific zones, highlighting the need for ongoing improvements and updates.

Fertilizer Recommendations: The audit findings indicate that the fertilizer recommendations derived from the GIS analysis were generally aligned with the needs and requirements of the targeted area. This accuracy in fertilizer recommendations had a positive impacted on agricultural productivity and resource management. However, there were some cases where improper application methods or inadequate follow-up assessments applied led to suboptimal utilization of fertilizers, warranting improvements in implementation practices.

3) 30° 40' 59.10" E 29° 40' 50.69" N 4) 30° 25' 10.88" E 29° 38' 37.38" N



Map (1): General location of the study area in Egypt

Map (2): Location map of the tested soil profiles

FEATURE ARTICLE

Audit challenges using GIS

In the context of the Agricultural Land Fertility Programs case study, there are several challenges associated with the use of GIS technology in the audit.

One primary challenge is the availability of accurate and up-to-date GIS data specific to the audited region. Since the evaluation of land fertility programs heavily relies on the analysis of GIS data, including remote sensing data and spatial datasets, and obtaining a high-quality data that reflects the current state of the audited region, is crucial. Inadequate data coverage, outdated datasets, or inconsistencies in data quality could affect the precision and reliability of audit findings.

Collaborating closely with relevant local agencies, agricultural research institutions, or other data providers is essential to ensuring access to reliable and current GIS data that aligns with the specific needs of the audit.

Additionally, interpreting and analyzing GIS data in the context of the case study poses some challenges. Because of the complexity of GIS analysis techniques such as spatial analysis, interpolation, and modeling, auditors should possess a deep understanding of GIS principles and methodologies.

In the case of evaluating land fertility programs, auditors must grasp the specific factors and variables, which affect soil health and nutrient management. The ability to assess spatial patterns and identify trends in the collected GIS data is crucial for deriving meaningful insights and conclusions. Clear, concise, and accurate communication of the GIS-based audit findings are equally important to both technical and non-technical stakeholders for effective decision-making and program improvement. Overcoming these challenges requires a combination of technical expertise, collaboration with local experts, and effective communication to ensure the successful integration of GIS analysis in the audit process.

Audit Recommendations

Integration of Advanced Technological Solutions: To enhance the accuracy and efficiency of soil nutrient analysis, it is advised that Egypt explore the incorporation of advanced remote sensing data and modeling techniques into GIS analysis of land fertility programs.

- *Lessons learned: It is important to prioritize standardized sampling methods and maintain consistent data quality for reliable and credible results.*

FEATURE ARTICLE

Strengthening Capacity through Training and Skill Development: Investing in auditors training is crucial for effective land fertility program evaluation.

- *Lesson learned: Enhancing competence in GIS analysis, data collection, and interpretation is essential. Providing auditors with these skills improves audit accuracy and reliability, facilitating informed decision-making and successful program implementation.*

Improvement of Implementation Practices: Enhancing implementation practices is pivotal to maximizing the benefits derived from fertilizer recommendations. The efficient and effective use of fertilizers can lead to increasing agricultural productivity and improving resource management.

- *Lesson learned: Vigilant monitoring of the implementation process helps identify and promptly address any discrepancies or gaps. This includes emphasizing proper application methods and regularly conducting follow-up assessments.*

Strengthening the Monitoring and Evaluation Framework: Integrating GIS into the Monitoring and Evaluation (M&E) framework of audit can significantly enhance the effectiveness and efficiency of audit processes, leading to more informed decision-making and improved audit outcomes.

- *Lesson learned: A robust monitoring and evaluation framework is essential, using clear indicators to assess effectiveness and sustainability. Regular activities enable stakeholders to track progress, identify improvement areas, and make informed decisions.*

Conclusion

By incorporating GIS into audits, supreme audit institutions can leverage geo-spatial methodologies to develop findings and recommendations based on spatial relationships, patterns, and messages. SAI Egypt effectively utilized GIS to assess Egypt's agricultural land fertility programs and understand the programs' outcomes and impacts. Despite the challenges of employing GIS analysis, GIS is still a valuable tool to incorporate into audits to solve complex spatial related problems, and understand and assess data from a geographic perspective.



Source: Adobe Stock, VectorMine

Supreme Audit Institutions in the Wake of the Pandemic: Addressing Methodologies and Challenges in a New Era

Author: Dr. Sutthi Suntharanurak

In the aftermath of the global pandemic, operational, financial, and strategic landscapes within audited entities have dramatically transformed. This shift necessitates Supreme Audit Institutions (SAIs) to revise their auditing methodologies and face novel challenges as they seek to assess the pandemic's impact on audited agencies effectively.

