INTERNATIONAL JOURNAL
—— OF GOVERNMENT AUDITING ——

Implementing Recommendations and Audit Follow Up

INTERNATIONAL JOURNAL
OF GOVERNMENT AUDITING

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By Monthien Charoenpol, Auditor General, State Audit Office of the Kingdom of Thailand

Auditor General of Thailand, Monthien Charoenpol. Source: SAI Thailand

As the Auditor General of Thailand, I have observed firsthand the key role that follow-up audits play in ensuring the integrity and effectiveness of government financial management. The State Audit Office of the Kingdom of Thailand (SAO) is committed to rigorous follow-up procedures that uphold our mandate under the Organic Act on State Audit B.E. 2561 2018 .

In Thailand, the primary responsibility of the Auditor General includes scrutinizing the expenditure of public funds, assessing financial operations, and verifying compliance with relevant laws, regulations, Cabinet resolutions, and governmental standards. This extends to revenue collection, asset management, and the safeguarding of state resources.

When our audits uncover violations or deviations from fiscal discipline—whether due to non-compliance with financial regulations, negligence, or intentional misconduct—we are compelled to act. Under the Thai State Audit Act, we notify the audited entity to rectify the issue, which may involve disciplinary action or restitution to the state within a specified timeframe.

Auditor General Monthien Charoenpol. Source: SAI Thailand

The follow-up process is critical. If the head of an audited entity fails to comply without justifiable reasons, the SAO will enforce administrative penalties as outlined in our Act. These penalties include reprimands, public disclosure of the misconduct, and administrative fines not exceeding twelve months' salary of the individual at fault. Additionally, we may recommend disciplinary action or seek restitution from officials who violate financial regulations.

One key aspect of our follow-up process is ensuring that any administrative penalties imposed can be appealed to the Supreme Administrative Court within ninety days. The court's deliberations must consider the policies and standards of state auditing.

This robust follow-up mechanism underscores our commitment to transparency and accountability. It serves as a deterrent against fiscal mismanagement and reinforces the principles of prudent financial administration.

The SAO's diligent follow-up procedures have proven effective in enhancing compliance and ensuring that public resources are used efficiently and for their intended purposes. Our approach not only addresses immediate issues but also fosters a culture of continuous improvement within audited entities.

As we move forward, the SAO remains dedicated to sharing our best practices with the global audit community. We believe that through collaboration and the exchange of knowledge, we can collectively enhance the efficacy of public sector auditing worldwide. In conclusion, the follow-up process is not merely an administrative requirement but a cornerstone of effective governance. It ensures that our audits lead to tangible improvements and uphold the public trust in governmental financial management.

Monthien Charoenpol
Auditor General
State Audit Office of the Kingdom of Thailand

In early 2024, to assume his position, Auditor General of Thailand Mr. Monthien Charoenpol, underwent the traditional oath ceremony for the Auditor General, a practice that dates back over 100 years. Source: SAI Thailand

The Connected Audit: Thinking Ahead to Maximize Impact

By Loren Yager, Martin deAlteriis, Instructors with the Center for Audit Excellence; and Hannah Maloney, USAID Office of the Inspector General
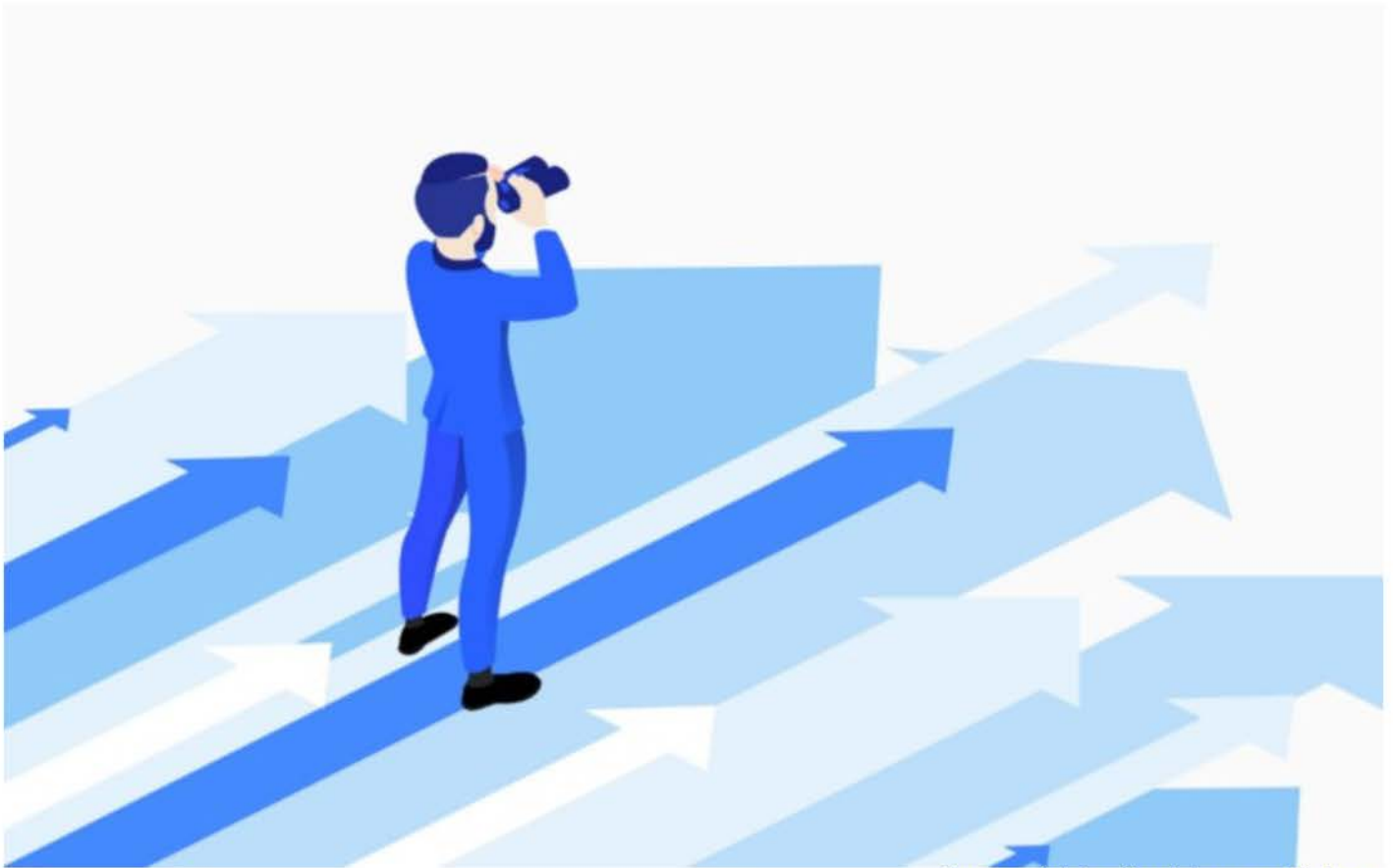
Source: Adobe Stock Images, Yarkee

The article does not reflect the views of USAID, US OIG, or the U.S. Government.

Introduction

Many auditors have developed considerable experience conducting each stage of an audit, yet those same auditors often lose momentum when it comes to moving from one stage to the next.

One reason is that auditors must get the details right to support convincing findings and conclusions; however, that same focus on the details may prevent an auditor from considering how decisions on one stage will impact the next stage of the audit. Consequently, in addition to developing technical skills needed to execute each stage of an audit, auditors should also develop the ability to think ahead to help an audit move smoothly from one stage to the next.

Fortunately, training, tools, and exercises can help teams develop the skills to maintain momentum between stages and ensure that they achieve the greatest impact from every audit. The overall concept is illustrated in Figure 1, where the key stages of an audit are represented as the outer pieces of a puzzle: drafting objectives, establishing criteria, collecting evidence, and developing the message.

Figure 1: The Connected Audit

The puzzle illustrates how each stage is naturally connected to the next. The great connector is impact, which should be central to any audit.

For example, an audit team should make decisions on objectives with criteria in mind, so that the team will not have to go backwards and rethink the objectives if applicable criteria are not available. Similarly, decisions on criteria should be made with an understanding of the quality and availability of evidence that will be necessary to establish the condition and keep the audit moving forward. Next, while collective evidence should flow into a coherent, logical message, this transition requires a significant change in thinking from the detail-oriented focus of the evidence to the big-picture "so what" of the message. Finally, the message must tie back to the objectives and address the underlying purpose of the audit. A misstep in any stage can affect impact in terms of timing, resource requirements, authority of message, or strength of recommendations. The hit on team morale and motivation also becomes a residual casualty.

It may seem like a tall order to juggle, but the right tools and skills can help teams manage all the transitions in the audit process.

Drafting Objectives with the Criteria in Mind

Looking ahead to the next stages of an audit begins when a team drafts their objectives. While audit objectives do not have to specifically mention criteria, it is an excellent practice for the team to consider criteria that might apply to the situation. It may not be possible for the teams to make final decisions on the criteria at this early stage of an audit, but the planning is greatly advanced when the teams consider the different possibilities and whether those evaluations can be successfully completed.

For example, a team planning an audit on school construction might initially consider numerous criteria ranging from procurement to environmental compliance. This early discussion would alert the team to the need to narrow the criteria under consideration for the team to make progress at the next stage. If the team decides to narrow the focus to *monitoring* of *school* construction, the criteria might zero in on project milestones, periodic reporting, and local building standards for an educational environment.

Consider the Evidence Needed for the Criteria

Linking the audit stages becomes even more important as the team refines the criteria that will be applied to an audit objective. Because each evaluative objective necessarily involves a comparison between the criteria and the condition, the evidence that the audit depends on is determined by the choice of criteria. For example, if the team decides to focus on whether the school construction is meeting its deadlines, a key source of criteria would be the timeline for the project. In that audit, the related evidence would be whether the various milestones in the timeline are being met. The school construction would have to meet local building standards and contract requirements as well, so those could also be part of the criteria. As shown in Figure 2, an arrow chart can help teams refine broad criteria as the audit gains focus.

Criteria: Construction Oversight
--project timeline
--contract requirements
--building standards

School Construction

Rural School Construction

Contract Monitoring

Audit Area

Individual Audit

Audit Objective

"Look Fors"
What information do you need to match the criteria?
Type of Evidence?
Testimonial, documentary, observation
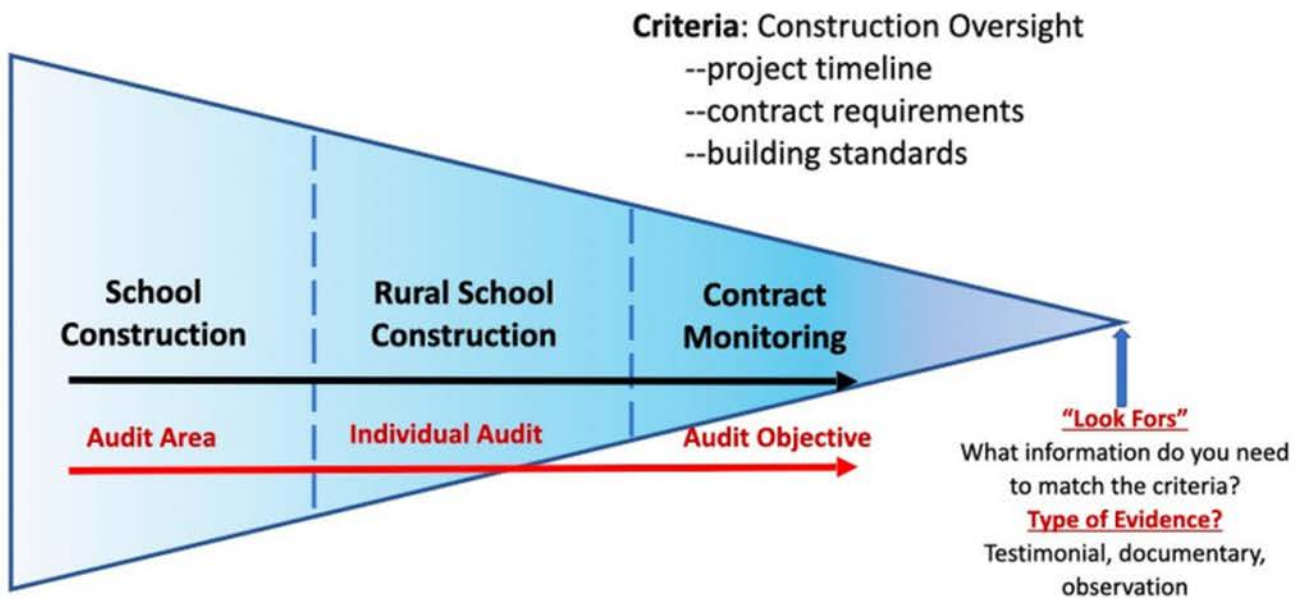
Figure 2: Linking the Criteria to Specific Evidence

In an evaluative audit like this example, audit teams will benefit from thinking through the evidence that will be required to evaluate against their selected criteria. A useful technique is to identify "Look Fors" using a similar tool as Table 1, tailored for selected criteria.

Breakout Room: Criteria "Look Fors"

Criteria	"Look For" These Types of Evidence for the Criteria		
	Testimonial Evidence	Documentary Evidence	Observational Evidence
Criteria 1: Project Timeline	✔	✔✔	✔
Criteria 2: Contract Requirements	✔	✔✔	✔✔
Criteria 3: Building Standards	✔	✔✔	✔

Table 1: Evidence "Look Fors"

Table 1 illustrates a first cut at evidentiary "Look Fors" for an evaluative audit of school construction. It shows that the team found documentary evidence to be the best for establishing the condition for the three selected criteria. In addition to a robust meeting of the minds on evidence strength, quality, and availability, this type of table allows the team to confront questions such as whether they will rely on inspections by others, or if the team needs to bring in an expert who is qualified to perform independent observations and inspections as part of the evidence collection.

Further iterations of this table might include more detail about each type of evidence and how it will be collected. For example, the team might create a checklist or data collection instrument for review of the physical inspections to ensure that the team is systematic in its approach. Since evidence collection is costly and most travel and interviews cannot be repeated, these additional planning steps help ensure that the team will collect sufficient and appropriate evidence—not too much, not too little—and not leave it up to chance. A team accustomed to thinking strategically through evidence collection will be better positioned for the next stage of the audit: message development.

Shifting the Mindset from Evidence Collection to Message Development

While evidence collection often involves a range of efforts distributed among team members, message development requires a different mindset where team members come together with an overall message for the audit and a clear answer for each objective. As detailed in Figure 3, the tasks involved in evidence collection are detail oriented and often involve team members focusing on specific tasks. In contrast, message development requires those same team members to shift their mindset to the very different task of deciding upon the key findings that will be central to the audit report. The difficult decisions in this stage include deciding how the evidence that was so painstakingly collected should be summarized, reorganized, or in some cases, entirely omitted.

Evidence Collection

--Fieldwork generates a huge volume of information

--Team members focus on specific tasks

--Fieldwork requires attention to the details

Message Development

--Writing requires a shift to the broader message

--Team must speak with a single voice

--Include recommendations to address findings

Figure 3: Evidence Collection vs. Message Development

A number of techniques can be used to help with this change in mindset, and all require the team members to confront difficult decisions about the most important issues that the team wants to include in the report. One of the best methods is to create a report outline with message-based headers that signal the key findings for each of the objectives. An overall title for the audit report similarly indicates the tone and direction of the work that follows. Even if the title and headers are changed during the editing process, the outline creates a jump start on the transition between evidence collection and report writing. An outline with simple subject-based headers does not serve the same purpose since it allows the team to delay making those tough decisions.

Other tools that can be used include various templates that require the team to provide the criteria, condition, cause, and effect CCCE , or a record of audit finding RAF , which includes those elements along with key findings and examples. These templates can be used in conjunction with a practice called 'writing on walls' where team members are able to display and organize all of the evidence in a series of sessions rather than sending written materials back and forth. Whichever tools or techniques are used, the essence is that team members cannot avoid making decisions about the big picture message if they want to successfully navigate the transition from evidence collection to message development and report writing.

The good news is that much of the remainder of the audit material should be available from the earlier stages of the audit, including the background, objectives, and criteria, as illustrated in Figure 4. Access to this material greatly helps in compiling the message document but can also become a distraction if the team spends too much time fine-tuning those sections and avoids the decisions needed regarding the key findings.
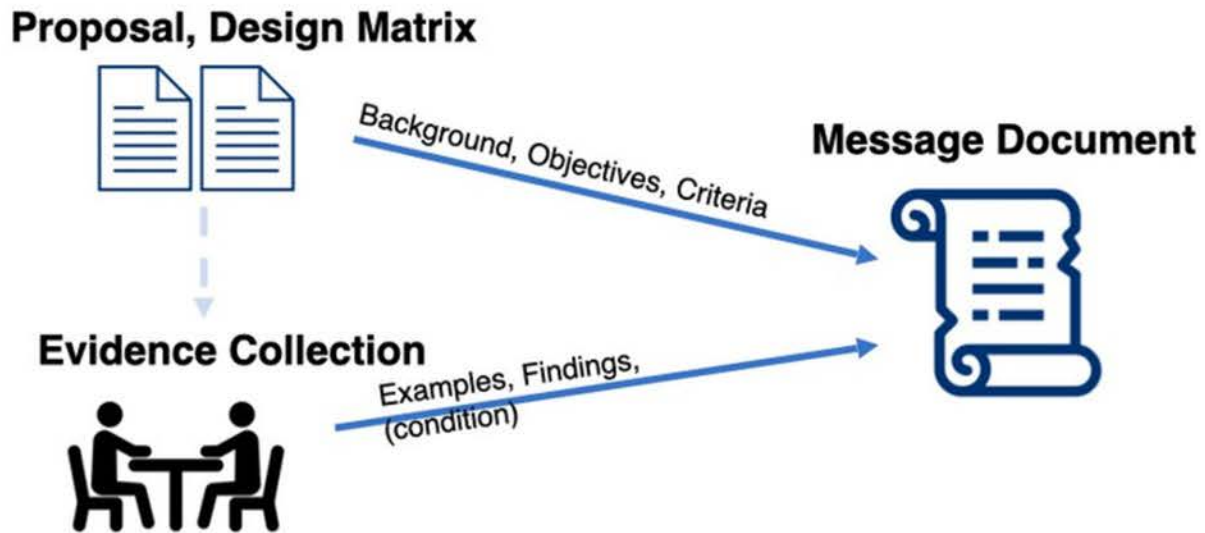
Figure 4: Compiling the Message Document

Achieving Impact Through Recommendations

Although audit organizations have numerous ways to achieve a positive impact, including actionable recommendations is the most direct way to translate audit findings into impact. At this point in the audit, the team should have all the necessary elements to craft recommendations, including sufficient evidence to support the findings. The team should continue the process of thinking ahead by looking to the desired corrective actions of the audited entity. This requires the team to understand the cause of the findings, which can sometimes not receive due care when the team is focused on collecting evidence to establish condition. One reason is that the cause is often discovered and clarified through interviews rather than documentary evidence, and discussions of the cause can only take place after the condition is known.