SPECIAL CONTRIBUTION

Methodologies for Impact Auditing

To comprehend the effects of the pandemic on the entities they audit, SAIs must adapt their methodologies. These are an overview of the applicable steps:

1. **Understanding the Context:** SAIs must apprehend the unique circumstances encountered by the audited institution during the pandemic, including operational disruptions, financial tribulations, policy or regulatory amendments, and other pandemic-induced impacts.
2. **Establishing the Objective:** The audit objective must be explicit and quantifiable. SAIs should focus on assessing the effectiveness of pandemic response measures, gauging the pandemic's impact on performance, or evaluating the utilization of allocated resources.
3. **Defining the Scope:** This entails SAIs outlining the audited activities, programs, or departments, delineating the period under review, and identifying the financial and non-financial data subject to evaluation.
4. **Risk Assessment:** Auditors should concentrate on high-risk areas, evaluating risks pertinent to financial management, operational efficiency, regulatory compliance, and the accomplishment of objectives, as well as pandemic response and recovery measures.
5. **Data Collection and Analysis:** SAIs could review documents associated with pandemic response measures and apply analytical techniques to identify trends, anomalies, and areas of concern.
6. **Reporting and Follow-Up:** SAIs should communicate the results of the audit clearly through comprehensive reports, elucidating the pandemic's impact and providing recommendations for future pandemic response measures. A proactive follow-up procedure is also vital to ensure the implementation of recommendations.
7. In conjunction with adherence to International Standards of Supreme Audit Institutions (ISSAIs) and other relevant auditing standards, **these steps should incorporate remote auditing, data analytics, risk-based auditing, performance auditing, and Sustainable Development Goal (SDG) auditing, reflecting the post-pandemic reality.**

SPECIAL CONTRIBUTION

Post-Pandemic Auditing Challenges

Despite methodological adaptations, SAIs face numerous challenges when conducting audits post-pandemic:

1. **Limited Access to Data:** Remote working arrangements and operational disruptions can impede access to necessary auditing data. This can be mitigated by leveraging remote auditing technologies and data analytics.
2. **Changes in Financial Reporting and Disclosures:** Financial ramifications of the pandemic may provoke alterations in financial reporting and disclosures, creating complexities for auditors.
3. **Increased Risk and Uncertainty:** The sudden transition to remote working, changes in product and service demand, and increased reliance on government aid contribute to escalated levels of risk and uncertainty.
4. **Evaluating Pandemic Response Measures:** The effectiveness, efficiency, and compliance of pandemic response measures require evaluation, introducing a novel component into audit procedures.
5. **Measuring Impact:** Identifying appropriate performance indicators to gauge the pandemic's impact and the effectiveness of response measures poses a significant challenge.
6. **Stakeholder Expectations:** Stakeholders are demonstrating an increased interest in non-financial information pertaining to Environmental, Social, and Governance (ESG) issues. This necessitates SAIs to expand their audits beyond conventional financial and compliance subjects.

In conclusion, the post-pandemic landscape ushers in both revised methodologies and novel challenges for SAIs. However, through strategic adaptation of methodologies, embracing innovative technologies, focusing on areas of increased risk, and expanding their audit scope, SAIs can successfully navigate this new era and contribute substantially to post-pandemic recovery and resilience.

Dr. Sutthi Suntharanurak is the Director of International Affairs Office, State Audit Office of the Kingdom of Thailand. For further discussion please contact : sutthisun@gmail.com



Source: Adobe Stock, FAHMI

The Development of Financial Audit Approaches and Impact on Efficiency and Effectiveness

Author: Accountability State Authority of Egypt- ASA, SAI Egypt

Introduction:

The financial statement audit, aims to provide confidence in financial statements for users' decisions. Financial statement auditors give an independent opinion on whether financial statements are presented in accordance with the designated framework and accurately represent an entity's financial position and activity outcomes. As organizations have developed and grown in size, so has the complexity of their operations, which have greatly influenced financial statement audit approaches. These developments do not erase the previous methods; instead, it builds upon them to make the audit process more efficient and effective.

SPECIAL CONTRIBUTION

Definition of a Financial Statement Audit

The financial statement audit is “an organized and systematic process of collecting evidence related to the results of economic activities and events as well as evaluating them objectively, in order to determine the compatibility and conformity of these results with the set standards and thus communicating all this to the concerned.”

Financial statement audits may also include an organized critical examination of internal control systems, financial systems that generate and record data, and documentation that supports the accounts and financial records of the organization. A financial audit commonly includes examination, verification and reporting; Examining the data included in the auditee’s financial records, verifying their authenticity, and submitting a report with the auditor’s technical opinion.

Financial statement audits aim to provide an independent technical opinion on an entity’s financial statements through examining and understanding the entity’s environment and its internal control system. By collecting and evaluating evidence, financial statement auditors can achieve an appropriate degree of assurance about the conformity of the financial statements with the set financial framework and established standards that they are purported to be presented, in order to provide users of the financial statements with a technical opinion as to whether the financial statements can be relied upon.

Development of Audit Approaches:

To obtain an independent technical opinion on the financial statements, financial audits may go through four stages, namely:

- 1.The single unit audit approach,
- 2.The balance sheet approach,
- 3.The systems approach, and
- 4.The risk-based approach.

Below, we explain each approach, why they evolved and improved, and then focus on the current approach, which is centered on the idea of risk.

SPECIAL CONTRIBUTION

Auditing the Financial Statements As A Single Unit Approach :

In the single unit audit approach, a significant portion of financial statement line items are sampled and verified along with their associated documents and recording procedures in the financial records. The goal is to verify the accuracy of document integrity, proper recording, appropriate categorization, and alignment with the officially issued financial statements.

A disadvantage of the single unit audit that it requires a lot of effort and there is a possibility that some financial statement line items might not be included in the audit sample. This led to the evolution of a refined approach known as the Balance Sheet Approach.

Balance Sheet Approach:

The balance sheet approach divides the audit sample into multiple groups with each group representing a sample taken from various financial statement line items. These samples are thoroughly reviewed using documentation, accounting analysis, and financial scrutiny. The objective is to ensure alignment between the issued financial statements and the balances of each individual item.

While the sample size in this approach is smaller compared to the single unit audit approach, it can still fall short, especially if a transaction is incompletely recorded, making it undetectable to the auditor. As a result, this approach has evolved into the systems approach.

Systems Approach:

The systems approach centers around an internal control system, which includes an accounting system. The approach evaluates the internal control system for each financial statements line item. When the internal control system for a line item is found to be weak, a thorough examination of documents and accounting records is conducted to ensure accuracy and alignment with the financial statement framework. Conversely, for line items with a strong internal control system, analytical procedures and a suitable sample size are used to confirm their accuracy.

While the systems-based audit approach has addressed numerous shortcomings, decreased the auditor's workload, and enhanced audit outcomes, it has further evolved to incorporate statistical concepts into a risk-based approach.

SPECIAL CONTRIBUTION

Risk-Based Audit Approach:

The concept of certainty is a statistical concept that determines the degree of certainty required to be achieved first, followed by acceptable deviations or degrees of risk that can be tolerated. In this context, risk refers to the probability of not achieving the desired goal.

Audit risks are assessed through three sources of potential errors: the risks associated with the inherent nature of an activity (Inherent Risks), the chance that the internal control system misses detecting errors (Control Risks), and the auditor's potential to overlook errors during examination (Risk of Non-Detection or Detection Risks).

The risk-based audit approach is built upon defining the necessary level of certainty. This, in turn, determines the acceptable range of deviations (Materiality) for each financial statement. An estimate is created for the financial statement items, outlining how much deviation is acceptable (Materiality) at the financial statement line item level. This determination considers the anticipated value of the line item and the degree of inherent and control risks it faces.

As a result, the sample size for each line item is established based on inherent risks, control risks and the anticipated value line items and the deviation acceptable (materiality). The risk-based approach emphasizes focusing on high-risk items, which are typically assigned to more experienced auditors or subjected to more thorough examination. Meanwhile, lower risk items are examined with a lesser degree but appropriate level of scrutiny.

Development of Financial Audit Approaches and Its Role in Raising their Efficiency and Effectiveness:

Efficiency is the concept of accomplishing tasks correctly with little to no waste, effort, or energy. It concerns how well resources are used in relation to the outcomes. This involves considering how much input, such as materials, money, and people, is required to reach a specific level of output or a particular goal. Efficiency aims to attain the best outcomes while using planned resources optimally.

On the other hand, effectiveness is the concept of choosing the right tasks to accomplish. One of the main ways effectiveness can be assessed is through the criteria of goal achievement. Auditors or auditing institutions can measure effectiveness by how well organizations attain their intended goals.

SPECIAL CONTRIBUTION

The adoption of the risk-based approach in auditing has enhanced the effectiveness of audits. This approach categorizes audit areas based on the level of risk:

1. Low-Risk audit areas involve repetitive, routine tasks and constitute around 80% of the audit effort.
2. High-Risk audit areas are important areas that demand the expertise of highly qualified and experienced auditors due to their elevated risk level.

By planning the audit process using the risk-based approach, supreme audit institutions and public sector financial auditors can gain several advantages:

- The risk-based financial auditing approach serves as a tool for evaluating the audit strategy and refining the audit plan.
- It facilitates a clear and accurate assessment of the scope of audits, ensuring reliable evaluation of audit outcomes.
- Risk-based financial auditing enhances the efficiency and overall effectiveness of the audit process.
- This approach also safeguards auditors, acting as evidence of comprehensive audit coverage and lending reasonable confidence to the results achieved.



Ms. Marcela Hommefoss

Brokerage to Strengthen the INTOSAI Community: An Interview with Marcela Hommefoss

Author: Marcela Hommefoss and INTOSAI Journal

Amongst the many things the INTOSAI Donor Cooperation (IDC) does to strengthen support to the SAI community, the IDC's brokerage activities have helped connect SAIs with resources, guidance, and partnerships from donors, peer partners, and other organizations. The INTOSAI Development Initiative's (IDI) Global Foundations Unit leads this work with the goal of enhancing the capacity of SAIs to lead their own development initiatives.

We've spoken to Marcela Hommefoss, Global Foundations Unit manager, to learn more about IDC's brokerage initiatives, and their latest developments to foster good governance and accountability.