Understanding the cause is essential because recommendations and agency actions are most effective if they address the root cause—rather than just the symptoms—of the finding. There are numerous techniques that can be used to

get to the root cause, but one of the simplest is to apply the "5 Whys" shown in Figure 5. This technique is a useful reminder that the root cause may be more fundamental than the first or second explanation, as the initial statements of the cause can look like restatements of the findings. By repeatedly asking why, the team can the team can craft recommendations that address the root cause so the agency actions resolve the fundamental issue—and maximize the impact of the audit.
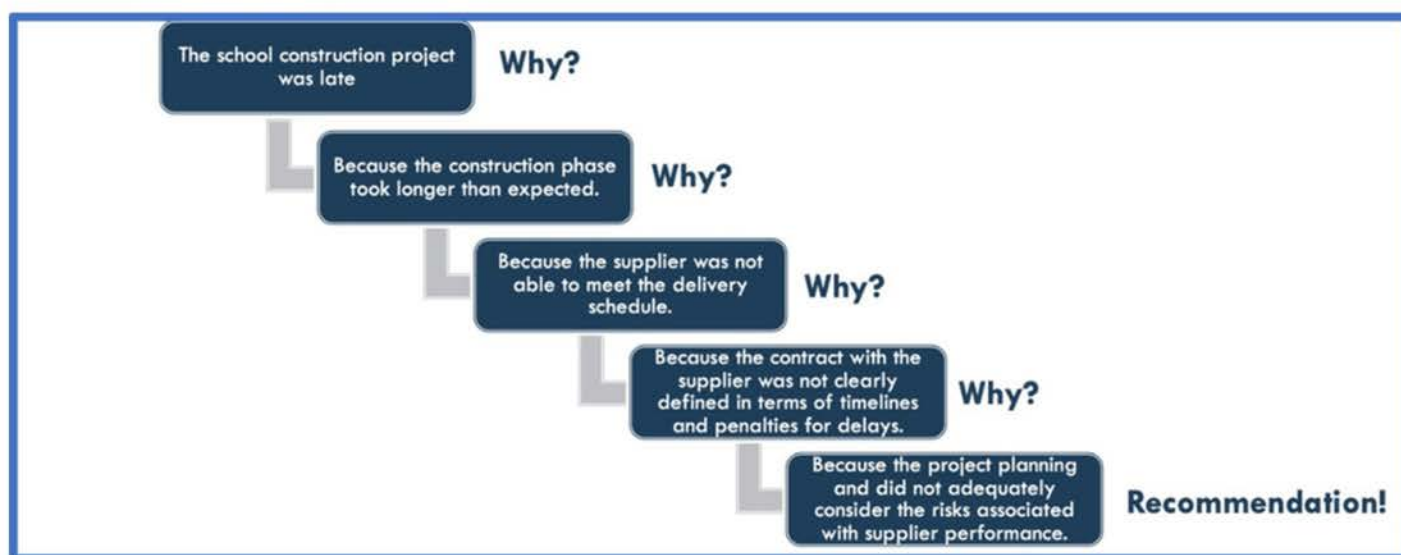
Figure 5: The 5 Whys Technique

Conclusion

An impactful audit report is more than a collection of elements; it requires a connected audit process that ensures smooth transitions between stages and maximizes the potential for positive change in the audited entity. By drafting objectives with criteria in mind, considering the evidence needed for each criterion, and shifting the mindset from evidence collection to message development, audit teams have all the elements needed to write

recommendations that address the root cause of the finding. These recommendations direct the agency's attention to the fundamental problem and help ensure that future audits will not repeat the same findings. Moreover, sustained momentum and smooth transitions between stages can help audit teams avoid roadblocks that delay audits, reduce relevance, and affect team morale. The connected audit helps ensure the impact of each individual audit and maximizes the impact of the audit organization as a whole.

Beyond Compliance: Elevating Audit Impact through Behavioral Insights

By Carlos Morales Castro, Follow-up Area Manager; Alexia Umaña Alvarado, Follow-up Area Supervisor, and; Verónica Cerdas Benavides Audit Supervisor and former SAI Young Leader.

Source: Adobe Stock Images, Feodora

Through their work, Supreme Audit Institutions SAIs are compelled to promote positive changes in people's lives. To achieve this purpose, auditing stands out as one of the most important tools at SAIs' disposal to increase the public value generation. By carrying out audits, a SAI can evaluate whether processes are executed in compliance with established norms, identify performance improvements under the usual principles of effectiveness, efficiency, and economy , or conclude on the financial information of an entity.

However, even if a good audit is conducted, the value chain that it generates can be broken if the recommendations issued by the SAI are not fulfilled by the auditees or are not taken with the necessary commitment to ensure the sustainability of the corrective actions indicated. Therefore, the design and follow-up of audit recommendations are essential elements for promoting audit impact. How can this be addressed from an innovative perspective One possible answer is by applying behavioral sciences.

Cognitive biases and auditing

As part of the 2022-2023 SAI Young Leaders Program promoted by the INTOSAI Development Initiative IDI , the General Comptroller Office of the Republic of Costa Rica developed a project entitled *Use of behavioral insights and identification of cognitive biases in audit process for a better design and follow up of audit recommendations*. This project aimed to build capacities in audit teams for identifying cognitive biases and applying behavioral insights techniques in the audit process, in order to promote better-designed recommendations, more empathetic and effective follow-up, and increased compliance with the recommendations by the auditee. The project hoped to transform their vision from imposition to persuasion and convincing.

To contextualize the project's theme, it is necessary to point out what a cognitive bias is. Following Chin 2022 , a cognitive bias is a systematic error in

thinking that occurs when people process and interpret the information around them, affecting the judgment formation and decision-making process. This term was introduced in the 1970s by psychologists Amos Tversky and Daniel Kahneman, who laid the foundations for the development of behavioral economics. For his contributions in this field, Daniel Kahneman won the Nobel Prize in Economics in 2002. He shared the Prize with economist Vernor Smith, who were recognized by his contributions in experimental economics.

As human beings, any person can make mistakes in decision-making, due to cognitive biases. By relying on mental shortcuts heuristics , audit teams may undervalue or overvalue evidence or misinterpret the available information. Furthermore, cognitive biases can influence perception and drive teams towards erroneous conclusions. These systematic errors in thinking also affect interactions with stakeholders, including audited organizations, which can affect their subsequent willingness to comply with audit recommendations. For these reasons, this project was about being conscious of these unconscious biases.

Figure 1: Potential benefits of applying behavioral insights in auditing process

Recognizing own and auditee biases

Better evidence evaluation

Better design of recommendations

Transforming perspective (from imposition to convincing)

A more empathetic follow-up

Strengthening of SAI value chain

Source: SAI Costa Rica

Low-cost, high-impact innovation

For all these reasons, the application of behavioral insights emerged as a low cost but high-impact innovation. This is very relevant given the fiscal crisis in Costa Rica, with a 61,1% debt/GDP ratio in December 2023 . The application of behavioral insight is almost a zero-cost intervention, the main requirement being awareness and knowledge-sharing.

In addition, a project like this allows the SAI of Costa Rica to be innovative in a wider sense: usually people tend to associate innovation with technology, even going as far as turning it into a purpose itself rather than being a tool for problem-solving. By definition, innovation is about implementing significant changes in processes, products or the organization with the purpose of improving the results, in this case: the identification of cognitive biases and the application of behavioral insights strengthen the objectivity and professional judgment, at the same time, promote a better understanding inside and outside the organization. In this line, the first step was socializing the framework with audit teams.

Activities were carried out to raise awareness about the concept of cognitive bias and how they can jeopardize the objectivity and professional judgment of the audit team. The main cognitive biases e.g., confirmation bias, anchoring, authority bias or social norms and the relationship with auditing were explained. As part of these awareness activities, a webinar with Organization for Economic Cooperation and Development OECD and SAI-Chile for the OLACEFS community were conducted in Spanish below and a special podcast episode was developed available below.

Additionally, behaviors that undermine the audit impact at critical contact-point between auditor and auditee were identified. Based on this information, the General Comptroller Office of the Republic of Costa Rica developed a pilot plan to implement intervention strategies collaboratively. Finally, behaviors affecting the follow-up of recommendations were analyzed, and mitigation strategies were proposed based on the "ABCD" framework developed by OECD, which stands for attention, belief formation, choice and determination.

Once the main milestones in the audit process were identified, according to different stages planning, examination, communication, and follow-up , activities with the most interaction between participants in the audit process were established, and behavioral adjustment strategies were proposed to promote greater objectivity, assertive communication, and a proactive

relationship not only with audited entities, but also among the internal areas involved in audit studies.

From theory to practice

In this context, the General Comptroller's Office of the Republic of Costa Rica applied the proposed improvements resulting from the collaborative work to 7 audits conducted in 2023. The General Comptroller's Office of the Republic of Costa Rica has audit executing units, as well as a specialized area for the development of the follow-up stage, whose objective is to promote improvements in public management. For each audit team, a contact-person from the follow-up area was selected to help manage the audit recommendation follow up process. The teams also requested a closer interaction between the audit team and the follow-up team from an earlier stage, instead at the ending of communication stage. This approach allowed both the auditors and the follow-up team to gain a deeper understanding of the context of the audited issues, the nature, and conditions of the organizations to minimize uncertainty and promote internal cohesion. Also, it facilitates how the follow-up personnel can contribute to the audit's development and promotes internal efficiency by dedicating less time to understanding the audited issues.

Internal socialization: with almost 200 people

7 finished audits as part of pilot

Machine Learning Models to analyze the recommendation and auditee profile

Women Empowerment: All contact-person from Follow-up personnel are women

Increase of internal collaboration Between Audit Departments and Follow-up Department

Time-saving Less time dedicated to understand audit topic in follow-up stage

Source: SAI Costa Rica

Regarding links with audited organizations, work sessions were held promoting the use of proactive language to reshape the auditee's perspective and transform their conception of the SAI. This allowed the audit to be seen as an opportunity for change, a window of opportunity for improvement, and the generation of impact for the population demanding quality processes, products, and services. Additionally, aligning the auditor's expectations with those of the auditee helped to find points of convergence and enhance short-term solutions.

Another change resulting from this project was the co-creation of recommendations between the audit team and the follow-up personnel as the audit findings were configured. This aimed to strengthen the will to change, propose viable solution alternatives, and clarify the desired results, reducing the cognitive load on the auditee and audit teams. Moreover, using technological tools and predictive models on recommendation compliance, the Office of the General Comptroller of Costa Rica is leveraging accumulated data on recommendation follow-up to continue improving their drafting. For example, analyzing the total number of words, specific terms verbs used , granted deadlines, and institution characteristics helps identify trends that may unconsciously limit or hinder auditees. Thus, substituting them to foster commitment and eliminate information overload is possible.

A more specific, brief, and consensually drafted recommendation, using a proactive tone and coupled with more empathetic and closer follow-up, can be key for promoting compliance from a conviction standpoint, along with the possibility of sustainable changes over time.

The results obtained from implementing this project indicate that change is both real and desirable by the various stakeholders. The foray into behavioral insights requires small but substantial adjustments within reach of auditors and auditees. This promotes experience sharing and diversity of perspectives, enriching audit products and fostering accountability, with a focus on value creation as part of the continuous improvement sought by an SAI.

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Closing the Audit Loop: A Methodology for Tracking Audit Recommendations

By Guy McClain, PhD., Associate Professor of Auditing, Else School of Management, Millsaps College, USA 1

Source: Adobe Stock Images, Flash Vector

Introduction

Audits performed by Supreme Audit Institutions SAIs are valuable tools that help identify risks, inefficiencies and areas of improvement for a wide variety of governmental programs.

These audits fill the gap between policy and practice by providing timely audit results and constructive feedback to those audited. Included in this constructive feedback are recommendations meant to enhance performance and implementation of recommendations to ensure policy and/or standards are being met. This closing of the audit loop is an essential, final step in the audit process.

Closing of the audit loop, however, can be less effective if SAIs do not track the implementation status of audit recommendations *(2)*. In fact, the INTOSAI P-12: The Value and Benefits of Supreme Audit Institutions, highlights the importance of tracking principle 1 and reporting principle 3 audit recommendations *(3)* . Tracking and reporting increase public confidence by providing transparency into the work performed by SAIs. Additionally, tracking information can be used internally by SAIs to benchmark performance furthering their own quality control efforts.

A recent survey conducted by the INTOSAI Working Group on Evaluation of Public Policies and Programs found that 72% of respondents tracked the implementation of audit recommendations, while only 45% of respondents published information about the implemented recommendations. Thus, recommendation tracking is generally performed, but the results are not typically shared. This lack of transparency is troubling since there is a growing body of academic research that shows the positive effect implementation disclosure has on public opinion of local governments *(4)* and public services *(5)* .

A Methodology for Tracking Audit Recommendations

Creating a methodology for tracking the implementation of audit recommendations can enhance transparency with the public and improve internal SAI quality control. The steps below are general guidelines as each SAI will have unique circumstances and challenges. These guidelines can act as a starting point to craft a method that works for SAIs and their constituencies.

Step 1: Explain the Audit Recommendations

SAIs are in a position to possess relevant information that program directors and other auditees may not have. This siloed approach to government bureaucracy may create misunderstandings between SAIs and the auditee. Thus, it is crucial that SAIs explain audit recommendations in detail. Involving the auditee in discussions and diving into the data will help to ensure they fully comprehend the underlying issues.

The goal is for the auditee to acknowledge the recommendations are important and within their control to implement. On the other hand, the auditees may also challenge the recommendations. The SAI, therefore, should be prepared to respond properly by providing more evidence or making an adjustment. This negotiation process will take time, but if SAIs eliminate the auditee's challenges and counter points to the recommendations, altogether the resolution of the deficiency may be delayed or inadequate as there is not an open dialogue between SAIs and auditees to fully understand the audit recommendations.

Step 2: Prioritize Recommendations and Identify Timeframes for Implementation

Different sources of findings hold distinct value. Program evaluations and performance reviews are key tools for SAI program management, but differ in many ways. For example, program evaluation may use qualitative data, whereas performance reviews will use strictly quantitative data.

Regardless, SAIs can prioritize recommendations based on risk factors like potential impact, alignment to auditee strategic objectives and cost of mitigation.

SAIs could also prioritize recommendations by different timelines required for auditee implementation. The importance of timelines cannot be overstated. Choosing the right interval for the timeline can be a delicate balance. The longer the interval the more likely it is that information gets forgotten. Extremely short timelines tend to trivialize the issue as serious recommendations may take substantial time to correct. Regardless, if a SAI has the ability within their mandate to vary implementation requirement timelines, there should be a source of clear communication with the auditee that encourages accountability. While you do want to collaborate with the auditee in the process see step 1 , timelines communicate the auditee's responsibility for correcting the audit recommendations.

If it is within the SAI's mandate and scope of responsibilities, action plans can help ensure the implementation of recommendations. Once SAIs have prioritized their recommendations, they could ensure that auditees have developed clear and detailed action plans in conjunction and agreement with the SAI to address each issue. This action plan should include specific steps, responsibilities, resources and timelines.

Step 3: Do Not Become Beholden to Technology

Technological tools can significantly enhance tracking efforts. Automated case management systems can help the SAI manage multiple audits and their recommendations. This process automation, however, may only be accessible to SAIs with large budgets and sizeable workforces.

Tracking audit recommendations is not about choosing the right software. Effective tracking is about maintaining accountability and clear expectations, which can be done using little technology. An effective tracking system can be created using minimal technology like a word processor, spreadsheets, email and a filing system.

Step 4: Monitor Progress Through a Culture of Continuous Improvement

SAIs can make the most of their audit recommendations by creating a culture of continuous improvement. This culture is the process of acquiring, creating, sharing and applying knowledge to improve the performance of the auditee. SAIs should encourage the auditee to see the recommendations as opportunities for learning and growth rather than criticisms or failures. This cultural shift can help ensure that audit recommendations are addressed proactively and effectively.

The creation of this culture requires a systematic effort. It can be facilitated by defining audit objectives, audit indicators and measures of progress. SAIs should tailor the content and style of communication to the needs and preferences of the auditee. The goal is to encourage the auditee to take responsibility for the audit recommendations.

Regular monitoring is essential to ensure the auditee is effectively implementing recommendations. This process involves tracking progress and the auditee's actions, reviewing the effectiveness of implemented changes, and identifying any gaps or additional actions needed to meet recommendations, as needed. This step should not be confused with follow-up audits that SAIs may be required to perform. This step is more about checking-in with the auditee to assess progress and lend support.

Conclusion

Audit recommendations identify risks to the successful delivery of outcomes consistent with policy and legislative requirements, and highlight actions aimed at addressing those risks, and opportunities for improvement. By using this four-step guide, SAIs can transform their audit recommendations from a challenge into an opportunity, driving improvement, enhancing risk management, and adding value to the government programs under audit.

Footnotes

1. I would like to thank Charles Woods from the Mississippi Office of the State Auditor for his insightful and helpful comments and suggestions.

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Analysis of the development, follow-up and impact of recommendations on government auditing in Peru

By Arturo Alejandro Zea Manrique, Chief of the Institutional Control Organ of the Regional Government of Arequipa, Contraloría General de la República del Perú SAI PERU
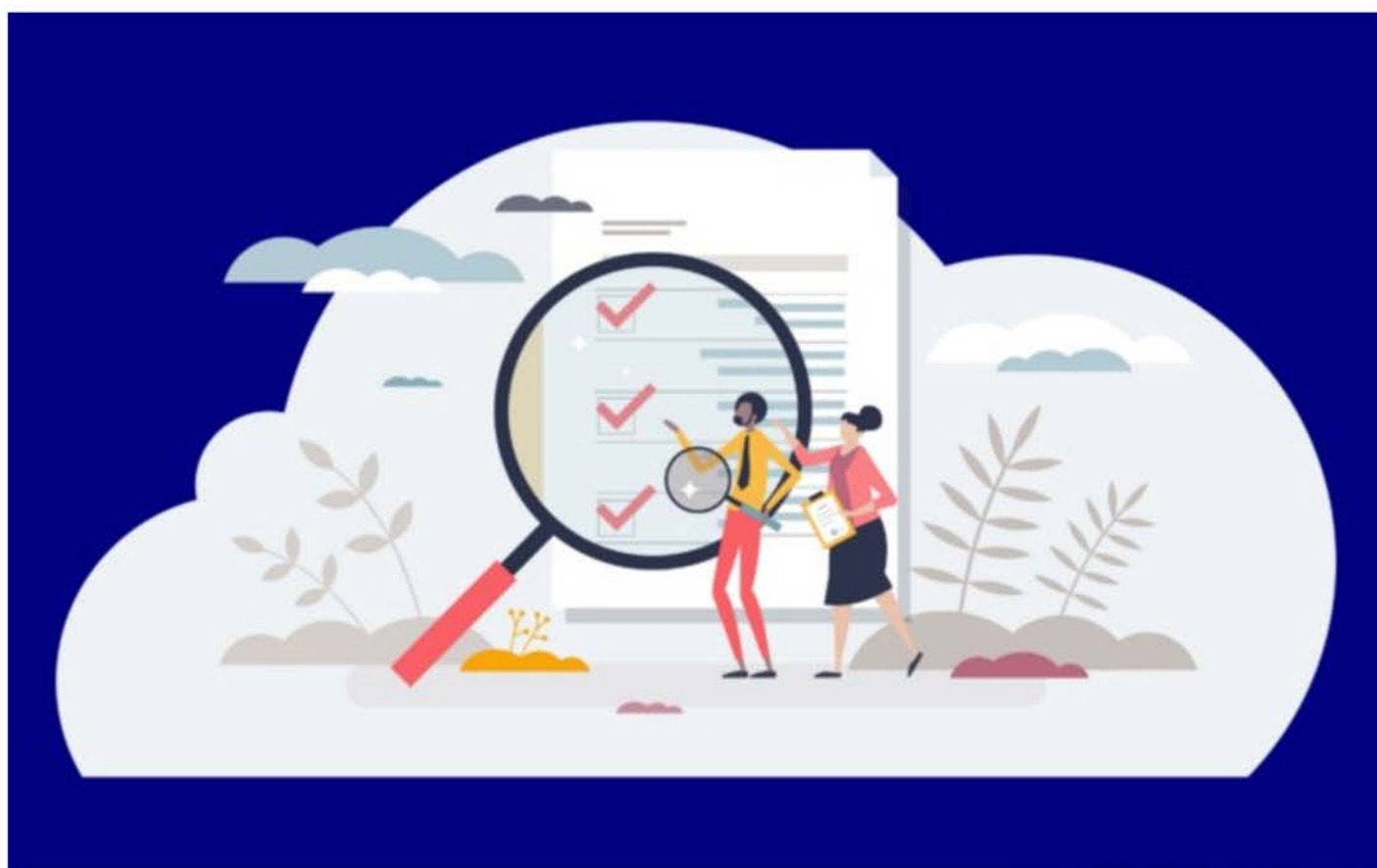
Source: Adobe Stock Images, VectorMine

Introduction

In Peru, there are three main types of control services in the governmental sphere: ex-ante, simultaneous and ex-post.