SPECIAL CONTRIBUTION

INTOSAI Journal (IJ): Hi Marcela! Thanks for speaking to the Journal about the IDC's brokerage work. Can you tell us about the IDC's development of the brokerage initiatives? What are the current brokerage initiatives?

Marcela Hommefoss (MH): Hi, INTOSAI Journal, and thanks for the opportunity to share more about these exciting and important developments!

Of course, engagement and collaboration between SAIs, donors and other partner organizations have always been very active at the global level through the IDC meetings and forums.

Nevertheless, this has not been the same at the regional and country level. During recent years the IDC members have seen the need to align global, regional and country level efforts to increase impact and explore innovative alternatives of support for SAIs. These entail enabling relationships with their stakeholders within the accountability ecosystem. The main purpose is to build strong networks and platforms for collaboration used to map their needs and unlock potential synergies for future plans.

Currently we have the BUSS initiative. BUSB stands for "Brokering Upscaled SAI Support" at the regional level. The objective is firstly to identify available sources of funding and support to SAIs. This means checking in with donors and partners on their priorities and matching areas of support. Then we help SAIs to articulate their needs for this support, while organising ways for SAIs and partners to meet and discuss these mutual touch-points. Over a four to six month regional roll-out, we have pre-work meetings and initial analysis of needs, an onsite workshop bringing all partners together, and post-workshop online coordination meetings as well as bilateral support and ad hoc assistance.



SPECIAL CONTRIBUTION

On the other hand, we have the GSAI initiative, or Global SAI Accountability Initiative, targeting a small group of SAIs from all INTOSAI regions working under challenging context, to provide sustainable and holistic country level support, with a medium-term perspective. The IDI was asked to lead the planning and first phase of implementation as well as to facilitate country setups. We support the SAIs to lead their own development plans, seek funding and coordinate their external support provided by donors and other partners, all aligned to their Strategic Plan. We are now in the second round, of this type of targeted peer-to-peer approach, which includes a total of eight SAIs: SAI Benin, Belize, Dominica, Haiti, Honduras, Lebanon, Kyrgyzstan and Tajikistan. The first peer-to-peer approach, called the PAP-APP, has been successfully ongoing since 2018. It includes nine SAIs from Africa and it has been developed under a cooperation agreement between CREFIAF, AFROSAI-E and IDI.



IJ: What are the benefits of structuring capacity building through brokerage?

MH: The benefits that we try to bring with our brokerage model, as we see it, is that we have access and collaboration from all of these three spheres, which we bring together to increase, improve and coordinate their support, to match their priorities and work towards synergies and aligned objectives. We avoid duplication and unsustainable donor-driven initiatives, and we harmonize external support under the SAI strategic development process.

IJ: What bodies participate in these brokerage initiatives? What do they each contribute?

MH: Every organization within the INTOSAI world and donor community are welcome to participate and benefit from the BUSS initiative while we roll it out in their regions. Even those partners who are not members of the IDC. They all can contribute by sharing their priorities, how they can partner up with SAIs and other donors to strengthen public transparency and accountability and planning future joint initiatives that enhance the development of the SAIs.

SPECIAL CONTRIBUTION

In regards to GSAI, beneficiary SAIs are selected by the Steering Committee of the IDC. Nevertheless, donors and other partners working in these countries are welcome in the SAI Support groups if they see potential in building fruitful strategic partnerships.

IJ: We'd love to hear about the ongoing work for the brokerage portfolio. How are these initiatives going so far?

MH: *Both BUSS and GSAI were launched in August 2022. The BUSS was piloted with the French speaking African SAIs at end of October 2022, and we are now on ongoing implementation in Latin and Central America region. Donors as well as SAIs from both regions have expressed appreciation for this type of initiative which is quite a unique opportunity to meet each other and engage directly. The experience in CREFIAF was really useful to further develop the design and structure of the BUSS workshop and subsequent follow up activities. The BUSS is a flexible mechanism of support and as such is in constant improvement and adaptation for the benefit of the targeted INTOSAI regions .*

At the same time, through the BUSS we have been disseminating and providing support to SAIs to apply to the FISP mechanism funded by SAI Saudi Arabia. In their role of INTOSAI Chair within the IDC, SAI Saudi Arabia has been funding ICT initiatives to SAIs from all INTOSAI regions since 2021.

Meanwhile, GSAI has geared up to a great start. We have seen incredible commitment and solidarity from the peer SAIs that have taken the challenge of providing support to the beneficiary group. Almost all selected countries have already concluded their planning phase and now they are starting to implement their support, together with their peers. Our main role has been to facilitate processes, coordination and communication while the SAIs are leading the way!



SPECIAL CONTRIBUTION

IJ: What outcomes have SAIs experienced from participating in brokerage initiatives?

MH: As mentioned before, through the BUSS we have disseminated the FISP in all INTOSAI languages and supported SAIs in their applications. More than 50 SAIs have received support.

From the roll out in CREFIAF, the African Development Bank and World Bank have agreed to support SAI Burkina Faso in their development needs while the SAI audits their donor funded projects in the country. Currently in OLACEFS, we are facilitating a regional ICT initiative that is having strong traction with two big donor players in the region.

There is also a possible subregional development support plan in Central America, and a few other country-level initial explorations that we will be following and supporting so that our main objective of scaling up and improving support to SAIs is achieved.

Regarding GSAI, we are still in the early phase of implementation, but for us it is clear that having peer SAIs already committed to support the eight SAIs selected, SAI support groups formed by donors and implementing partners in each of the cases, and beneficiary SAI leaderships fully committed in this big project is already a success!

IJ: SAIs receive a great deal of support through these brokerage initiatives. On the other side, can you speak a bit about how brokerage partners, including donors, civil society organizations, peer partners, and other stakeholders benefit from engaging with a brokerage initiative?

MH: The BUSS workshop helps these partners firstly to understand how SAIs work and their role within PFM system;

second, to find synergies, network and ways of collaboration with other partners, within the region to allow achievement of common goals and maximize SAI support; and third, to understand how to advocate for SAI Independence and the power of institutional coordination. Basically, any stakeholder within the accountability system can benefit from strong collaboration if you think about the policy coherence and systems thinking approach that UN promotes for the achievement of the Sustainable Development Goals. The BUSS has this systems-thinking approach embedded in its model and our interactions go around it.

IJ: How can SAIs, partners, and the broader public sector auditing community get involved in the IDC's brokerage initiatives?

MH: SAIs, donors and other partners can participate in our regional BUSS roll outs. They can also keep an eye on upcoming events as well as to make contact with us if they want to be included in GSAI discussions related to any of the target countries. If there are other opportunities to broker funding to support SAIs, potential donors and partners can reach out to the IDC and to IDI at any time!

IJ: Where can people learn more about the INTOSAI Donor Cooperation and brokerage?

MH: You can follow our work from our website <https://intosaidonor.org/> and social media channels, on [Facebook](#) and [LinkedIn](#).

IJ: Thank you for taking the time to speak with us, Marcela! We've learned a lot about brokerage, and hope that the programs continue to be successful in enhancing SAIs' capacities and performances.



Brokering Support for SAIs: Get to Know the INTOSAI Donor Cooperation’s Brokerage Initiatives

Author: INTOSAI Journal

Brokering Upscaled SAI Support (BUSS)

The BUSS initiative, launched in 2022, links available sources of support with SAI development plans by:

1. Proactively identifying and linking SAIs to global and regional funds and resources,
2. Supporting SAIs in articulating their needs, and
3. Enabling opportunities for engagement for both SAIs and partners.

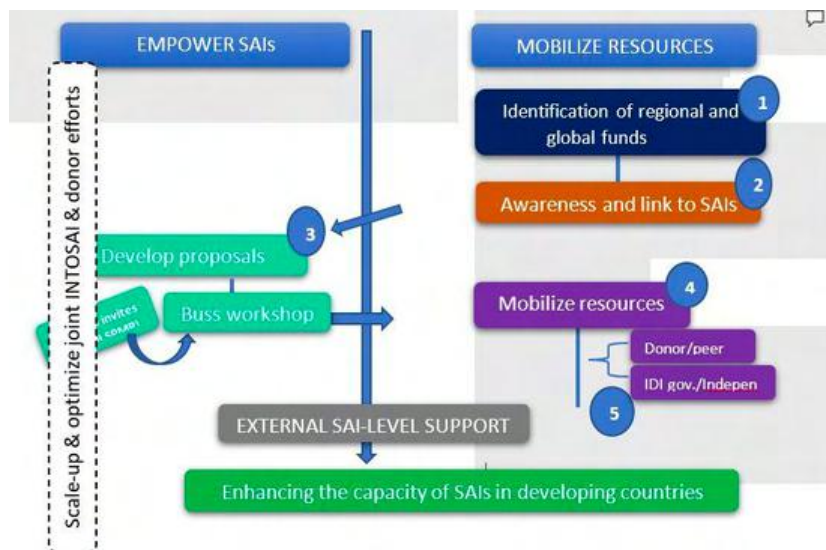
SPECIAL CONTRIBUTION



The BUSS' overall objective is to scale-up and optimize joint efforts of INTOSAI and donor partners in enhancing the capacity and performance of SAIs in developing countries. The BUSS initiative aims to link sources of support for SAIs, while empowering SAIs to articulate their needs to funding partners based on their strategic plans. Additionally, the BUSS initiative hopes to enhance regional collaboration, and strengthen SAI governance and independence.

In addition to actively identifying funds and/or technical support for SAIs, the BUSS program's brokerage approach utilizes targeting regional workshops. With two workshops in different regions each year, the BUSS facilitates sessions on strategic and mutually beneficial partnerships, advocates for SAI support, and links SAIs with other oversight institutions. The workshops support the SAs in developing proposals where a potential funding source has been identified, and facilitates discussions between donors and SAIs.

Fig 1: BUSS Implementation Approach



SPECIAL CONTRIBUTION

Global SAI Accountability Initiative (GSAI)

The Global SAI Accountability Initiative (GSAI), borne out of the commitment to the 2030 agenda for Sustainable Development and its goal of strengthening public systems for good use of public resources, aims to mobilize effective, well-coordinated, holistic and long-term capacity development support to SAIs in challenging contexts.