- **Ex-ante control** is implemented before any financial disbursement is made. A clear example is the ex-ante authorization requested from the Office of the Comptroller for the payment of additional services in investment or construction projects.

- **Simultaneous control**, on the other hand, is applied during the execution of the expenditure. This process is carried out at all stages of an investment project, from the initial planning and design, through the preparation of the technical dossier, to the execution and final closing of the project.

- Finally, **ex-post control** is carried out once the expenditure has been executed. This stage comprises three key services: audits, specific control services and ex officio ex-post actions. Audits in particular are categorized into financial, compliance and performance audits.

These audits play a crucial role in verifying compliance with the applicable regulatory framework under the principle of legality. In addition, they are fundamental for communicating **recommendations** for the initiation of civil, criminal and/or administrative legal actions against the public officials responsible. Equally important is their ability to issue recommendations aimed at areas for improvement in public management, which facilitates the development of effective strategies to optimize public resources.

Recommendation Development Process

In the audit process, recommendations are developed in the following stages:

1. **Planning of the Compliance Audit:** From the planning stage, the Audit Team employs techniques such as inquiry and control tests to acquire a thorough understanding of the audited entity, including its legal framework, organization, governance, business processes, operational risks and performance indicators. In this phase, the effectiveness of internal controls is also evaluated to define subsequent audit procedures. This is a crucial step because it establishes the basis on which the final recommendations will be developed.

2. **Execution of the Audit:** During the execution phase, auditors gather relevant evidence and documentation to enable them to assess whether the entity is complying with applicable laws, regulations and policies. This is where findings are identified and risks and internal controls are assessed. Each finding is carefully documented with evidence that supports the auditor's conclusion.

3. **Preparation of the Audit Report:** Once the collection of evidence and analysis has been completed, the audit report is prepared. This report will include not only the findings and evidence, but also recommendations designed to correct identified deficiencies, improve processes and strengthen internal controls. These recommendations should be clear, feasible and provide a clear path towards improving the management of the audited entity and, if necessary, prompt the initiation of legal or administrative actions against officials and servants suspected of civil, criminal or administrative liability.

Recommendation Follow Up Procedures

Follow-up of these recommendations is vital to ensure that they have been effectively implemented and are working as intended. The monitoring of the implementation of the recommendations is structured in several key stages, designed to ensure effective and systematic implementation:

1. **Registration and Classification of Recommendations:** All recommendations must be registered in a computer application of the Office of the Comptroller General. Recommendations are classified according to their nature, whether to improve management, initiate administrative or legal actions, or address situations identified by ex officio ex post actions.

2. Action Plan: Entities must develop an Action Plan detailing how they will implement the recommendations, specifying actions, responsible parties, deadlines and necessary resources. This Action Plan must be reviewed and approved by the corresponding Institutional Control Organ OCI .

3. Implementation and Monitoring: The implementation of recommendations is the responsibility of the audited entity, while the OCI actively monitors progress. An updated record of the implementation status of each recommendation must be kept in the computer application.

4. Evaluation and Reporting: The OCI should periodically evaluate the status of implementation and prepare semi-annual reports summarizing progress, challenges and results achieved. These reports are essential for ongoing oversight by the Office of the Comptroller General.

5. Publication and Transparency: The implementation status of recommendations and follow-up reports should be published on the public entity's electronic transparency portal, thus ensuring visibility and accountability to the public.

This process is designed not only to correct identified deficiencies but also to strengthen the administrative and operational capacities of public entities, ensuring transparency and efficiency in the management of state resources.

Implementation of Recommendations: Impact Evaluation and Management

To evaluate the impact of the implementation of the recommendations, the process begins with the reports generated by the Institutional Control Organs OCI . These reports detail the follow-up on the implementation of recommendations in the different public entities. This information is compiled in the systems of the Office of the Comptroller General, then the implementation and follow-up process is consolidated and analyzed. Subsequently, all this data is sent to the Deputy Manager of Monitoring and Evaluation to design strategies to strengthen and improve this process.

The Deputy Manager for Monitoring and Evaluation is the office responsible for overseeing the implementation and follow-up of recommendations on a large scale. This office monitors and provides consolidated management data reflecting the progress of the process. In addition, it evaluates progress in implementing the recommendations and the problems encountered. Using this information, it develops strategies and actions aimed at increasing the effectiveness of the recommendations and provides information that will serve as points of attention for future audits.

The relevance of the recommendations lies in the fact that they represent the result of the meticulous audit process. They emerge directly from the findings detected, which include the identification of possible liabilities and the critical points of management susceptible to generate irregularities or additional discoveries. In addition, they offer the audited entity the opportunity to implement changes and apply the suggested improvements or corrections, thus promoting management that is more effective and compliant with regulations.

Recommendation Implementation Results and Looking Forward

Despite the importance of the content and essence of these recommendations, the implementation rate has not been optimal, mainly due to the lack of action by the officials in charge.

Finally, it is crucial to highlight that the assignment of personnel exclusively dedicated to registration, follow-up, evaluation and coordination with the audited entity within the Control Organs has shown a positive and direct impact on the implementation of recommendations. Since 2021, an increasing trend in the percentage of implemented recommendations has been observed, especially after a year where the number of unimplemented recommendations was higher. This change highlights the effectiveness of prioritizing structured and systematic follow-up within the institutional objectives of Supreme Audit Institutions.

Implementing GAO Recommendations and Audit Follow-up

By Elizabeth M. Mixon and U.S. GAO

Source: U.S. GAO File Photo | www.gao.gov

The Government Accountability Office's GAO work routinely generates recommendations for improving the efficiency and effectiveness of government programs, resulting in measurable savings and improvements. Since fiscal year FY 2002, GAO's work has resulted in about $1.38 trillion in financial benefits and over 28,000 program and operational benefits that

have helped change laws, improve public safety and other services, and promote better management throughout government. In FY 2023 alone, GAO's work yielded $70.4 billion in financial benefits—a return of about $84 for every dollar invested in GAO. GAO also identified 1,220 other benefits—those that cannot be measured in dollars but led to program and operational improvements across the government. Examples of recent accomplishments include:

- **Returning Billions of Unused COVID-19 Relief Funding.** Since March 2020, Congress has provided over $4.6 trillion to help the nation respond to and recover from the COVID-19 pandemic. In February 2023, we reported that federal agencies had not used over $90.5 billion of these funds as of January 2023. We provided Congress monthly updates about specific agency accounts with unused funds. In June 2023, Congress used this information when it passed the Fiscal Responsibility Act of 2023, which required certain agencies to return about **$27.1 billion** of these unused funds to the Treasury. GAO-23- 106647
- **Improving Oversight of the U.S. Department of Veterans Affairs VA 's Community Living Centers**: VA provides care to nearly 9,000 veterans per day in 134 VA-operated nursing homes—called community living centers. In 2021, we recommended that VA strengthen its approach to overseeing care and addressing resident complaints at these centers. In FY 2023, VA took a number of steps to do so. For example, VA improved how it identifies these centers in the electronic system it uses to monitor patient safety. This will help VA reliably locate where patient safety issues are occurring and improve oversight of these centers. GAO-22-105142, GAO-22-104027

About 60 percent of our products contain recommendations, and since 2014, we have issued an average of almost 1,300 recommendations each year. The Congress and management of the audited agencies have discretion on

whether to implement our recommendations, and they have implemented an average of about 77 percent of our recommendations over the last 10 years. We focus attention on following up on our recommendations to help ensure that they are implemented effectively and in a timely manner.

Working with the Congress

Source: U.S. GAO File Photo | www.gao.gov

Congress plays a key role in providing oversight and maintaining focus on our recommendations to ensure they are implemented and produce desired results. In addition to reporting on the status of recommendations to Congress, we engage with Congress on strategies for further addressing our recommendations. These strategies include incorporating our recommendations into legislation. Additionally, Congress can use its budget, appropriations, and oversight processes to incentivize agencies to act on our recommendations and monitor their progress. For example, Congress can hold

hearings focused on implementing GAO's recommendations, withhold funds when appropriate, or take other actions to provide incentives to act. Moreover, Congress could follow up during the appropriations process and request periodic updates.

Working with Agencies

We engage with agencies on an on-going basis about opportunities to improve program performance during and after the course of our audit work. By communicating with agency officials throughout the audit process, deficiencies identified in our work can be immediately addressed, without waiting for a report to be issued. The figure below highlights the mechanisms we use emphasize our recommendations.

GAO Process

GAO develops recommendations

GAO receives agency comments

GAO issues the report to Congress, agencies, and the public

GAO reaches out to agencies at least annually to determine progress on recommendations

GAO posts the status of recommendations to https://www.gao.gov/ reports-testimonies/ recommendations-data

GAO solicits agency comments, written or oral, on draft reports, including recommendations

Agencies report on actions taken to address recommendations to selected congressional committees within 180 days of report issuance

Agencies provide GAO with updates on actions to address recommendations

Executive Branch / Agency Response

Source: GAO analysis.

Source: U.S. GAO analysis | www.gao.gov

Agency Review and Comment. We provide agency officials with an opportunity to review and comment on a draft of our report, including the recommendations, before it is issued in most instances. Through this process, agency officials may indicate steps that they are taking or planning to take to address the recommendations, and we reflect these steps in the report as appropriate. If the officials do not agree with our recommendations, they can

provide the rationale for any disagreement with our report findings. After receiving the agency's comments, we consider their substance, revise the draft product as appropriate, and present the agency's comments in the final report.

Agency Reporting to Congress. When we issue a report containing recommendations to the head of an agency, that official is required by statue to submit a written statement of the actions taken by the agency on our recommendations to Congress not later than 180 days after the date of the report.

Outreach to Agencies. At least once a year we reach out to agencies to determine the extent to which they have implemented our recommendations and if benefits can be attributed to our work. Throughout this process, our leadership works with agency officials to bring attention to our recommendations. Our analysts also update the status of recommendations when conducting related work on a particular topic.

Report on Recommendation Status. Updates to recommendations are posted to a public database Recommendations Database | U.S. GAO , which Congress can use to prepare for oversight hearings and budget deliberations. In addition, we update the status of recommendations when preparing testimony for Congress and as part of ongoing related work. Continued attention to recommendations is important because failure to implement our prior recommendations is often a major factor that leads to issues escalating to the point where they become high-risk.

Reporting on Open Recommendations

In addition to these processes, we highlight critical unimplemented recommendations that we believe warrant attention by Congress and agencies in our signature reports, including our biennial high-risk report, our annual fragmentation, overlap, and duplication and fiscal health reports, and in priority recommendation letters to agency heads.
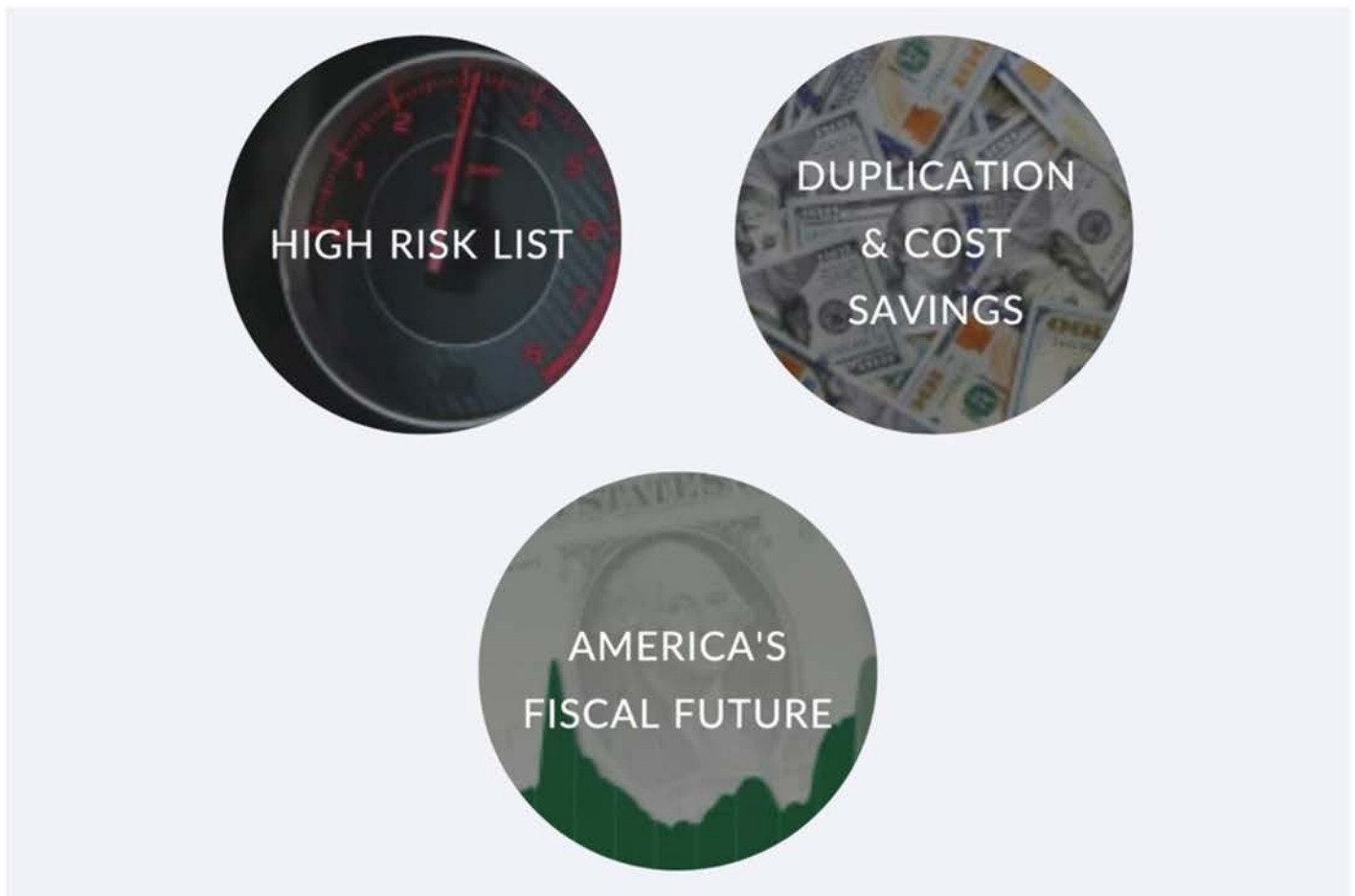
Source: U.S. GAO File Photos | www.gao.gov

High-Risk Report. We issue biennial reports updating our High-Risk List, which identifies government operations with vulnerabilities to fraud, waste, abuse, and mismanagement, or in need of transformation. We meet regularly with the Office of Management and Budget and agency Chief Financial Officers to discuss progress agencies are making to address these high-risk issues. Most recently, in April 2023, we reported that agencies need to address hundreds of our open recommendations to bring about lasting solutions to 37 high-risk areas, and that legislation is needed in some cases. *(1)*

Fragmentation, Overlap, and Duplication Report. Each year we report on opportunities for agencies and Congress to reduce fragmentation, overlap, and duplication in federal programs, including options for agencies to save money and increase revenue. As of April 2023, Congress and agencies had fully or partially addressed 1,383 73 percent of the 1,885 matters and recommendations; of these, they had fully addressed 1,239 and partially addressed 14. *(2)*

Fiscal Health Report. Each year, we issue an annual fiscal health report that examines the current fiscal condition of the federal government and its future fiscal path, absent policy changes in revenue and program spending. We have previously reported that the nation is on an unsustainable fiscal path caused by a structural imbalance between spending and revenue. *(3)* Implementing our recommendations can help reduce the deficit, though these actions alone are not sufficient to address the nation's serious fiscal imbalance. Since 2017, we have suggested that Congress develop a plan to place the government on a sustainable long-term fiscal path—where government spending and revenue result in a stable or declining ratio of debt held by the public to GDP over the long term.

GAO's Priority Open Recommendations

Our most important recommendations to help the federal government save money and improve government operations.

Our 2024 Update · GAO

Source: U.S. GAO File Photo | www.gao.gov

Priority recommendation Letters. Since 2015, we have sent annual priority recommendation letters to heads of departments or agencies highlighting recommendations that could save large amounts of money; improve congressional or executive branch decision-making on major issues; eliminate mismanagement, fraud, and abuse; or ensure that programs comply with laws and that funds are spent legally. *(4)* These letters do not include all our open recommendations but highlight recommendations that we believe warrant priority attention from agency heads.

As the fiscal pressures facing government continue, so too does the need for Congress and agencies to improve the efficiency and effectiveness of government programs and activities. Our recommendations provide a significant opportunity to improve the government's fiscal position, better serve the public, and make government programs more efficient and effective.

Footnotes

1. GAO, High-Risk Series: Efforts Made to Achieve Progress Need to be Maintained and Expanded to Fully Address All Areas, GAO-23-106203 Washington, D.C.: Apr. 20, 2023 .

2. GAO, Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions of Dollars in Financial Benefits. GAO-23-106089 Washington, D.C.: June 14, 2023 .

3. GAO, The Nation's Fiscal Health: Road Map Needed to Address Projected Unsustainable Debt Levels. GAO-24-106987 Washington, D.C.: Feb. 15, 2024 .
Priority Recommendation Letters.

Building More Effective Follow-up Audit Mechanisms

By National Audit Office of the People's Republic of China

Source: Adobe Stock Images, Flash Vector

I. Introduction

The National Audit Office of China (CNAO) places equal importance on both revealing problems in audit and correcting problems identified. Through in-depth research-based auditing, proactive efforts have been made to heighten the effectiveness of follow-up audit featuring clarified implementation responsibilities, operational workflows, and value added outcomes.

Such efforts aim to explore a comprehensive framework for follow-up audit that combines regular correction, themed rectification initiatives, and intensive rectification of major violation cases, which further increased the credibility, efficiency and effectiveness of audit. From 2021 to 2023, the number of corrected audit findings by the auditees increased rapidly, where over 9,700 items of regulation were made or improved, and some 27,000 people were held accountable. Through strengthened efforts for follow-up audits, the CNAO has played an increasingly important role in promoting social and economic development to advance Chinese Modernization. The above- mentioned achievements can be attributed to the following factors:

II. Attaching great importance and requirements to follow-up audit

In 2018, the Central Auditing Commission CAC , as a coordination and deliberative body, was established with Chinese President Xi Jinping as its head. Chinese Premier Li Qiang and Mr Li Xi, secretary of the Central Commission for Discipline Inspection of the CPC, are deputy heads of the commission. The CAC holds annual meetings to hear audit work reports and provides instructions for audit work including follow-ups. The CAC requires that resolute measures be taken to crack down on corruption as well as address long-standing problems, and that various efforts to do so must foster synergy. Accountability and organizational disciplines must be intensified and more follow-up actions must be taken.

The National People's Congress NPC Standing Committee SC , as the highest organ of state power of China, deliberates the audit report presented by CNAO in June every year. It sets requirements for follow-up audit and supervises the progress of rectifying outstanding problems identified through audit. Additionally, each year in December, the NPCSC considers a report by the CNAO on progress of rectifications.

As the highest administrative organ, the State Council convenes executive meetings led by the Premier to discuss and coordinate follow-up audits annually in July. Provincial governments and central departments are required to fulfill their rectification responsibilities and, by the end of September each year, report their rectification results to the State Council with copies to the CNAO.

Based on the experience from past practice, in July 2021, the central government issued a circular *On Establishing and Improving Long-term Mechanisms for Rectifying Problems Identified in Audit Reports*, which served as a fundamental institutional framework for strengthening follow-up audit.

III. Enhancing the quality of audit recommendations

Follow-up audit has placed yet higher demands on the quality of audits. In practice, CNAO continues to optimize audit methodologies, and incorporate a research-based approach throughout the entire audit process at each and every stage. In looking at the audit approach as a basic precondition, the selection and implementation of projects flows from the big picture to policies, then to projects, and ends in funds. If taking the audit approach as a basic methodology, the analysis and recommendations flows from funds to projects, then to policies and ends in the big picture. This is like a consistent thread which can be taken top-down and bottom-up in both directions.

Throughout this process, CNAO remains focused on two key aspects. First, the research ultimately aims to serve audit practice. Second, the direction of research-based auditing must be in alignment with the big picture, strategic plans and policy requirements of the central government regarding the sectors, regions and industries to be audited, as well as the historical,

development, and business context of the auditees. Research-based auditing ensures that audit results are based on facts and data with solid evidence, and audit recommendations are well-grounded, thoughtful, and insightful.

This approach enables auditors to provide quality and practical recommendations with the big-picture view, serving as a reliable basis and an important reference for the decision-making of the central government.

IV. Improving the accountability system for follow-up audit

CNAO has made significant efforts to establish a comprehensive follow-up audit system of accountability that includes various stakeholders across the board. This system encompasses three main aspects:

First, responsibilities of audited entities for rectification. The leaders of audited entities are primarily responsible for addressing the problems identified in the audit. They prioritize rectification of audit findings by incorporating this action into the agenda of leadership meetings and see to it that rectifications happen in an authentic, complete and compliant manner.

Second, supervisory responsibilities of competent authorities. The audit institution reports the identified problems to competent authorities, who are responsible for supervising the rectification process, ensuring that audited entities implement the necessary changes. Institutional mechanisms are reformed to address the root causes of common and emerging problems.

Third, urging and monitoring responsibilities of audit institutions. Recommendations provided by an audit institution after audit fall into three categories: those concerning matters that require (1) immediate, (2) phased or (3) continuous rectification. Audit institutions may carry out special audit investigations to verify whether rectifications happen and all the reported matters are rectified, in order to reach conclusions about the rectification results.

V. Building a comprehensive framework for follow-up audit and impact

Past experience has proven that the final resolution of many audit findings relies on the joint efforts of various stakeholders. A single entity alone cannot achieve this. Synergy formed through strengthened collaboration of all is an effective way to ensure that audit recommendations are followed.

Over the years, the CNAO has strengthened collaboration with the National Supervisory Commission NSC , the NPC, stakeholders, and other supervisory bodies to build a comprehensive framework for follow-up audit that combines regular correction, themed rectification initiatives, and intensive rectification of major violation cases. The framework emphasizes both overall coverage and targeted rectification actions, with a particular focus on addressing prominent problems.

For regular correction, the CNAO has, based on a list of over 30,000 problems identified in audits over the past years, distributed rectification notifications to relevant local authorities and departments, and required audited entities to fulfill their responsibilities for rectification. The audited entities must report their results of regular correction to the CNAO by the end of September each year.

For themed rectification initiatives, relevant departments, in collaboration with the audit institutions, conduct inspections and supervise rectifications under different themes. A few examples include:

- The General Office of the State Council has conducted special inspections to understand the rectification progress, with a focus on problems such as inadequate, non-compliant, or delayed rectifications.
- The Budget Committee of the NPCSC supervised the rectification of outstanding problems related to local government debt, transfer payments, state-owned assets, and other areas, and produced reports which were deliberated by the NPCSC.

- The CNAO conducted special audit investigations to examine the rectification results of over 2,170 problems reported in the past three years, and identified some common issues such ineffective, false, and perfunctory rectifications. The CNAO produced the audit investigation report and urged the audited entities to take further rectification actions. Most of the identified problems have now been resolved. As for intensive rectification of major violation cases, the CNAO has transferred more than 100 significant problems to disciplinary inspection commissions, finance departments, tax authorities, and other relevant departments for further investigation and accountability over the past two years, and has received feedback reports provided by competent authorities on the progress or results of rectifications. More than 68 billion Yuan 8.7 billion Euros has been recovered or saved through assets recovery and cost reduction measures, while relevant persons have been held accountable.

VI. Conclusion and Looking Forward

Besides the achievements made in China's efforts and commitment to follow- up audit, explorations for effectiveness never stops. In the next step, the CNAO, on the basis of experience gained, will make new efforts to further optimize the follow-up audit system, and facilitate the collaboration between audit and other forms of oversight, so as to put follow-up audit into real effects and efficiency of governance.

Implementing Recommendations and Identifying Impact of the Audits: Perspectives from the National Audit Office of Malta

By Tanya Mercieca, Assistant Auditor General

Source: Adobe Stock Images, Vadym

How do SAIs develop recommendations through the audit process?

The National Audit Office's NAO Malta mission is to assist in promoting accountability, propriety, and best practices in government operations. This mission is continuously achieved through the substantial number of audits of a compliance, financial, performance or investigative nature in various Ministries, departments and Government entities.

Recommendations are developed through a systematic audit process, beginning with comprehensive audit planning to identify audit areas, primarily based on risk. During fieldwork, the audit teams collect evidence through various methods, including interviews, document reviews, and data analysis. This evidence is then meticulously analysed to uncover weaknesses, inefficiencies, or non-compliance with pertinent rules and regulations. Based on the findings emanating from such audits, the NAO formulates realistic, doable and feasible recommendations aimed at addressing root causes and improving processes. Before being officially published, these recommendations undergo internal validation, primarily comprising managerial and senior management review.

Consultation is also made with relevant stakeholders through the submission of a management letter for their comments, as it is their ultimate responsibility to implement the recommendations in as timely a manner as possible. These reports serve as essential tools for informing policymakers, the audited entities/departments, as well as the general public, about areas requiring attention and improvement within the government.

How does NAO (Malta) follow up and correspond with the audited agencies to track recommendation implementation?

Following the publication of the NAO's annual report on public funds, the Governance Action Directorate, operating under the Office of the Principal Permanent Secretary, assumes an essential role in reviewing the recommendations highlighted in the foregoing report. It engages in robust communication with each relevant Ministry, compelling them to provide information on actions taken or intended to be taken in response to each recommendation. Ministries are mandated to implement accepted NAO recommendations within 90 days. A report, entitled 'The Governance Action Report on NAO Recommendations on Public Funds' is then published to this effect.

On its part, the NAO has a systematic follow-up process in place to monitor the implementation of recommendations by audited bodies, ensuring accountability and progress tracking over time. As part of its follow-up process, the NAO makes reference to the Governance Action Report and follows up on the actions reported. Independent checks are also undertaken. Through this rigorous process, the NAO enhances the effectiveness and efficiency of government operations, while holding audited bodies responsible for addressing identified weaknesses and improving government operations.

The NAO compiles a follow-up report with information on the implementation of recommendations, detailing progress made by the audited bodies, levels of implementation, challenges encountered, and recommendations for further action, where warranted. These reports serve to provide transparency and accountability in the follow-up process. The follow-up reports issued by the NAO for the last four years indicate that, for all audits included in the pertinent publications, on average, 81% of the recommendations were either implemented, in part or in full, or were in the process of being implemented by the Ministries and entities concerned.

How do SAIs identify the impact that recommendation implementation has on improving government programs?

As a guardian of transparency and accountability, the NAO ensures that recommendations translate into enhanced service delivery to Maltese citizens, especially where performance audits are concerned. Moreover, the implementation of recommendations at times also leads to substantial cost savings, this being in line with the Office's primary obligation to provide assurance that taxpayers' monies are utilised in the best manner possible and in line with prevailing rules and regulations.

NAO gauges effectiveness by conducting in-depth audits, analysing budget allocations, expenditure patterns and programme outcomes. At the end of each audit, the Office conducts a survey with the key stakeholders to gather qualitative data on the usefulness of the respective audit and the recommendations put forward. Moreover, rigorous examination of financial records, operational processes, and performance indicators, provides concrete evidence of how recommendations have contributed to improving government programs, ensuring accountability and fostering continuous improvement.

Improving Efficiency in Implementing Audit Recommendations: Challenges and Solutions

By State Audit Office of Viet Nam

SAV's auditors to implement a follow-up audit at the field site. Source: State Audit Office of Vietnam

The role of audit follow-up

The successful implementation of audit recommendations serves as a key indicator of the effectiveness and efficiency of audit activities. Therefore, monitoring and inspecting the implementation of audit recommendations play a critical role in evaluating the quality, effectiveness of audit activities and impact on the management and use of public finances and assets. This process not only demonstrates the level of agreement from audited entities but also identifies reasons for any unimplemented audit recommendations.

Legal framework

The inspection, monitoring and resolution of audit complaints and recommendations in Viet Nam adhere to provisions of State Audit Law, Decision No. 02/2022/QD-KTNN, and Decision No. 10/2023/QD issued by Auditor General. These regulations comprehensively define the responsibilities, authorities, and duties of the State Audit Office of Viet Nam SAV , audited entities, and other relevant parties. Notably, SAV's audit reports hold mandatory weight upon release and public disclosure. While being obligated to implement audit recommendations, audited entities also possess the right to lodge complaints or make appeals regarding audit conclusions and recommendations. SAV is responsible for monitoring, planning and organizing inspections, along with resolving complaints and appeals from audited entities.

Achievements and Challenges
1. Achievements

Monitoring activities indicate a generally positive trend in the implementation rate of audit recommendations by audited entities, with an increase year-on-year. Financial settlement recommendations typically achieve an implementation rate exceeding 80% within the year following the audit and continue to be implemented in subsequent years. Specifically, in 2023, the rate of implementation of financial recommendations and other recommendations

reached 87.06%, a significant increase compared to previous years. Among these, the recommendations for increasing revenue and reducing expenditure reached 92% the average for the preceding five-year period was only between 75-80% , while other recommendations reached 83%.

2. Challenges

However, a small number of recommendations remain incomplete or face delays, with the primary causes stemming from: Audited units about 59% ; SAV roughly 1% ; Related parties approximately 24% and Other causes including legal regulation around 16% . The following causes hinder the efficient implementation of audit recommendations:

1.*Audited entities*: Reluctance to implement or provide timely reports and evidence; encountering financial constraints; dissolution, bankruptcy, cessation, or suspension of operations.

2.*Relevant agencies, organizations, and individuals*: Lack of collaboration and cooperation, alongside a failure of relevant state agencies to fulfill their responsibilities related to implementing audit recommendations adequately.

3.*The State Audit Office of Viet Nam*: A lack of concerned determination, and proactiveness in monitoring the implementation of audit recommendations from several subordinate units, along with the absence of audit follow-up on audit recommendations, contribute to inefficiencies.

4.*Legal regulations*: Inconsistent, outdated mechanisms and policies that are not suitable for practical application or do not cover all emerging issues and the process of amending, improving policies must adhere to strict procedures and protocols.

Solutions for improved efficiency

To enhance the efficiency of implementing audit recommendations, the following solutions are proposed:

1.**Strengthening political determination and commitment**: Leadership commitment plays a crucial role in improving audit quality by actively urging, monitoring and inspecting the implementation of audit recommendations.

2.**Establishing effective audit follow-up systems**: Developing a robust tracking system for audit recommendations is vital. This includes researching and revising the legal framework to address outdated or unfeasible recommendations, and aligning monitoring and inspection processes with international best practices, ISSAIs and state audit standards.

3.**Leveraging information technology**: The promotion of information technology application and implementation of comprehensive databases fosters transparency, synchronization and effective management of audit data, meeting management requirements.

4.**Enhancing collaboration**: The improvement in coordination with audited entities and people-elected agencies facilitates monitoring, urging, problem-solving efforts in the process of implementing audit recommendations Additionally, fostering transparency and accountability throughout the audit process remains essential.

5.**Enforcing administrative sanctions**: Utilizing the Ordinance on Sanctions of Administrative Violations in the field of State Audit on the implementation of audit conclusions and recommendations of SAV, issued by the Standing Committee of the National Assembly, strengthens compliance with audit recommendations.

Conclusion

The implementation results of audit conclusions and recommendations are the measures to evaluate the effectiveness and efficiency of audit activities. Above all, the rate and effectiveness of implementing audit conclusions and recommendations will determine the value and expected impact of each SAI on a country's economy and social life. To achieve this, audit conclusions and recommendations must prioritize accuracy and persuasiveness.

Beyond robust internal solutions, SAIs should establish close and effective coordination with various stakeholders, including elected bodies, state management agencies, audited entities, media agencies, relevant organizations and individuals.

Implementation of Deliberations: Case Study of Audit at the Transport Infrastructure Agency

By Walisson Alan Correia de Almeida and Luiz Fernando Ururahy de Souza, Federal External Control Auditors, Tribunal de Contas da União

Aerial view of the Dom Pedro Highway in the city of Campinas, Brazil. Source: Adobe Stock Images, Paulo

1 – Introduction

The Supreme Audit Institution SAI of Brazil, known as the Tribunal de Contas da União TCU , is tasked with overseeing the federal entity's accounting, financial, budgetary, operational, and asset management to ensure legality, legitimacy, and economy. The Federal Constitution of 1988 empowers the TCU to enforce compliance with the law by setting deadlines for necessary corrective measures upon detecting illegality.

The TCU has the authority to issue two types of deliberations: determinations and recommendations. Determinations are mandatory, requiring the recipient to take specific, immediate actions to prevent or correct irregularities, remove their effects, or avoid executing irregular acts within a stipulated timeframe. Recommendations, on the other hand, are collaborative, offering the recipient opportunities for improvement to enhance management practices or public policies and government programs.

Monitoring serves as a crucial tool for the TCU to verify the execution and effectiveness of its determinations and recommendations. Unlike follow-up, which entails continuous oversight of public policies and government programs, monitoring specifically assesses the adherence to and impact of TCU deliberations.

This study presents a case analysis aimed at evaluating the influence of a TCU determination, issued following an audit of a government agency, on the efficient use of public resources. It explores how the TCU's monitoring process impacted the agency's performance and seeks to identify successful strategies and areas needing enhancement. The goal is to derive lessons learned and practical insights that could benefit other SAIs in their oversight functions, thereby contributing to the broader discourse on public sector accountability and resource management.

2 – Case study context

The agency that manages Brazil's transportation infrastructure policy is known as the Departamento Nacional de Infraestrutura de Transportes DNIT . An audit, process 013.068/2016-4, was conducted to check the execution of maintenance works on road sections under the National Road Safety and Signaling Program BR-Legal Program , aiming to boost the safety of federal highways under DNIT's jurisdiction.

This audit was a continuation of previous ones targeting road safety in high-accident areas, which identified several irregularities such as non-compliance with technical standards lane width, superelevation, shoulder existence, signaling and safety element inadequacies, and issues with maintenance and cleanliness.

Additionally, delays in delivering executive projects were noted, further delaying road safety improvements. In response, the TCU carried out a new audit to reassess the road safety policy and rectify identified shortcomings.

3 – Development of the determination during the audit

The main problem addressed in the audit was the inclusion of road sections managed by state agencies and segments granted to the private sector in the bidding notice of the BR-Legal Program. Additionally, the audit reviewed the scope of covered unpaved or even unimplemented road sections.

Thus, competitors submitted proposals encompassing services throughout the extension of the highways mentioned in the notice. However, the winners were partially executing the contracts, without proportional value reduction. During the audit, it was verified that such occurrences were present in several sections of the program.

 At the time, the prevailing methodology used by the TCU to develop determinations and recommendations was established in Resolution 265/2014.

This norm already tried to ensure that the determinations were clear, actionable, and relevant to the agencies. The determinations should be issued with defined deadlines for implementation and communication to the TCU of the measures adopted. Or, in more complex cases, for the presentation of an action plan aimed at solving the problem, requiring the specification of the actions to be adopted, responsible parties, and deadlines for implementation.

It also stipulated that the determinations should prioritize aspects relevant to correcting the main deficiencies identified in the audit, and be based on facts pointed out or analyses carried out. Determinations highlight "what" needed improvement or correction without prescribing "how" to perform such a task and be preceded by an assessment of the feasibility of its implementation.

Thus, Decision 2.828/2016-Plenary determined that DNIT reassess all contracts within the scope of the BR-Legal Program to identify and, if necessary, remove, values referring to services on federal highways not implemented, under construction, or outside its jurisdiction. The granted deadline was 60 days.

This determination aligned with the objectives and needs of DNIT and the BR-Legal Program, as it aimed at efficiency in the use of public resources, with investment in services that are effectively feasible and under the agency's jurisdiction.

It is also observed that the determination focuses on the reevaluation of contracts with services not applicable due to the situation of the highways, is based on facts pointed out or analyses carried out in the deliberation report, and leaves the way to make corrections at the discretion of the agency.

However, it is noted that it was not adequately preceded by an assessment of the feasibility of its implementation, as indicated by the meager 60-day deadline granted. This suggests that there was no consideration of the agency's operational capacities and the practical challenges that could arise during the reevaluation process, as will be demonstrated below.

4 – Monitoring and implementation of the determination

Administrative Order 27/2009 outlines the monitoring of determinations and recommendations, encompassing planning, execution, report drafting, and quality assurance. The TCU's main method for interacting with agencies during this monitoring phase is through diligence, a process used to request necessary information or documents for reviewing cases. This includes setting deadlines for the submission of such information or documents, crucial for clarifying uncertainties, gathering evidence, and checking the execution of decisions. It's aimed at accurately determining facts to provide a solid foundation for TCU's rulings.

In the monitored case, the primary issue identified was the insufficient assessment of the feasibility of implementing the determinations. This oversight failed to consider the agency's operational capabilities and the potential practical challenges that might emerge during the reevaluation of contracts. The original determination was given a 60-day deadline for implementation.

However, it was only deemed completed in 2019, nearly three years after the initial decision. The implementation faced several hurdles: a shortage of qualified staff and team overloads; excessive bureaucracy, characterized by intricate administrative procedures and the necessity for numerous approvals; and changes in management, which disrupted the continuity of information, shifted priorities, and led to confusion regarding the initial determinations.