GLOBAL SAI ACCOUNTABILITY INITIATIVE

The Steering Committee of the IDC selected eight beneficiary SAIs, which operate in environments that face political, economic, and/or social challenges, and most in need of scaled-up and strengthened support. The SAIs selected are: Belize, Benin, Dominica, Haiti, Honduras, Kyrgyzstan, Lebanon and Tajikistan. The initiative enables SAIs to:

- Enhance their capacities and performance through scaled-up, SAI-led and strategically based capacity development support, and
- Establish mechanisms to ensure projects are developed in partnership between the SAI, donors and providers of support to ensure coordination and customized support to the unique needs and opportunities of each SAI.

SPECIAL CONTRIBUTION

Fig 2: The Four Stages of the GSAI Initiative



The GSAI programme has helped SAIs develop tailored country projects in partnership with peer SAIs, donors, regional organizations, and implementation partners that provide technical and funding support. The approach seeks to utilize the resources from the different actors in the best possible way to empower SAIs in leading their development path and thereby increase the likelihood of success in their efforts to strengthen the capacity of these most challenged SAIs.

For more information about GSAI, please visit: <https://intosaidonor.org/targeted-support/>, <https://www.idi.no/bilateral-support/g sai-global-sai-accountability-initiative> or contact gsai@idi.no.



CANADIAN AUDIT
& ACCOUNTABILITY
FOUNDATION
*Advancing public sector
accountability*

PASAI Collaborates with CAAF to Develop Performance Measurement Systems in Two SAIs

Author: Yves Genest, Vice-president, Research and Special Projects, Canadian Audit and Accountability Foundation

In 2022-23, the Pacific Association of Supreme Audit Institutions (PASAI) commissioned the Canadian Audit and Accountability Foundation (CAAF), to support the design and implementation of performance management systems for the Office of the National Auditor of the Federated States of Micronesia (FSM) and the Pohnpei Office of the Public Auditor.

SPOTLIGHT ON CAPACITY BUILDING

This project aimed to develop a performance monitoring system (PMS) to enable the two SAIs to monitor and report on their performance against their strategic plans. The PMS should enable each SAI to track the implementation of its strategic plan while also capturing the operational level key performance indicators (KPIs) and establish targets, baselines and milestones for key activities linked to the achievement of outputs and outcomes.

A key element of the project was the conduct of very intense and interactive workshops with the Public Auditors of FSM and Pohnpei State and their respective staff. The outputs were PMS and monitoring plans containing several existing, new and potential key performance indicators, complete with methodology and procedures to collect them that will enable the SAIs to monitor their performance.



PMS Workshop participants of the Office of the National Public Auditor of FSM with Yves Genest, Vice-president, Canadian Audit and Accountability Foundation

SPOTLIGHT ON CAPACITY BUILDING

PASAI and CAAF identified the following key lessons learned resulting from the project.

Design and implement a robust multi-year strategic plan

The central tenet of the INTOSAI-IDI Strategic Management Handbook for SAIs is the importance of conceptual and operational consistency between the SAI strategic framework and the result framework. All the oversight and guiding documents of the SAI should use a consistent language both internally and externally and form the basis of the PMS. As the National Public Auditor of FSM, Haser Hainrick, said at the PMS workshop: We are already strong. We want to continue to improve by building on what has been accomplished.

Start modestly and improve gradually

The SAIs had done considerable work to establish and conceptualize performance indicators. They were adamant to identify indicators that were cost-effective, practical and relevant to its goals and objectives. Throughout the workshops and working sessions many potential expansion and eventual improvements of the indicators that were discussed and adopted were considered in light of this principle.

Leverage existing administrative databases

Basic indicators such as number of reports, hours of training provided, etc. are already collected for operational reasons. They presented low-hanging fruits for the SAIs to use. The SAIs proved to be very adept at taking advantage of them.

SPOTLIGHT ON CAPACITY BUILDING

Use of surveys and questionnaires

Surveys provide an opportunity to assess perception of various stakeholders receiving the services of the SAIs. In the case of SAIs it is usually audited organizations, legislators and general public. Each question in an exit survey of auditees that was developed for the SAI could be turned into an indicator for professionalism, transparency, efficiency and effectiveness. Although sometimes subjective and imperfect, they are cost-effective and generate new and fresh data going beyond mere administrative outputs. As the SAIs will mature these indicators can be displaced by more objective measurements or kept as complementary evidence.

Use the results framework to develop new indicators as the SAI matures

The PMS developed by this project were based directly on the SAIs' Strategic Plans and were grounded on the outcomes, strategies, and activities outlined in Results Framework developed for this purpose.

The Results Frameworks provided a chain of results progressing from basic activities to ultimate outcomes. They are, therefore, gradually more sophisticated and require an increasing level of proficiency to collect as the SAI staff considers the various steps of chain of results (activities, outputs, immediate outcomes, intermediate outcomes, ultimate outcomes). The SAIs can use this tool to identify gaps and invest efforts into filling them to continue to mature and improve. Examples of the progression in quality of KPIs is provided in the table below:

SPOTLIGHT ON CAPACITY BUILDING

Table 1 – Examples of KPIs, Broken Down by Stages of the Results Framework

Output	Immediate Outcome	Intermediate Outcome (Basic)	Intermediate Outcome (Advanced)
Percentage of planned audits & Inspections for the fiscal year completed within the fiscal year	Number of recommendations that are accepted by the audited organizations (in their management response)	Number of recommendations fully implemented according to the audited organization	Number of recommendations fully implemented (validated by SAI)
Percentage of outreach programs performed during the year targeting different stakeholders (Congress, Executive Branch, Citizens)	Percentage of the legislators indicating some level of awareness of SAI and/or its reports	Number of hearings or briefings conducted by legislative committees	

= Implemented
 = To be considered in the next planning cycle

Leadership is the keystone of success

Leadership is the essential ingredient for the successful implementation of a PMS. The leaders of the SAIs not only demonstrated their commitments by adopting a conceptually sound PMS but also assigned resources for the data collection and committed to transparency of results through internal and external reporting. The PMS can therefore become a valid gauge of progress, or an early-warning system indicating that corrective actions must be taken.

Be a model for the government

A PMS functions not only as a management tool but also as a mechanism of accountability. By using its PMS, linking it to a strategic framework, measuring its results and reporting them, the SAIs have developed a “best-in-class” approach to governance and accountability and can use the expertise they developed in their own organization to demonstrate the usefulness of this approach and to develop the expertise to assess government departments’ efforts to move in this direction.

SPOTLIGHT ON CAPACITY BUILDING

Be a model for the government, cont.

As the Public Auditor of the State of Pohnpei, Ihlen Joseph said at the workshop on PMS: I want my Office to be a positive example. We can show departments concretely how it can be done.

Measuring the SAIs' progress and achievements at the output and outcome level is a critical supporting element of the SAI's strategic results framework and a core part of the strategy formulation process. The PMS will allow the SAIs to continuously assess and compare whether operational realities still allow and support the realization of the strategic intent. This will help assess progress with the implementation of planned outputs and outcomes as specified in the results framework of the SAI strategy.



PMS Workshop participants of the Office of the Public Auditor of the State of Pohnpei with Yves Genest, Vice-president, Canadian Audit and Accountability Foundation



How are governments ensuring that no one is left behind? IDI and UN Women are developing a ‘Leave No One Behind’ Audit Framework

Authors: Maria Lima and INTOSAI Development Initiative

What does it mean to implement the SDG principle of ‘Leave no one Behind’? How can SAIs’ audit the implementation of this principle by governments?

After more than seven years of the adoption of the 2030 Agenda for Sustainable Development and several audits of SDGs, these questions still pop up in the minds of those implementing SDGs and those of us auditing this implementation. ‘Please provide us detailed guidance on auditing leave no one behind’ – was the request we received from a number of SAIs providing feedback on the IDI’s SDGs Audit Model (ISAM).

SPOTLIGHT ON DIVERSITY, EQUITY AND INCLUSION

To respond to this request, the IDI has teamed up with our partners from UN Women to explore how SAIs can examine the implementation of the pledge nations made-

As we embark on this great collective journey, we pledge that no one will be left behind. Recognizing that the dignity of the human person is fundamental, we wish to see the Goals and targets met for all nations and peoples and for all segments of society. And we will endeavor to reach the furthest behind first. (Paragraph 4)

The Leave No One Behind Audit Framework will be a part of the update to IDI's SDGs Audit Model (ISAM). It will answer three main questions :

1

What is the concept of Leave No One Behind?

This section will reflect on who is left behind and why it happens? It will delve into the concept of vulnerability and marginalisation, while looking at factors like poverty, gender, ethnicity, age, migration, disability and above all the intersectionality of these causes. We will look at how the SDGs, targets and indicators relate to the concept of leave no one behind. The write up will then provide illustrations of government actions to implement this principle and also examine how the social, political, and economic context of the country impact the government efforts to leave no one behind.

2

Why does the Leave No One Behind principle matter?

This part of the framework intends to bring concrete aspects regarding the importance of the Leave No One Behind principle. It will present facts and illustrations depicting the effects and consequences that happen when people are left behind, and the impact for the society.

SPOTLIGHT ON DIVERSITY, EQUITY AND INCLUSION

3

How can SAIs audit the implementation of the principle by governments?

This will be the most practical, hands-on part of the framework. In this part we will reflect on possible entry points for SAI auditors to examine the implementation of this principle. Such entry points could include examination of:



There could also be several other entry points for SAIs to conduct these audits. We recommend that while determining the entry point SAIs take into consideration – the national priorities and situation in the country, keep the audit scope manageable, identify an audit scope that allows the use the whole of government approach required in an SDG audit and most importantly build a ecosystem of stakeholders to facilitate audit quality and impact.