To overcome these obstacles, the deadline was extended, and multiple diligences were issued. This indicates a need for the TCU to reevaluate its procedures and strengthen communication and coordination with agencies from the point of issuing to monitoring determinations, ensuring more effective and timely implementation.

5 – Impact on the audited program

Despite obstacles and delays, the TCU's deliberation notably benefited the BR-Legal Program, as highlighted in Decision 2.232/2019-Plenary. This intervention led to marked improvements in program management and execution, enhancing efficiency.

Significant cost savings were realized by adjusting 57 of the 109 contracts, saving around R$ 458 million about U$ 90 million at the May/2024 rate . This achievement underscores better resource allocation, aligning expenditures with the program's actual needs.

Additionally, the effort uncovered potential for executing irregular services, spotlighting program flaws. The TCU's corrective actions, which included adjusting contractual values, demonstrated a dedication to transparency and responsible management, reducing treasury risks. This approach not only corrected immediate issues but also set a precedent for managing public funds more effectively, ensuring accountability and minimizing potential financial losses.

6 – Participatory construction of deliberations

To enhance the effectiveness of control actions and deliberation quality, the TCU revised its methodology with Resolution 315/2020. This adjustment emphasizes involving auditees in the deliberation process by sharing preliminary audit reports containing determination or recommendation drafts and seeking their feedback on the implementation's practical impacts and alternatives within a reasonable period.

The resolution mandates incorporating auditees' responses into the final deliberation drafts. If auditees identify adverse impacts or suggest more efficient solutions, the TCU must justify maintaining the initial proposals. This process ensures an inclusive approach, considering auditees' inputs in the TCU's deliberations, aiming for more informed and effective decision-making that accounts for the practicalities and potential improvements suggested by those being audited.

7 – Lessons learned and best practices

The case study underscores the importance of properly assessing the feasibility of implementing deliberations. Overlooking an agency's operational

capabilities can lead to unrealistic deadlines and significant delays. It's crucial for SAIs to analyze an audited agency's capacity to implement recommendations within set deadlines, considering potential challenges.

To mitigate this issue, the TCU refined its communication with audited agencies, fostering constructive dialogue and enabling the submission of comments and alternatives during the audit process. Emphasizing transparency and decision justification is key to building trust and collaboration between entities. Other SAIs could adopt this approach, engaging audited agencies in the deliberation process and encouraging ongoing dialogue to enhance audit efficiency.

Despite encountered challenges, the audit and monitoring's positive impact on the audited program was notable, leading to marked improvements in program management and execution. Contract reevaluation and renegotiation resulted in significant cost savings, demonstrating the effectiveness of SAI audits and monitoring in promoting allocative efficiency and ensuring proper public resource utilization.

The authors, Walisson Alan Correia de Almeida (left) and Luiz Fernando Ururahy de Souza (right). Source: The authors, SAI Brazil

Implementing Recommendations and Audit Follow up: Modernising Government Warehouses in the Kingdom of Saudi Arabia

By Abdulaziz S. Alarifi and Meshari A. Almunyif, General Court of Audit, SAI of the Kingdom of Saudi Arabia

Source: Adobe Stock Images, MaciejBledowski

Introduction

In this era that witnesses rapid developments in technology fields and growing administrative challenges, there is an increasing need to modernise auditing systems to enhance transparency and efficiency in the management of public resources. For decades, the Kingdom of Saudi Arabia relied on a regulation of government warehouses that was adopted in 1983, which was, at the time, appropriate and effective according to the standards and requirements. This regulation, which was implemented under the supervision of the Ministry of Finance MOF , provided a solid foundation for managing resources efficiently and effectively. In this context, the Supreme Audit Institution of the Kingdom the General Court of Audit (GCA) played a pivotal role in pioneering digital transformation and modernising systems through active participation in restructuring and developing the regulations of government warehouses. The last of these regulations was issued in 2020, which came into effect following its communication with the government authorities, most notably the MOF on one hand, and higher authorities on the other. This process included introducing advanced automated systems, improving government procedures, and activating administrative governance in accordance with best practices, which contributed to significantly improving government operations and services.

This article aims to demonstrate how to effectively support the implementation of audit recommendations and follow up on its implementation. This approach is a prominent example of the importance of innovation, governance, and adoption of best practices in modernising national auditing systems. In the past, warehouse management faced major challenges resulting from a lack of effective regulations and procedures, which negatively affected the efficiency and effectiveness of warehousing operations, as the main challenges were represented in two basic aspects:

1.**Regulation aspect**: The regulations followed since the 1980s were considered outdated and did not keep pace with modern administrative and financial developments.

2.**Work aspect**: There were no clear and organised practical procedures in the old warehouse management methods, and controls were not properly activated, which led to poor utilisation of resources.

Adopted Recommendations:

From these challenges, the GCA identified several recommendations, which were implemented, to improve government warehouse management in the Kingdom of Saudi Arabia.

Automated systems for warehouse management: Previously, warehouse management relied on paper-based procedures that met the basic needs for storage and follow up. However, these procedures, despite their effectiveness at the time, began to show shortcomings with the advancement of technology and the increase in control and monitoring requirements, which led to complications that paper-based systems were no longer effective.

A new automated warehouse management system was required to meet modern warehouse management procedures. This update was also accompanied by the addition of requirements for coding warehouse items by QR code, as this is one of the most important means of improving oversight and control over the movement of items and facilitating procedures. GCA also recommend government warehouses adopt the "first in, first out" method in warehouse management procedures.

Transfers Portal: A new page created on the government entity's online portal, where slow-moving and returned items from the entity's warehouses are displayed to enable other government entities to benefit from them, or to sell them.

Warehouse forms: Warehouse management forms are developed and fully automated so that warehouse items are recorded and tracked in order to increase the ability to oversee them and reduce financial waste.

Automation of inventory count form and procedures: Automation of inventory count procedures in all its forms, whether it is full or partial, periodic or continuous, is both cost effective and efficient. Governance procedures are activated in inventory count processes and linked to automated systems.

This automation has contributed to accelerating inventory counts and made it easy to calculate by QR codes, especially since the inventory count forms are also automated. This makes electronic authentication of the forms easier to share copies of inventory count forms, count committee minutes, and send final reports to GCA automatically.

All of the aforementioned development and automation of government warehouses were accompanied by GCA's investment in developing an integrated audit system that ensures maximum benefit from its big-data. This system is integrated with the warehouse systems of government entities and is able to interpret all warehouse forms, analyse them, and issue detailed reports that assists in the performance of audits and in developing the most appropriate recommendations to government entities regarding government warehouses.

Modernising the organisational structure of warehouse units: As administrative and technological requirements changed, the need for a more flexible and efficient organisational structure emerged. The warehouse units were organisationally restructured to be linked to their respective government administrations, divisions, and/or departments, and are now organised based on the workload and requirements of each government entity. This structural transformation aims to keep pace with rapid developments and enhances administrative efficiency, as the administrative dependency of warehouse unit is determined based on the nature of the tasks, specialisation, and administrative formation of each entity. This change allows tasks to be distributed more effectively, enhancing rapid response to operational requirements, and reducing bureaucracy. The functional link between warehouses and other departments, such as procurement and finance, enhances integration and coordination between different activities, which facilitates the exchange of information and improves resource management.

Updating the responsibilities of warehouse employees: The responsibilities of government warehouse employees and certain titles have been revised.

For instance, there was no longer a need for an "Item Card Clerk" position. As appropriate to meet the needs of the technological changes, these jobs or roles have been automated, and efforts and focus were diverted to other areas of government warehouse management and operations oversight, contributing to the development of employees, in terms of speed and accuracy of work.

General provisions: Due to the GCA's accumulated experience in applying best practices in oversight, some general and important provisions have been added, which are, but not limited to:

- Establishing requirements for automated systems for government warehouses to accommodate and manage all types of warehouses, and classifying them according to type and location, governance and division of authorities in automated systems such as: "Maker" and "Checker" control ; not accepting amendments to memorandums and minutes after their approval; immediate recording and reconciliation of receipt and disbursement operations; ability to extract all types of reports, and; other requirements that ensure maximum benefits from automated warehouse systems.

- Adding space and safety requirements to warehouse units, such as optimal use of floors and spaces, availability of handling equipment and ease of movement, equipping warehouses with fire, security and safety systems, and other important requirements.
  Separating the offices of administration and supply staff from the warehouses, except for the office of the warehouse keeper or custody officer, which would be located adjacent to the receiving and disbursing areas. These general provisions ensure maximum benefit from warehouses and optimal investment of public money and efforts.

GCA's role goes beyond the financial aspects to also include verifying several critical non-financial aspects that affect the overall performance of warehouses, including:

- Warehouse locations: Analysing whether locations are suitable for the expected functions, which contributes to improving logistics efficiency.

- Commitment to the application of all requirements: Ensuring that all entities adhere to established standards and approved automation systems, ensuring effectiveness and continuous development.

- Warehouse suitability: Evaluating the suitability of warehouses to storage and operational needs, to ensure maximum effectiveness.

- Competency of the accountable human element: Verifying the level of performance of employees responsible for warehouse management and evaluating their effectiveness and qualification to carry out their tasks.

Through these efforts, GCA works to enhance oversight and transparency, and improve the overall performance of warehouse units. This comprehensive role highlights the importance of the SAI, not only as a supervisory body, but also as a fundamental pillar in supporting and improving government operations. Integral to the success of proposed recommendations is careful follow up to ensure their effective implementation. In this context, GCA plays an active role in reviewing the recommendation implementation through direct cooperation with the relevant government entities. Follow up includes site visits carried out by GCA professionals to verify the implementation of the regulations and procedures on the ground. In addition, the necessary documents and evidence are collected to evaluate the extent of progress that has been achieved. Periodic reports are submitted to higher authorities to ensure that the expected results achieve the desired goals and identify any obstacles that may affect the required effectiveness.

Conclusion:

Government warehouses in the Kingdom of Saudi Arabia have witnessed fundamental transformations thanks to modern regulations and the introduction of audit and governance roles. Government entities were able to enhance the efficiency of operations and achieve high levels of transparency and effectiveness. Continuous monitoring and extensive assessments have contributed significantly to improving the overall performance of warehouses. This transformation not only enhanced operational efficiency, but also raised the level of resource utilisation, which demonstrates the importance of the role SAIs play in providing recommendations that add value to government entities.

The authors, Abdulaziz S. Alarifi (left) and Meshari A. Almunyif (right). Source: The authors, SAI Saudi Arabia

Unleashing the Potential of Public Audits

By Claire Schouten, International Budget Partnership

Source: International Budget Partnership

Introduction

Efficient and effective utilization of public funds and resources is essential for all countries to achieve their development targets. Government auditors, led by national supreme audit institutions (SAIs), play a critical role in monitoring the utilization of these resources. SAIs are countries' top watchdogs on government finances and are mandated, often by national constitutions, to scrutinize whether governments are managing public funds properly.

SAIs conduct financial audits that examine the legality of financial transactions and performance audits to assess whether public funds have been used efficiently and effectively. Audit reports issued by SAIs contain recommendations on how to improve financial management.

Unfortunately, many governments do not respond favorably to audit findings and often ignore important recommendations. Convincing and incentivizing more governments to address these findings could strengthen audit systems and enhance the effectiveness and efficiency of national budget systems.

The International Budget Partnership IBP and our partners in various countries have worked together with SAIs to analyze audit follow-up, improve communication of audit recommendations, and enhance engagement between key oversight actors from within and outside government to promote action on audit recommendations.

An important element is advocating for the timely publication of audits and greater transparency of the remedial actions taken by governments to address adverse audit findings. We see some progress in the latest Open Budget Survey, which shows a small increase in the timely publication of audit reports, with 81 of 125 assessed countries 68% publishing on time.

Quality audit reports are also essential for identifying the specific reforms needed to strengthen public finance systems. As highlighted in a handbook developed by SAIs, the United Nations Department of Economic and Social Affairs and IBP, audit reports should explain why causes and how effects the problems identified findings affect the performance of the auditee, and how to address those causes through specific corrective actions recommendations . This requires not only focusing on the audit findings but, where applicable, also on the recommendations formulated to correct the problematic situations. Pinpointing the causes and effects of an audit finding is essential for an audit to ultimately generate impact.

Source: International Budget Partnership

While SAIs need to be interconnected within the accountability ecosystem, they also need independence from the executive. Since the last Open Budget Survey, we see a concerning drop in the 120 countries assessed in both rounds in the independence of the appointment of the SAI head, from an average score of 69 to 63. We also see a similar drop in the removal of the SAI head from office, from 78 to 76.

Achieving Accountability through Audits

Lack of follow-up on audit recommendations is a widely recognized issue, but its extent is hard to quantify as the majority of countries do not keep records of

government actions to resolve these recommendations. As shown in the figure below, legislatures or SAIs are more likely than executives to publish follow-up reports on audit recommendations.

Percentage of countries by region in which the executive and/or the legislature or SAI makes an effort to follow up on audit recommendations

Region	Executive follow-up on audit recommendations	Legislative or SAI follow-up
East Asia & Pacific	69%	85%
Western Europe, U.S. & Canada	56%	89%
Eastern Europe & Central Asia	23%	73%
South Asia	25%	75%
Latin America & Caribbean	18%	55%
Sub-Saharan Africa	20%	35%
Middle East & North Africa	0%	0%

Source: International Budget Partnership

Note: Percentage of countries by region, with publicly available audit reports, which make some effort at follow-up on audit recommendations.

Few global studies examine why governments do not follow up on audit recommendations. Various experts suggest that governments typically do not face enough pressure internally or externally from legislatures or the public to implement audit recommendations. They also agree that improved accountability requires stronger oversight actors and systems that enhance engagement among them. On the other hand, officials may view audits as threats to their powers rather than as tools that can improve the effectiveness of their operations. Defensive actions from government officials to audit findings are often a sign that the recommendations will be ignored.

We need all hands on deck

Effective audit and oversight systems require reforms by all actors in the system. Some reforms will need to address SAIs' resource constraints. But SAIs,

legislatures, civil society, and development partners can also take other actions to improve weaknesses in audit and oversight systems.

Developing and implementing communication strategies on the key findings and remedial actions from audit reports is one tactic SAIs can use to encourage government action. Our experience fostering collaboration between SAIs and civil society on audit follow-up and case studies on successful audits from Argentina, India, and the Philippines show how effective communications strategies helped create an environment where governments could not ignore audit findings.

SAIs can also help mitigate some of the weaknesses surrounding legislative scrutiny of audits. For example, the SAI leadership can take steps to limit the politicization of audits by ensuring that audit findings are relevant to decision makers, are presented in a non-partisan manner, and are clearly based on proven facts. Further, SAIs can help legislatures understand technical audit reports, suggest questions on recommendations that can be used to query executive officials in legislative hearings, and draft letters that legislatures can use to follow up on the status of recommendations. Within the legislature, the leadership can prioritize audit discussions and provide guidance on audit scrutiny. Budget oversight and audits can also be connected by using audit results to inform subsequent budget allocations. For example, in the Netherlands, the head of the SAI presents a report to the national legislature on an "Accountability Day" held in May that reviews each ministry's performance. These deliberations then inform legislative budget allocation discussions in September.

SAIs can also work with civil society and other stakeholders to engage the media on government or legislative inaction on audit findings. SAIs and other actors can develop databases to catalog audit findings and remedial actions. For example, the SAI of the United Kingdom has a recommendations tracker to monitor government responses to its audits. In Malaysia, the Auditor General's dashboard includes a simple overview chart for each ministry, which shows the number of audit issues and indicates their status by color. The public can navigate the database and not only see comments by the ministry, but also provide direct feedback. SAIs in Georgia, Indonesia and the United States are also leveraging electronic monitoring to improve action on audits. Such tools can help bring attention to audit findings that are being ignored.

SAIs can also send periodic letters to the heads of agencies informing them of the priority recommendations that are still open at their agencies and urging their personal attention. SAIs can use implementation rates of audit recommendations as performance indicators and report on the impact of implemented recommendations, which can demonstrate how action leads to positive results. SAIs and other stakeholders can advocate for the enactment of legislation requiring the reporting of corrective actions taken by government in response to audits.

Public engagement, especially with marginalized communities, throughout the audit process can help identify critical audit topics, generate evidence for investigations, develop meaningful recommendations, simplify audit findings, and build pressure for action. Across Argentina, Colombia, France, The Gambia, Ghana, Nepal, Peru, Philippines, Sierra Leone, South Africa, Sri Lanka, Tanzania and other countries, we have seen promising results when SAIs and civil society come together to strengthen accountability and the impact of audits.

Recommendations

The coming years will see countries face multiple demands on public resources – managing higher interest rates, geopolitical risks, and increasing climate vulnerabilities. Investments to strengthen oversight institutions are essential to ensure governments are making the most of their resources. Immediate steps are needed to preserve the independence of SAIs, enhance public engagement in audit and oversight processes, and improve the review and follow-up of audit reports.

We urge SAIs to make every effort to publish their audit findings and to create meaningful and inclusive mechanisms for civic engagement. This could be achieved by working with civil society groups to improve audit targeting, expand coverage, and enhance capacity.

Legislatures should review and follow-up on audit reports and hold public hearings with SAIs and the public. They should also ensure that SAIs have the mandate, independence and resources to conduct and publish relevant, high-quality audits on the use of emergency funds.

Civil society should champion the independence of SAIs and call out governments when audit independence is threatened. They should also engage with SAIs in a dialogue on priority and high-risk areas for audit, promote the visibility of audit reports and recommendations, and urge the executive branch to take action on audit findings.

Development partners should explore opportunities for support to all institutions that form the audit and oversight ecosystem and push back when the independence of SAIs in partner countries is threatened.

Finally, governments should direct audited public organizations to make all information available to auditors, and take appropriate action on audit findings.

Together we can leverage our strengths to unleash the power of public audits and oversight.

Citizen Participation in Monitoring the Decisions of the Federal Court of Accounts: A Path to Transparency and Efficiency in Public Management

By Klauss Nogueira, auditor of the Specialized Information Technology Audit Unit of TCU Brazilian Federal Court of Accounts .

Source: Adobe Stock Images, Day Of Victory Stu.

Introduction

In 2023, the Federal Court of Accounts TCU , the SAI of Brazil, issued 137 decisions containing deliberations for its jurisdictional units. These decisions generated 1,110 items subject to monitoring, including determinations and recommendations. Monitoring the implementation and impact of these deliberations is a process as important as the audits themselves, demanding a considerable effort from the SAI's resources.

In this regard, it is imperative that the TCU harness the strength and support of citizen participation in this task to exponentially enhance and qualify the monitoring actions through citizen engagement in control activities.

Over the past years, the TCU has been striving to implement strategies and mechanisms for citizen participation in external control, guided by the International Organization of Supreme Audit Institutions INTOSAI and the Organization of Latin American and Caribbean Supreme Audit Institutions OLACEFS . These institutions have recognized that citizen participation is fundamental to improving public management and institutional quality. Therefore, they have encouraged SAIs to interact with external actors interested in promoting active civil society participation, as established in the OLACEFS Declaration of Asunción, 2009, and the OLACEFS Declaration of Punta Cana, 2016.

TCU Explores Innovative Options to Engage Citizens in Monitoring Decisions

In 2018, in an internal competition for innovative control ideas, the article "Social Control of TCU Deliberations" was awarded for proposing the availability to society, on a web page, of a consultation system for non-confidential Tribunal

deliberations. This system would allow consolidated consultations by various criteria, including government function, agency, subject, compliance status, date, process, etc. For instance, a query on unattended deliberations of an agency X would result in all pending determinations and recommendations directed at that agency X, indicating the process and the decision that supported it. Although this proposal was not implemented, it sparked further discussion into ways that TCU could engage citizens in monitoring.

Providing this information in a public and user-friendly system would contribute to increasing the transparency of TCU's actions, as well as allowing Civil Society Organizations to exercise the necessary social control, assisting even the External Control in monitoring the deliberations.

Moreover, the availability of this information in an open format would allow researchers and civil society organizations to conduct their analyses of the deliberation data set, using technological processes such as data mining techniques, big data, artificial intelligence, among others, with the aim of producing knowledge about the characteristics of deliberations with higher or lower implementation rates, thereby feeding back into the external control system.

TCU Establishes Multiple Ordinances to Guide Citizen Participation Approaches

Following this line of approach to citizen participation, also in 2018, the TCU published Ordinance 345/2018, which approved the guide "The TCU and Social Control," aiming to establish general guidelines for interacting with social control, as well as providing a foundation for developing a partnership strategy with society for Public Administration control. This document foresaw that Civil Society Organizations could help monitor the actions of the audited entity to comply with an audit report. In conjunction with media attention, this monitoring could pressure the audited entity to take the necessary corrective action. In 2023, Ordinance Segecex No. 24 established the Guidelines on Citizen Participation, marking an important step towards a deeper interaction between the TCU and society. This ordinance recognized the relevance of

citizen participation in the process of auditing and controlling public administration, encouraging collaboration and information sharing. Through these guidelines, the TCU aims not only to inform and educate the population about their rights and duties in auditing public resources but also to open channels for citizens to actively contribute to the control process.

Regarding the reporting and monitoring phases, Ordinance Segecex No. 24 established guidelines to create simplified versions of reports of interest to citizens and to engage citizen participation entities in monitoring the decisions.

Finally, the Lima Declaration of 2024, emanating from the INTOSAI Task Force on Citizen Participation and Civil Society Interaction, recognized the active involvement of citizens and institutions as a relevant factor to increase the reach and impact of public sector auditing.

TCU Development of Framework and Digital Platform for Citizen Participatory Monitoring

Based on the guidance of major institutions, INTOSAI and OLACEFS, and with the establishment of an internal regulatory framework through citizen participation guidelines, the TCU has sought to realize citizen participation in control. In this context, some works have been carried out with social control interaction, such as the Citizen Task Force 2021, in which volunteer citizens, trained by auditors from oversight agencies, assessed the passive and active transparency of the municipalities' transparency portals.

The results revealed a clear absence of data, making it difficult for oversight agencies and society to monitor through social control. In cases of evidence of irregularities, the competent authorities were notified to take appropriate action, which could result in fines and disqualification from holding public office. The project remains active, and in 2023, Ordinance Segecex No. 24 regulated the structure used in the Citizen Task Force as the institutional model to be followed by the TCU.

In another vein, a digital services platform, Conecta-TCU, was developed with the goal of providing interaction with the TCU, allowing access to information, and serving procedural communication. The platform consists of several modules already in operation, intended for agencies and entities that are recipients of TCU rulings, and the Citizen module, scheduled for 2025, will allow access to the data of each deliberation's monitorable items.

With access to consolidated information on all rulings issued by the TCU in an easily accessible location, organized civil society will achieve greater transparency and accountability. This access will enable them to monitor government actions more effectively, advocate for better governance practices, and contribute to holding public officials accountable for their decisions and expenditures.
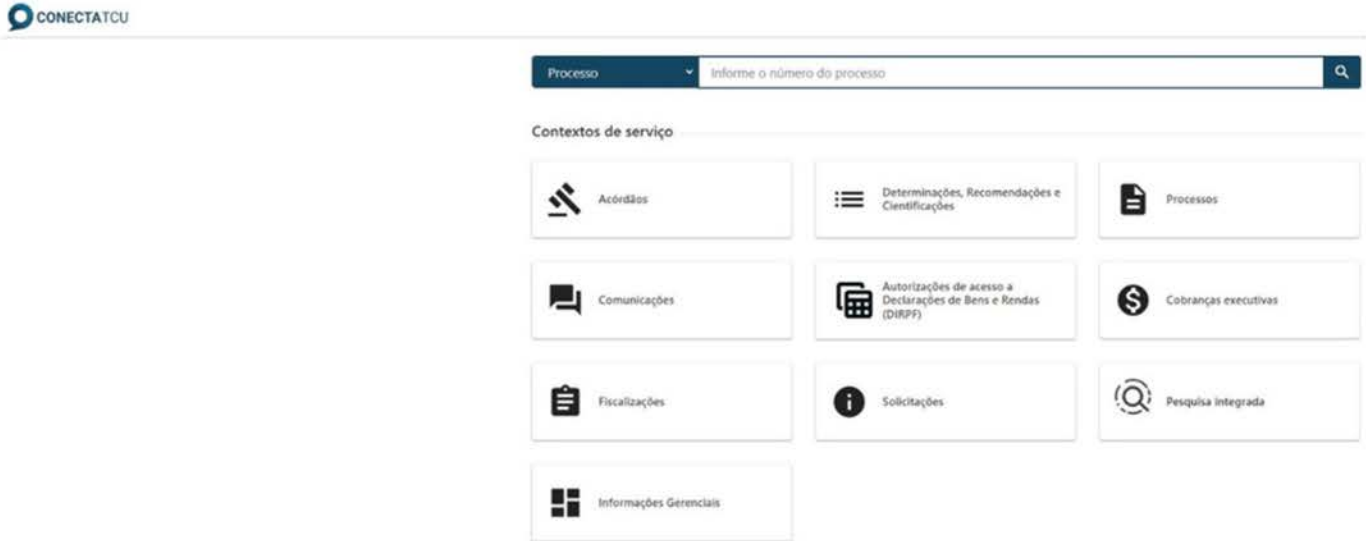
Source: TCU Brazil

Currently, the TCU seeks to approach entities working with public data and social control to identify information gaps in TCU's communication with society. It is expected that this approach will result in clear and accessible information availability and the creation of mechanisms that facilitate interaction between the Tribunal and citizens.

Conclusion

Monitoring the TCU's decisions with active citizen participation is crucial for strengthening democracy and promoting a more transparent, efficient, and accountable public administration. The Guidelines on Citizen Participation, the recognition of social control as an essential complement to the TCU's work, and international efforts like the Lima Declaration are important steps in this direction.

In addition, the implementation of citizen participatory monitoring of audit results by other Supreme Audit Institutions SAIs or auditing organizations could provide valuable insights into enhancing public trust, promoting accountability, and fostering more effective governance practices globally. Embracing citizen engagement in auditing processes has the potential to strengthen democratic oversight mechanisms and improve the overall quality and impact of public sector auditing efforts worldwide. By encouraging and

facilitating citizen participation, the TCU not only extends the reach and effectiveness of its decisions but also contributes to building a more informed, engaged society capable of exercising its role in public administration control.

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Think BIG — Testing a New Approach for Recommendations

By State Audit Office of the Republic of Latvia, Agnese Jaunzem, Head of Audit Sector and Silvija Nora Kalniņš, Head of Strategy and International Relations Division

Source: Adobe Stock Images, Vadym

The State Audit Office Law stipulates that the State Audit Office of Latvia SAI Latvia has the right to provide recommendations for addressing the deficiencies discovered during the audit, as well as to specify a time limit by which the audited entity shall notify, in writing, that the deficiencies have been resolved. In 2023, SAI Latvia celebrated its centenary, and over time, the State Audit Office has refined its approach in providing recommendations and in facilitating their implementation by the auditees.

The development process of providing and monitoring the implementation of SAI Latvia's recommendations can be briefly characterized in the stages reflected in Figure 1, whereby, at the most basic stage, each conclusion set a recommendation and the time limit by which notification on progress of implementing the recommendation was to be made. Later, this approach was elaborated upon by adding *motivation* to the recommendation and time limit. This was further expanded upon with the development and introduction of a method for the *calculation of quantifiable impact* of the recommendations of an audit in its entirety .
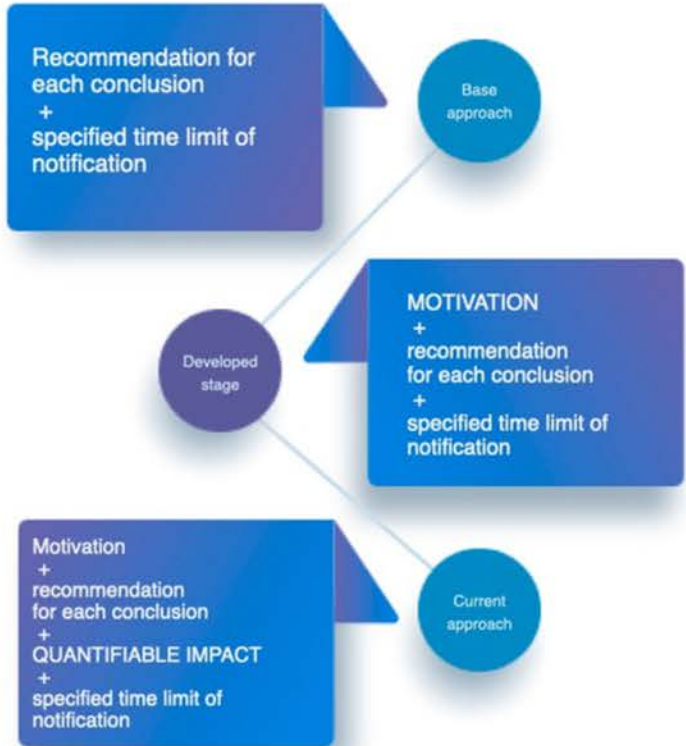
Figure 1

The statistics of SAI Latvia for the previous strategic period from 2018 to 2021 indicate commendable results in the field of recommendation management. Specifically, an average of 94% of recommendations were implemented annually, with only 2% of audit department work time dedicated to recommendation management.

Furthermore, SAI Latvia embraced the practice of assessing impact resulting from the implementation of recommendations. The impact has been quantified according to three types – 1. reduction in expenditure, 2. increase in budget revenue and 3. consumer benefits. The calculated financial return on each *Euro* invested in SAI Latvia have been publicly reported as part of audit results within SAI Latvia's annual report. Table 1 provides data on the financial return in the period since the launch of this approach. It is important to note the communication aspect of this financial return target. Although the calculation of this value is complex, the presentation of the actual financial return is one which can be clearly communicated and understood by the public and key stakeholders. This allows interested parties to have an overall picture of the value brought to the national budget by the work of the SAI.

But the goal cannot be achieved without the support and cooperation of the audited entities. Only by working together – both auditors and audited entities – it is possible to achieve maximum impact.

Table 1. Quantifiable impact indicator values for the period from 2018 to 2023.

Year	2018	2019	2020	2021	2022	2023
Number of implemented recommendations	36	19	25	34	30	20
Planned financial return	1:1,5	1:1,7	1:1,9	1:2	1:2	1:2 1:3
Actual financial return	1:4	1:4,6	1:4	1:4,4	1:5,6	15,29
Total quantifiable impact, in mil. *Euros*	16,15	26,80	18,95	16,05	29,91	

Source: SAI Latvia

SAI Latvia has remained vigilant despite the noteworthy performance in the rate of implemented recommendations by auditees. Taking a step further, through research on theory of change, performance indicators and looking at the success of methods in other SAIs, most notably SAI Lithuania, SAI Latvia has endeavored to improve its approach to providing recommendations in accordance with best practices. Of the four strategic objectives outlined in SAI Latvia's strategy for 2022-2025, two are aligned to address audit recommendations and their impact:

- Strategic objective one focuses on the promotion of sound public spending to maximize benefits to the public; and,
- Strategic objective two looks to increase the impact of the work of the State Audit Office for the public benefit.

Thus, as part of the 2022-2025 Strategy, SAI Latvia has devised a conceptual solution and is piloting it in performance audits. This solution entails focusing the State Audit Office's work and that of the audited entity towards *tangible, measurable change*, instead of fragmented processes, actions, or activities.

Through this approach illustrated in Figure 2, the positive change achieved from the implementation of recommendations will be clear and easily communicated to the public.

Testing and approbation stage

Motivation
+
recommendation
+
MEASUREMENT OF CHANGE ACHIEVED, including quantifiable impact
+
specified time limit of notification

Figure 2

The aim of the concept is to introduce within the process of recommendation management a new principle: A recommendation is considered implemented when the implementation of the required actions results in positive change and contributes to securing benefits to the public as much as possible (Table 2).

Table 2. The conceptual change illustration.

Previous practice: *Recommendation implemented = actions taken (deficiencies resolved)*	The conceptual change:*Recommendation implemented = actions taken (deficiencies resolved) + positive change achieved*
The State Audit Office confirmed that the audited entity has taken measures to ensure the implementation of the recommendation, thus acknowledging the recommendation as implemented.	By acknowledging the implementation of the recommendation and the subsequent change, the State Audit Office bestows a "seal of confidence", signifying confirmation that the actions have yielded the intended result.

Source: SAI Latvia

This conceptual solution has already been tested in several compliance and performance audits. Figure 3 is a brief presentation from the performance audit "Municipal Forests – non-efficient utilization of public resources". The objective of the performance audit was to assess whether the actions of the audited entities regarding their forest resources are effective and efficient. During the audit planning phase, auditors set out criteria describing "how should it be " the auditee is informed of the criteria , and after obtaining audit evidence, auditors carried out an evaluation comparing "what the situation is" against "how should it be".

Figure 3

In the audit report, the auditors provide recommendations to facilitate the achievement of the criteria recognized in the audit as partially met or not met. Table 3 provides information on an example where the criterion is assessed as not met in the audit.

Table 3. Example of recommendation and indicators to be met.

Recommendation provided	Changes			Responsible entity to implement recommendation	Deadline for implementation of the recommendation
	Indicator	Initial value	Target value		
Perform the necessary actions within the forest management cycle according to the indicators characterizing the forest stands, thereby increasing the efficiency of managed forest stands, thus striving for maximum future value	Level of forestry income of the audited entity*, euro/year	Initial value to be calculated *(no such information was provided during the audit)*	With a growing trend *(In Latvia forestry income is between 200 and 400 euros/ha per year)*	Name of the entity	The deadline for the implementation of the recommendation shall be determined by the audited entity by the deadline determined for the implementation of all actions
	Managed forest area, ha	5067,56	Increase by at least 25 %		
Actions specified by the audited entity	*Name of the audited entity (responsible for the implementation of the actions)*			*Deadline specified by the audited entity*	
* This will serve as an indicator for SAI Latvia to determine an increase in revenue (as quantifiable impact).* *Source: SAI Latvia*					

Accordingly, this form containing the recommendations, along with the draft audit report, is submitted to the audited entity for review and for the entity to specify actions to be undertaken as part of the process for the implementation of the recommendations.

The core idea of the proposed concept is as follows:

During the audit planning phase, the auditor establishes criteria for "how should it be ". After gathering audit evidence, the auditor determines that processes within the audited entity are not aligned with the expected performance.

Consequently, recommendations are provided. During the implementation period, the audited entity is granted additional time to enhance its performance and improve its performance indicators by focusing on achieving the target value of the change, rather than formally implementing various actions one after another.

Since the Parliament requests SAI Latvia to report on the progress of the implementation of audit recommendations, it is crucial to emphasize that, while retaining the explanation of the solution envisaged in the concept, the audited entity will report to the State Audit Office on the progress of the implementation of all recommendations provided during the next five-year-period irrespective of the deadline for implementation of the recommendation .

Following this timeframe, the State Audit Office will evaluate the achieved changes and determine the implementation status implemented, not implemented, partially implemented . After this deadline, the State Audit Office will no longer continue monitoring the actions of the audited entity related to the audit in question.

Following this timeframe, the State Audit Office will evaluate the achieved changes and determine the implementation status implemented, not implemented, partially implemented . After this deadline, the State Audit Office will no longer continue monitoring the actions of the audited entity related to the audit in question.

The State Audit Office, assessing potential outcomes from the implementation of recommendations and taking into account the Parliament's suggestions, may decide against assessing the progress of the audited entity's activities. Instead, it may opt for a follow-up audit to evaluate the positive changes achieved.

With this conceptual solution and its application, together with the calculation of financial return, SAI Latvia aims to adhere to the necessity of clearly demonstrating both quantitative and qualitative change resulting from each audit. This approach will serve as an additional incentive for auditees to focus more on achieving tangible, measurable change, thereby maximizing benefits for society through collaborative efforts.

For further information, please contact SAI Latvia by email: pasts@lrvk.gov.lv

RIM: The New Frontier in Measuring Implementation Recommendations

By Dr. Sutthi Suntharanurak *(1)*

Source: Adobe Stock Images, emerald_media

Introduction

In the dynamic landscape of public sector management, the pursuit of enhanced accountability, efficiency, and transparency is never-ending. Traditional metrics and oversight mechanisms, while foundational, often fall short in capturing the continued progress of implementing audit recommendations.

In my recent short research paper, I posed a simple research question:

How do Supreme Audit Institutions measure the implementation of recommendations?

The measuring system should provide concrete and measurable figures such as ratios, levels, or percentages.

From my exciting findings, I have termed this system *Recommendation Implementation Metrics RIM* , which includes *Implementation Rate (IR), Impact Score (IS), and Time to Implementation (TTI)*.

This system marks an evolution in how we understand and improve the implementation of recommendations from SAIs. RIM provides a comprehensive framework. It tracks and enhances the effectiveness of these implementations.

The Motivation for a New Approach

The beginning of Implementation Rate (IR), Impact Score (IS), and Time to Implementation (TTI) stems from a critical need to transcend beyond mere compliance towards meaningful change. Traditional measures, often limited to compliance rates and binary outcomes, lack the depth to reflect the actual impact of recommendations and the efficiency of their implementation.

In an era where public trust is paramount, these new metrics offer a way to quantify and communicate the effectiveness of efforts to improve public sector operations, ensuring that recommendations do not merely end as reports on a shelf but translate into tangible improvements.

Implementation Rate (IR)	Impact Score (IS)	Time to Implementation (TIM)

Recommendation Implementation Metrics (RIM)

Why RIM? The Comprehensive Approach

The drive towards developing RIM springs from a recognized need for a more continuous, holistic view of how recommendations are implemented within public sector entities. Traditional metrics, while useful, often offer a limited perspective—focusing on compliance without adequately capturing the qualitative impact or the efficiency of the implementation process.

However, in a climate where public accountability and the optimal use of resources are under increased scrutiny, RIM stands as a testament to the commitment towards transparency, strategic improvement, and operational efficiency.

What Constitutes RIM?

From my research, RIM is built on three foundational pillars: Implementation Rate (IR), Impact Score (IS), and Time to Implementation (TTI).

In the real world, we could measure the successful of SAI through public trust, acceptance of audit entities, and other stakeholders. We could find the proxies like implementation rate, measuring audit impact, even implementation timeline.

Implementation Rate (IR)

Implementation Rate IR quantifies the percentage of recommendations that have been fully realized within a given timeframe, offering a straightforward measure of compliance and responsiveness. For example, consider a scenario where the SAI issues three recommendations.