This section will provide a few examples and illustrations of such audits. It will also reflect on the capacities and processes required to conduct such audits on a regular basis and to achieve visualised audit impact.

As we embark this work, we welcome suggestions and inputs from the readers. If your SAI has an appropriate case or example to contribute to the development of this audit framework, please write to us.

Contact Maria Lucia Lima with the INTOSAI Development Initiative at: maria.lima@idi.no



Source: Adobe Stock, Who is Danny

Auditing Efficient and Safe Environments for Remote Work in the Public Sector in Georgia with IT Governance

Authors: Nino Kereselidze and Giorgi Kapanadze

Creating an effective and safe environment for remote work in the public sector requires clear policies, careful planning, technology and infrastructure, data security, performance measurement, and focus on productivity of employees, and public sector auditing organizations have a role to play in ensuring this environment.

With digitization of public sector, dependence of organizations on information technologies (IT) has been growing at a rapid pace. This dependence results in the need for effective and efficient IT management, which is achieved by coordinated actions of the high and middle management. In particular, decisions made in IT processes at the strategic and operational levels should contribute to the achievement of the main goal of the organization, which is primarily the effective management of the business process and information security. Therefore, it is a prerequisite to have predefined strategy, policies, procedures and action plans for effective IT governance.

SPOTLIGHT ON SCIENCE AND TECHNOLOGY

Effective IT governance has become increasingly important since the onset of the COVID-19 pandemic, when public organizations shifted to remote working in response to social distancing requirements. This transition created an emergency situation for the agencies, and along with effective decisions on the part of the management, raised the need for the necessary material and technical work resources. According best practices, having common rules and standard conditions for the performance of work in an emergency situation helps the organization to make optimal decisions.

The State Audit Office of Georgia (SAOG) studied administrative decisions taken by audited ministries in order to switch to the remote working mode, and the effectiveness of their implementation during the pandemic in Georgia. From the review, SAOG has found the following circumstances:

- Audited ministries had not developed business continuity and recovery plans that would have helped them respond to the pandemic timely. In addition, the audited entities did not have a remote work policy with minimum information security requirements. In particular, for telework, agencies should develop policies that define conditions and limitations related to the telework. Having such a policy would help the audit entities better use assets and comply with information security principles when switching to remote working mode.
- In the process of transitioning to the remote working mode, many employees of the audited Georgian entities could not be provided with appropriate computer equipment by the agencies, and had to use their own devices for work purposes. In some cases, despite the provision of computer hardware, some employees still used personal devices due to low performance or outdated devices provided by the offices. In this direction, the following circumstances and conclusions have been noteworthy:
- Among the audited organizations, the Ministry of Economy and Sustainable Development of Georgia, and the Ministry of Environmental Protection and Agriculture of Georgia have not registered and classified informational assets within the organization. At the National Agency of Public Registry, identification of assets in relation to the existing business processes and preparation of the corresponding register were just in progress;

SPOTLIGHT ON SCIENCE AND TECHNOLOGY

- During the use of personal computer devices by the employees, the activities corresponding to the minimum information security requirements have not been carried out.

Consequently, audited entities were unable to assess the IT assets in their possession according to their need, and were unable to make optimal decisions regarding the allocation of equipment and to determine the appropriate level of security.

- During remote work, employees of the agencies needed to use external networks, which are not controlled by the IT services of the agencies and, therefore, are less protected. One of the best practices for solving this problem is to use a virtual private network (VPN). While the audited entities provided VPN services to their employees in a timely manner, it was used by some employees to access only work-related services (for example, intranet), thus leaving them exposed to the risks stemming from unlimited access to the unprotected external network (see image 1).

Image 1: Prerequisites for efficiency and security remote work environment



SPOTLIGHT ON SCIENCE AND TECHNOLOGY

In order to improve the IT service continuity process, the three audited entities – the ministries of Economy, Agriculture and Registry were issued two primary recommendations.

- First, the entities were advised to establish a management system identifying personnel with appropriate authority, qualification and competence who would be responsible for planning, implementing and responding to relevant activities for continuity of management process. As a point of departure, ministries were asked to take initial steps to develop service continuity plans that would support the continuity of critical business processes in the organization, and to carry out regular (at least annually) gap analysis in relation to the continuity of IT services to determine the current and desired state of the organization.
- Second, in order to address information security risks, ministries were advised to develop a policy or procedure to ensure timely licensing and updating of operating systems and software.

Apart from the key to success in providing an effective and safe remote work environment, it is important to balance the needs of the organization with awareness raising among the employees with regular communication, and demonstrate a commitment to improvement. This audited case study shared by the SAOG demonstrates the importance of essential elements of efficiency and security of remote work environment, and lessons can be shared and learned through the international auditing community.

About the authors

- Dr Nino Kereselidze, Head of International and Donor Relations Division, State Audit Office of Georgia
- Mr Giorgi Kapanadze, Head of Performance Audit Department, State Audit Office of Georgia

Contact: iroffice@sao.ge



INTERNATIONAL JOURNAL

— OF GOVERNMENT AUDITING —