- **Recommendation 1:** The audit entity should improve procurement processes to reduce costs.
- **Recommendation 2:** The audit entity should implement a new IT system to enhance data security.
- **Recommendation 3:** The audit entity should develop and enforce a policy for regular financial audits.

Assigning Values of Implementation Rate IR This is calculated based on the percentage of recommendations that have been fully implemented. Let's say:

- **Recommendation 1:** Fully implemented
- **Recommendation 2:** Partially implemented considered as not fully implemented for IR calculation
- **Recommendation 3:** Fully implemented

Implementation Rate IR Calculation: 2 out of 3 recommendations have been fully implemented, so the IR is 67%. The IR objective is to measure the percentage of recommendations that have been fully implemented within a specified timeframe.

The SAI could set up criteria and develop a definition of 'Fully Implemented'. It could also clearly define what counts as "fully implemented." This could include

criteria such as all suggested actions completed, objectives met, or specific outcomes achieved.

The SAI could establish a standard timeframe within which recommendations are expected to be implemented. This could vary based on the nature of the recommendation e.g., short-term vs. long-term . It could determine how recommendations and their implementation status will be tracked. This might involve regular progress reports from the audited entities or follow-up audits.

Impact Score

The second metric, **Impact Score (IS)** assigns a qualitative value to each recommendation based on its potential to enhance efficiency, reduce waste, or improve effectiveness. It provides an understanding of the significance of each recommendation.

Impact Score (IS) represents measuring the Weight of Change.

Understanding the impact of each recommendation is crucial for prioritizing efforts and resources. The Impact Score assigns a qualitative value, typically on a scale of 1 to 5, to each recommendation based on its potential to enhance efficiency, reduce waste, or bolster effectiveness.

The Impact Score (IS) , is similar to the notion of *Audit Impact*. This metric necessitates those auditors quantify the degree to which each recommendation, when implemented, influences the audited entity. Distinct scores are allocated to each recommendation to reflect their varying degrees of impact. In essence, the scoring system does not treat all recommendations uniformly.

Initially, scores are designated on a scale from 1 to 5, with 1 representing minimal impact and 5 representing maximum impact. Consider an example involving an entity that was previously audited: the auditor observes that the implementation of the first recommendation results in an impact scored at level 2. The second recommendation, if implemented, would achieve an impact of level 5, while the third recommendation registers an impact of level 3.

Therefore, the aggregate Expected Impact Scores for this audit amount to 2 + 5 + 3 = 10. However, the Actual Impact Scores realized are 2 + 0 + 3 = 5 (in this scenario, the entity has not implemented the second recommendation, hence no impact accumulates from it). This example demonstrates that the audited entity has actualized an impact constituting 50% of the Expected Impact Scores, equating to 5/10.

Actual Impact Score < Expected (Impact Score) (1)

From the equation (1), the establishment of Audit Impact or Impact Scores is instrumental for SAIs, as it quantifies the extent to which their recommendations have facilitated substantive changes within the audited entities. Hence, SAI should improve the actual impact score (IS) closed to expected impact score or E(IS).

Time to Implementation (TTI)

Time to Implementation (TTI) measures the swiftness of the response, calculating the average time taken from the issuance of a recommendation to its full implementation. This metric highlights the efficiency and agility of the implementation process.

The Time to Implementation (TTI) identifies the average time taken from the issuance to the reported implementation of the recommendations. For example;

- **Recommendation 1**: Implemented in 6 months.
- **Recommendation 2**: Implementation started but not completed; current duration is 8 months.
- **Recommendation 3:** Implemented in 9 months.

Average TTI Calculation: (6 + 9) / 2 = 7.5 months (only fully implemented recommendations are considered).

Contributions of IR, IS, and TTI

Together, these tools offer several views of implementation progress. Implementation Rate (IR) boosts accountability by providing a clear compliance rate; Impact Score (IS) ensures strategic focus by highlighting the impact of recommendations, and; Time to Implementation (TTI) underscores efficiency by tracking the speed of implementation. They collectively enhance transparency, inform strategic decision-making, and facilitate a more dynamic, responsive approach to public sector improvement. RIM contributes to the public sector in several key ways:

- **Enhanced Accountability:** By providing a transparent, quantifiable measure of how recommendations are implemented, RIM enhances the accountability of public sector entities to both SAIs and the public.
- **Strategic Improvement:** The IS component ensures that recommendations with the highest potential impact are prioritized, guiding strategic resource allocation and efforts.
- **Operational Efficiency:** TTI highlights the efficiency of the implementation process, encouraging entities to streamline their procedures and reduce bureaucratic delays.
- **Informed Decision-Making**: Together, the components of RIM offer a multi-dimensional view of the recommendation implementation process, supporting more informed decision-making by both SAIs and the entities they audit.

RIM Contribution

| Enhanced Accountability | Strategic Improvement | Operational Efficiency | Informed Decision-Making |

Conclusion

In summary, RIM stands as a transformative set of metrics that might reflect a new era in public sector accountability and efficiency. By adopting RIM, Supreme Audit Institutions and audited entities alike can ensure that recommendations do not merely end as suggestions but evolve into impactful, tangible improvements. This comprehensive approach emphasizes a commitment to excellence. It propels public sector entities towards a future marked by increased transparency, efficiency, and strategic growth.

Footnotes

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State Audit Office of Georgia's real time experience in recommendation follow-up with innovative ARIS platform

By Tsotne Karkashadze and Salome Verulashvili, State Budget and Strategic Analysis Department, State Audit Office of Georgia
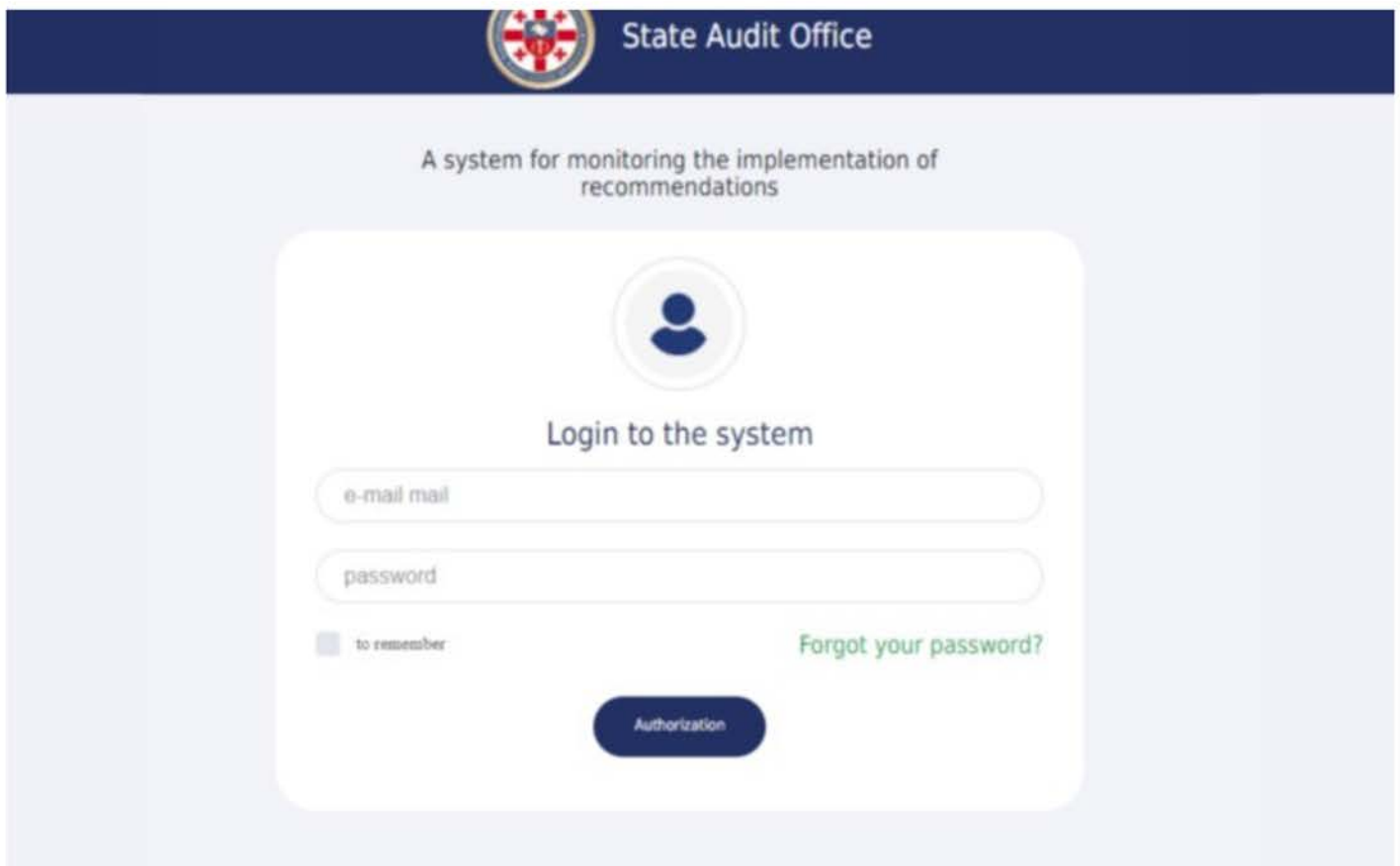
ARIS System. Source: State Audit Oce of Georgia.

Introduction

The State Audit Office of Georgia SAO has emerged as an inspiration for innovation and accountability for advancing effective public financial management. To fulfill its mandate of identifying and addressing systemic deficiencies in public administration, the SAO has embraced innovative technology, launching a transformative initiative of Audit Recommendation Implementation System ARIS . This article explores the impact of the ARIS, the groundbreaking platform that has significantly changed the follow-up process of audit recommendations in Georgia.

Beyond Monitoring: How ARIS Empowers Stakeholders for Systemic Change

The SAO's mission is to enhance citizen welfare through high-quality audits and effective implementation of recommendations. Recognizing the pivotal role of technology in strengthening its efforts, the development of ARIS was initiated as a strategic imperative. Designed to modernize and digitize the recommendation implementation monitoring process, ARIS represents a standard shift in how audit recommendations are monitored and executed.

Over the last years increasing volume of the audit recommendations strained traditional monitoring mechanisms, creating an urgent need for innovation that urged the SAO to redefine the established practice. With audit findings, detailed action plans, progress reports and evidences integrated in the system, ARIS serves as a centralized hub for facilitating real-time recommendation follow-up.

The system's comprehensive features involve audit recommendations, findings, full audit reports, action plans, status updates, evidence materials and analytical

data. Through intuitive interfaces and automated reminders, ARIS ensures adherence to timelines, fosters proactive engagement, and minimizes delays in the submission of information or evidences.

ARIS transformative impact showcases its role as a promoter of systemic change as well. By providing consistent, updated information and facilitating easy access, ARIS empowers Executives and the Parliament to make informed decisions, driving efficiency and effectiveness in public administration. By granting specialized access to the Finance and Budget Committee of Parliament, ARIS contributes strengthening oversight and accountability. Launched in 2021, currently, all ministries, both autonomous republics, 51 municipalities and even several State Owned Enterprises SOEs are engaged in the system. Over 1,300 recommendations issued between 2021 and 2024 are under real-time monitoring through ARIS.

The ARIS has enhanced communication and collaboration between auditors and auditees. Through ARIS, auditees are able to report their progress in implementing recommendations, streamlining communication process and fostering a more transparent and accountable governance environment. This approach not only enhances the efficiency of recommendation implementation monitoring but also strengthens the relationship between the SAO and auditees.

One of the noticeable outcomes of the system is evident in increased number of successfully implemented recommendations. Comparatively, where the implementation rate stood at 60% in 2021, ARIS has driven this figure to 74% in 2024. In addition, the proportion of modified or unmodified audit opinions in financial audits increased. In 2023, 73% of financial audits received modified or unmodified opinions, compared to 46% in 2021 before the ARIS was launched, correspondingly leading to the decreased number of adverse opinions.
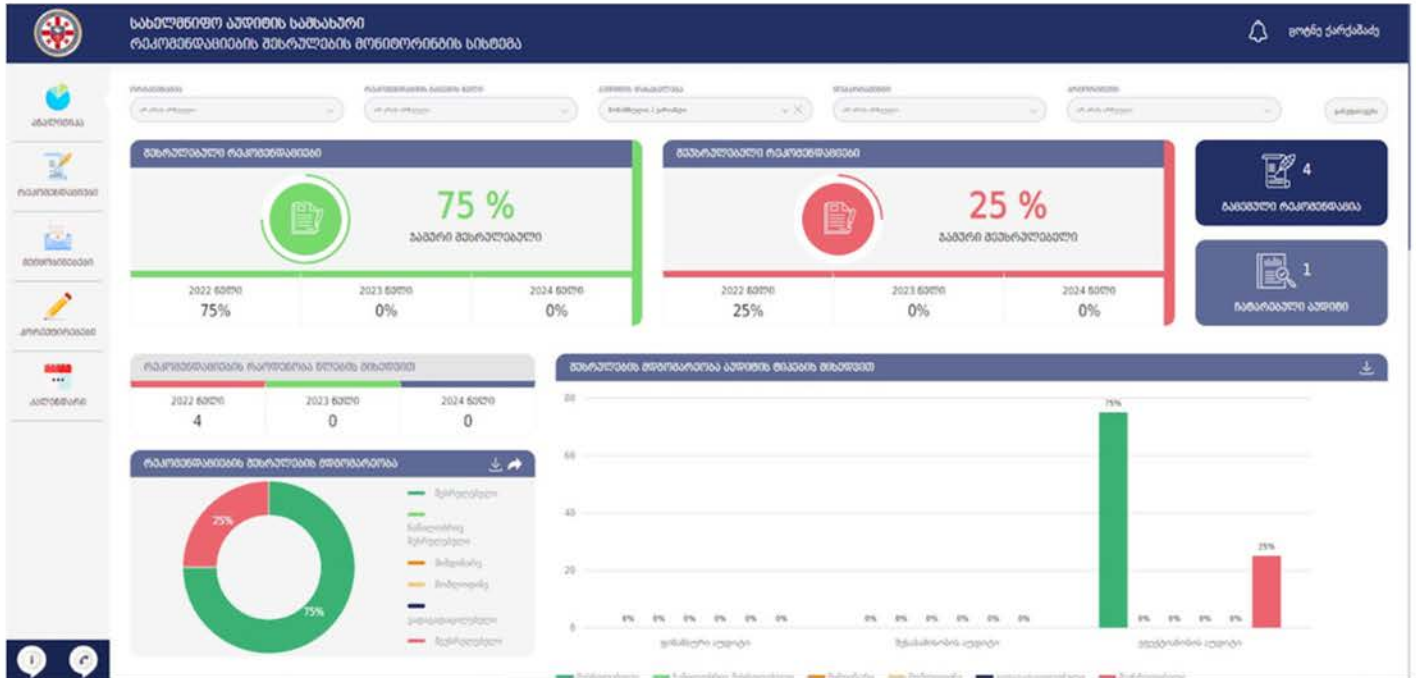
By empowering the SAO to adopt a more strategic approach, ARIS facilitates creation of targeted action plans by auditees with measurable outputs and outcomes. This shift from a quantity-based metric to a quality-focused not only enhances the effectiveness of recommendation implementation but also strengthens the SAO's role in promoting responsibility and accountability within the public sector.

ARIS goes beyond the process automatization and fostering communication. The platform generates a valuable data on recommendation implementation. This data allows the SAO to identify trends across various public entities, analyze progress over time, and tailor future audits accordingly. By leveraging data analytics, the SAO gains insights into the effectiveness of recommendation implementation strategies, enabling informed decision-making and targeted interventions where needed. This data-driven approach ensures that future audits are strategically targeted, focusing on the areas with the highest potential for improvement. Ultimately, ARIS serves as a powerful tool for driving continuous improvement within the public sector, facilitating evidence-based decision-making and promoting transparency and accountability.

The cooperation between the SAO and the Parliament of Georgia is growing stronger through audits, aiming to improve public administration. The ARIS plays a significant role in this process, acting as an important oversight tool for the Finance and Budget Committee. Strengthening relations with the Parliament in the process of scrutinizing audit reports and recommendations follow-up ensures accountability and an increasing rate of implementation.

In conclusion, ARIS represents a transformative innovation forward in public administration for Georgia. By reform processes, prioritizing high-impact recommendations, generating valuable data and creating real time follow-up, ARIS empowers the SAO to fulfill its mission of improving public finance management system.

Looking ahead, the SAO plans to extend access to the system by opening it to the public. Citizens will be empowered to hold public agencies accountable for implementing audit recommendations, fostering a more transparent and responsible public administration.

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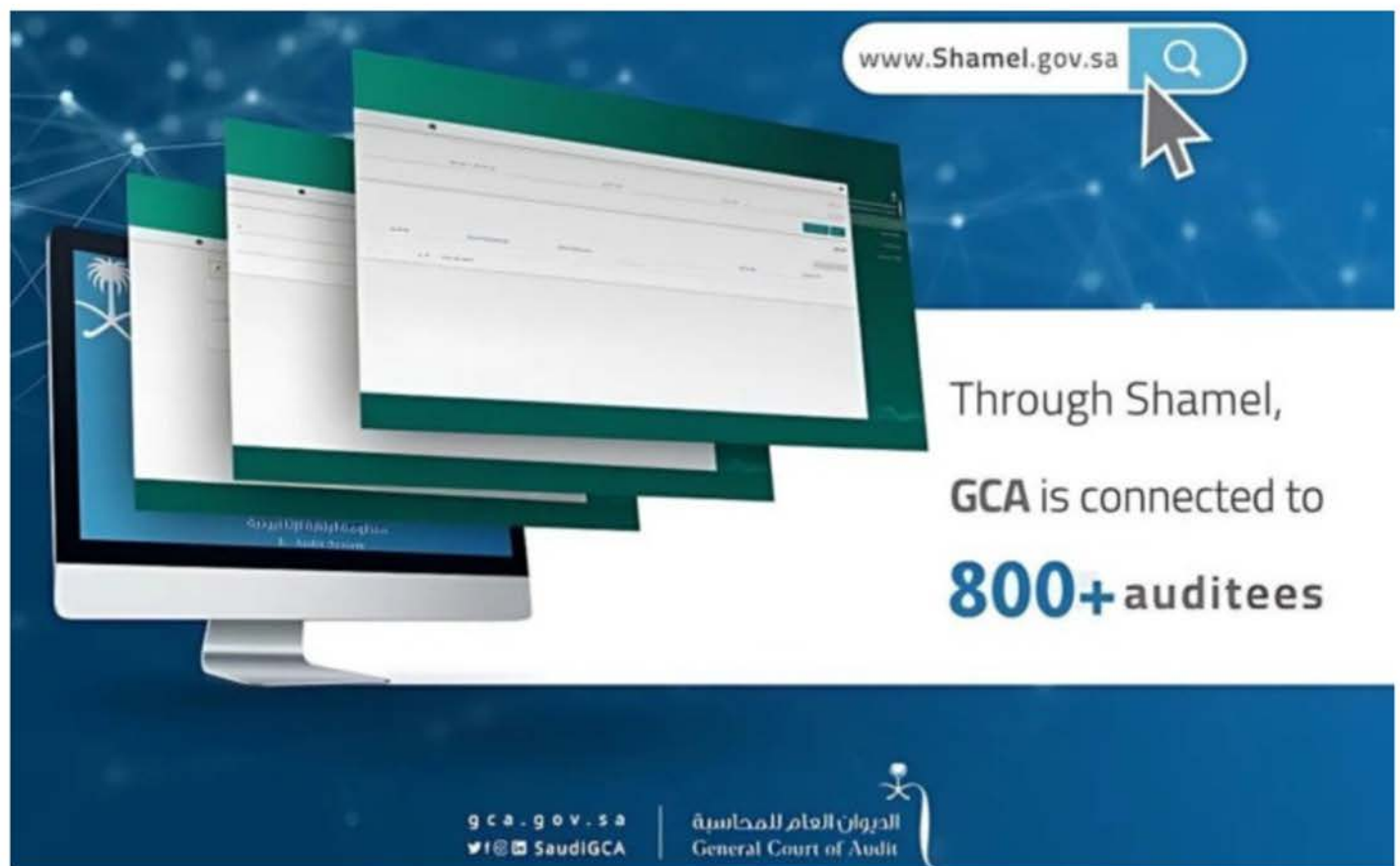
GCA's Digital Transformation: Innovative Solutions for Recommendation Implementation and Audit Follow-up

By Ahmed AlQurashi, CPA, Assurance Director at the Supreme Audit Institution of Saudi Arabia

www.Shamel.gov.sa

Through Shamel,

GCA is connected to

800+ auditees

gca.gov.sa
SaudiGCA

الديوان العام للمحاسبة
General Court of Audit

Source: General Court of Audit, Saudi Arabia

Introduction

In recent years, the General Court of Audit GCA , Saudi Arabia's Supreme Audit Institution SAI , has undertaken measures to bolster its framework, aiming to elevate its oversight capacity with a focus on objectivity, efficiency, and professionalism. Embracing a proactive stance, the GCA is committed to adapting to the swift evolution in financial auditing and performance oversight. GCA leveraged a modern technologies and methodologies to conduct audits with heightened effectiveness and quality, ensuring alignment with contemporary standards and practices. On the other hand, government agencies and ministries within the Kingdom of Saudi Arabia's public sector have also undergone significant transformations in recent years. These efforts are aligned with the ambitious goals outlined in Vision 2030 of the Kingdom of Saudi Arabia, which aims to diversify the economy, enhance public sector efficiency, and promote sustainable development. *(1)*

In response to the dynamic shifts and challenges facing the auditing landscape, GCA has embarked on a strategic initiative focusing on digital solutions under the visionary leadership of His Excellency Dr. Hussam Alangari. *(2)* This framework, characterized by streamlined communication, centralized tracking, and integrated data analysis tools, not only facilitates efficient audit follow-up procedures and recommendation implementation, but also fosters transparency, accountability, and continuous improvement in public sector operations.

The data regarding the effectiveness of GCA's framework in developing and implementing recommendations and audit follow-up, along with its impact on improving government programs, was collected through a survey. The survey was distributed to a total of 141 participants, consisting of employees of the GCA 60 and GCA's auditee 81 . The survey Questionnaires and their answers are shown in Annex 1 and Annex 2.

Develop recommendations through the audit process:

While there are key techniques for conducting audit follow-ups, including establishing communication channels, setting targeted follow-up deadlines, utilizing tracking sheets, conducting site visits and meetings with those charged with governance and stakeholders, it is important to highlight the central role played by introducing the Shamel Portal within GCA. At the forefront of this transformative endeavor is the Shamel Portal, a digital platform aimed at automating the work of GCA. It offers a digital solution that combines techniques for implementing recommendations that have been identified post- audit and for conducting audit follow-ups, thereby enhancing efficiency and utilization. Shamel has enhanced GCA's capability of improving audit follow-up procedures and implementing recommendations through the audit process as the following:

- **Streamlined Communication:** Shamel facilitates the exchange of audit-related data between stakeholders within audited entities, enhancing communication channels. This ensures that recommendations and follow-up actions are communicated efficiently and effectively. Chart 1 illustrates that Shamel has significantly improved GCA's capacity for enhancing interdepartmental coordination and communication in implementing audit recommendations. Among GCA's auditees surveyed, the majority 74% reported a significant positive impact of Shamel, with only 17% indicating no impact and 10% expressing uncertainty.

Chart 1: *Do you believe that Shamel platform has facilitated better coordination and communication among different departments or units within your organization in implementing audit recommendations?*

THE IMPACT OF SHAMEL PLATFORM ON IMPLEMENTING AUDIT
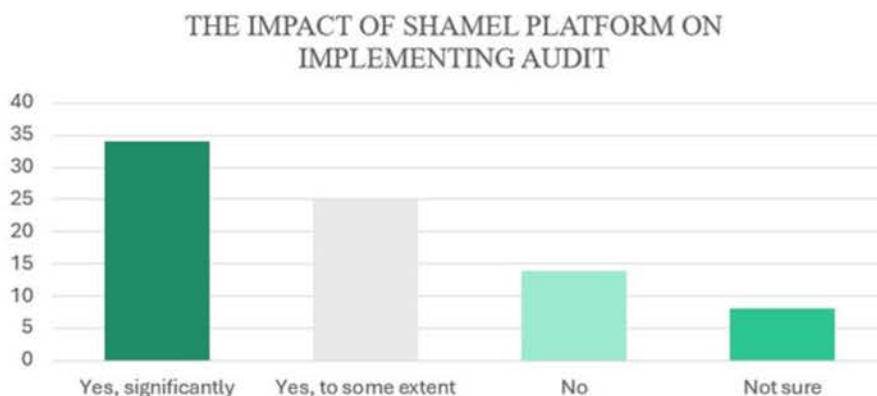
- **Centralized Platform:** By providing a single platform for audit-related activities, Shamel simplifies the process of tracking recommendations and follow-up actions. Auditors can easily monitor the status of recommendations and follow- ups, ensuring timely implementation. According to the data presented in Chart 2, 94% of respondents perceive the Shamel platform as more often effective in implementing recommendations and feedback during monitoring operations. This high efficacy is attributed to key features of Shamel, including its effectiveness, efficiency, and reliability, which have played a pivotal role in GCA's successful implementation of audit recommendations.

Chart 2: How effective is the implementation progress rate of recommendations and feedback provided by the auditing process to the entity during the monitoring operations through the Shamel platform?

ASSESSING THE EFFECTIVENESS OF SHAMEL PLATFORM IN MONITORING AND IMPLEMENTING AUDIT RECOMMENDATIONS
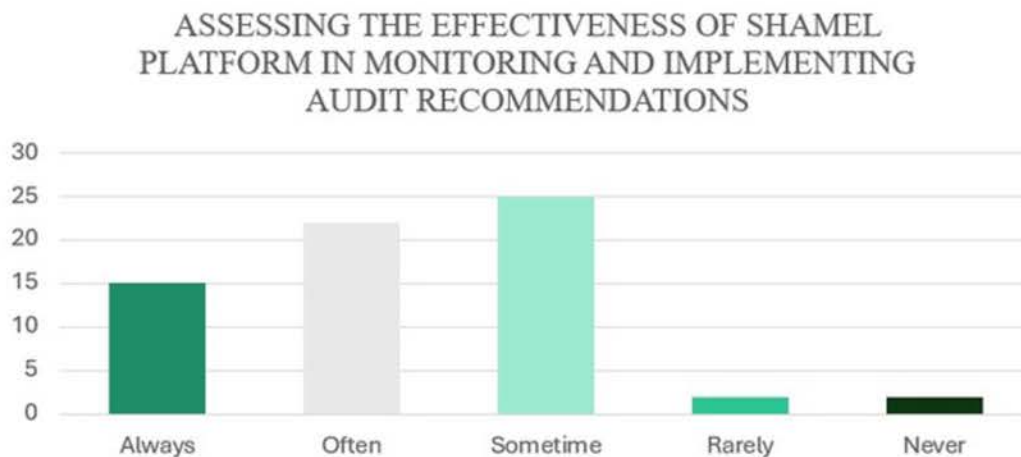
- **Integration and Training:** The integration of over 800 auditees into the Shamel system is complemented by comprehensive training sessions. This proactive approach underscores a commitment to engaging auditees in the audit process, fostering a culture of collaboration, transparency and accountability. Ensuring that all stakeholders are proficient in utilizing the platform effectively empowers auditees to actively participate in the audit process and take ownership of implementing recommendations.

شامل
Shamel
منظومة الرقابة الإلكترونية
E - Audit System

An electronic audit system that automates **GCA's** core functions and exchanges data and financial documents with the auditees

Provides audit programs in an automated, joint, and interactive work environment, in addition to communicating audit findings to auditees in accordance with the best international audit standards

Prepares audit plans for **GCA's** respective departments

819
Linked Auditees

20,669
Exchanged Procedures

𝕏 f ⓘ @SaudiGCA

للتكامل
Integratus

الديوان العام للمحاسبة
General Court of Audit

Shamel portal introduces advanced data analysis tools, empowering the audit team to leverage data-driven insights in evaluating the performance of audited entities. In addition to data analysis capabilities, Shamel introduces an interactive portal designed to streamline communication and collaboration with respect to the audit findings between the audit team and audited entities. Chart 3 and Chart 4 highlight the enhanced accountability, transparency, and streamlined communication facilitated by Shamel among audited entities. In

Chart 3, 76% of respondents noted that the platform has improved accountability regarding recommendation implementation and observations fulfillment by the GCA. Only 12% found it ineffective, with 12% unsure. Chart 4, on the other hand, depicts that most audited entities 65 out of 81 believe that Shamel promotes transparency within their organization regarding the review process and implementation of recommendations. However, some audited entities 10 out 81 believed that Shamel did not have any impact on transparency, while other entities 6 out of 81 were unsure of Shamel's impact on transparency within their organization.

Chart 3: Do you find Shamel platform helpful in enhancing accountability within your organization regarding audit follow-up and recommendation implementation?

SHAMEL'S USEFULNESS IN ENHANCING
ACCOUNTABILITY
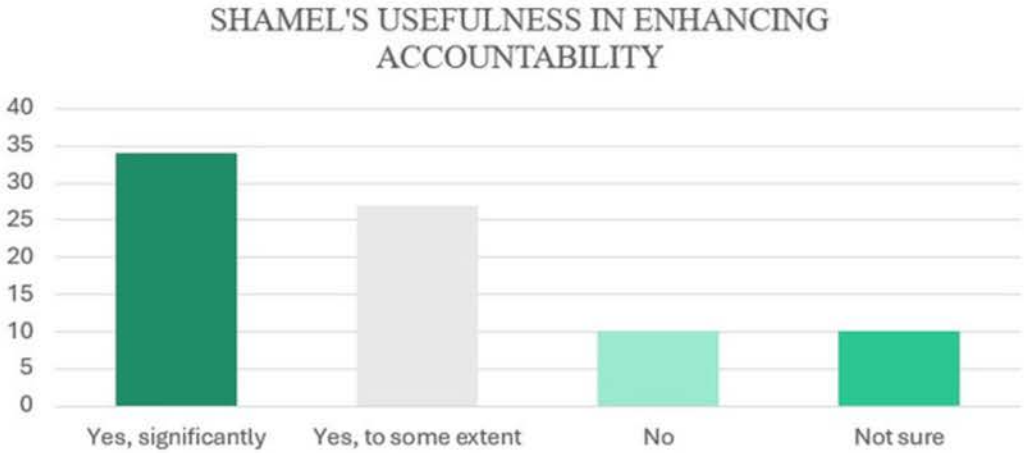
Chart 4: Has Shamel platform increased the percentage of transparency about the review process, the implementation of recommendations and the completion of the GCA's observations within the audited entity?
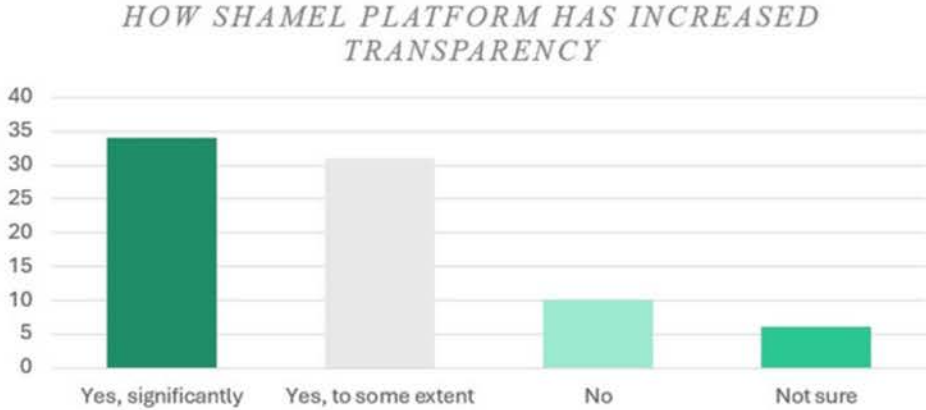
HOW SHAMEL PLATFORM HAS INCREASED
TRANSPARENCY

Follow up and correspondence with government agencies and ministries to track recommendation implementation:

Follow-up and correspondence with government agencies and ministries to track recommendation implementation are pivotal aspects of audit oversight, facilitated significantly by the Shamel platform.

- **Facilitating Coordination and Communication:** Shamel serves as a multifaceted tool between the General Court of Audit GCA and government entities. The platform's built-in communication tools enable efficient correspondence, updates, and clarification requests regarding recommendation implementation efforts. As shown in Chart 5, majority of audited entities 59 out of 81 reported that Shamel has been useful in facilitating coordination and communication between the different departments or units within the audited entity to implement the recommendations and complete the observations of the GCA. Government agencies and ministries including those charged with governance can provide feedback, request guidance, or seek clarification on specific recommendations directly through the platform. 14 out of 81 entities reported that the platform has had no impact in facilitating coordination and communication within their organization, while 8 out of 81 were not sure.

Chart 5: Do you think that the Shamel platform has facilitated coordination and communication between the different departments or units within the audited entity to implement the recommendations and complete the observations of the GCA?

HOW SHAMEL PLATFORM HAS FACILITATED COORDINATION AND COMMUNICATION
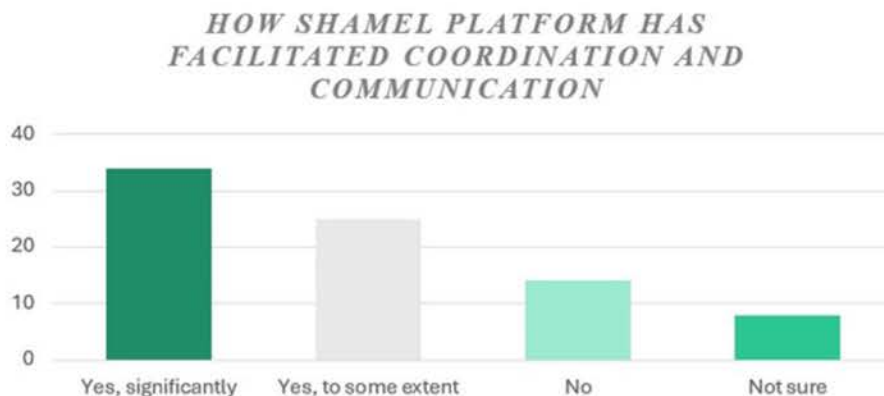
- **Task Management and Progress Tracking:** Shamel's task management functionality empowers the GCA to assign responsibilities, set deadlines, and monitor the status of recommendation implementation tasks. Furthermore, the platform offers comprehensive indicators and detailed data to assess performance, while also displaying GCA's notes and observations in a clear and accessible manner. This functionality ensures that recommendations are effectively implemented and resolved in a timely manner. By offering a comprehensive view of each task's status, Shamel promotes proactive management and continuous improvement, enhancing accountability and efficiency.
- **Reporting and Insights:** Shamel's reporting capabilities generate comprehensive progress dashboards on recommendation implementation efforts, providing stakeholders with clear insights into each recommendation's status, progress, and remaining tasks. Through its integrated features and user- friendly interface, Shamel enhances transparency, accountability, and efficiency in the follow-up process, ultimately contributing to improved governance and public sector performance. *(3)*

Identify the impact of how government programs are improved through recommendation implementation:

Chart 6: How do you assess the overall impact of the Shamel platform in improving government programs within the audited entity?

SHAMEL'S EFFECT IN IMPROVING GOVERNMENT PROGRAMS
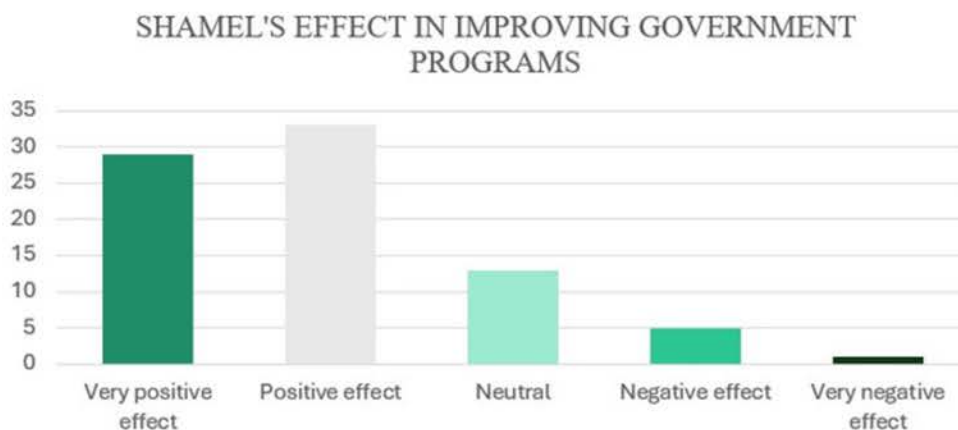
As shown in Chart 6 above, the implementation of recommendations following audits conducted through the Shamel platform has yielded remarkable improvements in government programs. 77% of the audited entities that participated in the survey reported that Shamel has significantly led to improvement of government programs within their organization. Conversely, only a 7% indicated a negative effect, while 16% remained neutral. His Excellency Dr. Hussam Alangari, President of GCA, emphasized Shamel's achievements in facilitating the effective enhancement of government programs through seamless data and document exchange between parties, alongside automated reporting of audit results and comprehensive visibility into observations and their corresponding performance indicators. This integration not only expedites the audit process but also ensures effective communication and monitoring of recommendations, reflecting the GCA's commitment to quality and efficiency in oversight procedures. *(4)*

The author, Ahmed AlQurashi. Source: A. AlQurashi, SAI Saudi Arabia

شامل
Shamel
منظومة الرقابة الإلكترونية
E - Audit System

E-Audit System (Shamel)

an affiliated platform of **General Court of Audit**

The system aims to automate the work of the General Court of Audit by exchanging data and information, while providing a fast and secure interactive environment for reporting audit results and receiving responses from auditees. This is achieved through a linking tool that is connected to the Government Secure Network (GSN).

Shamel enables auditors to

Implement and follow up on audit tasks

Access necessary documents

Exchange data and information with auditees

www.Shamel.gov.sa

Through Shamel,

GCA is connected to

800+ auditees

Conclusion

In conclusion, the utilization of the Shamel platform represents a transformative step forward in the realm of audit oversight and recommendation implementation within government agencies and ministries. By fostering seamless communication, facilitating task management, and providing valuable insights through comprehensive reporting, Shamel significantly enhances the efficiency and effectiveness of the audit process as well as its role in promoting transparency and accountability underscores its importance in improving governance and optimizing the allocation of public resources.

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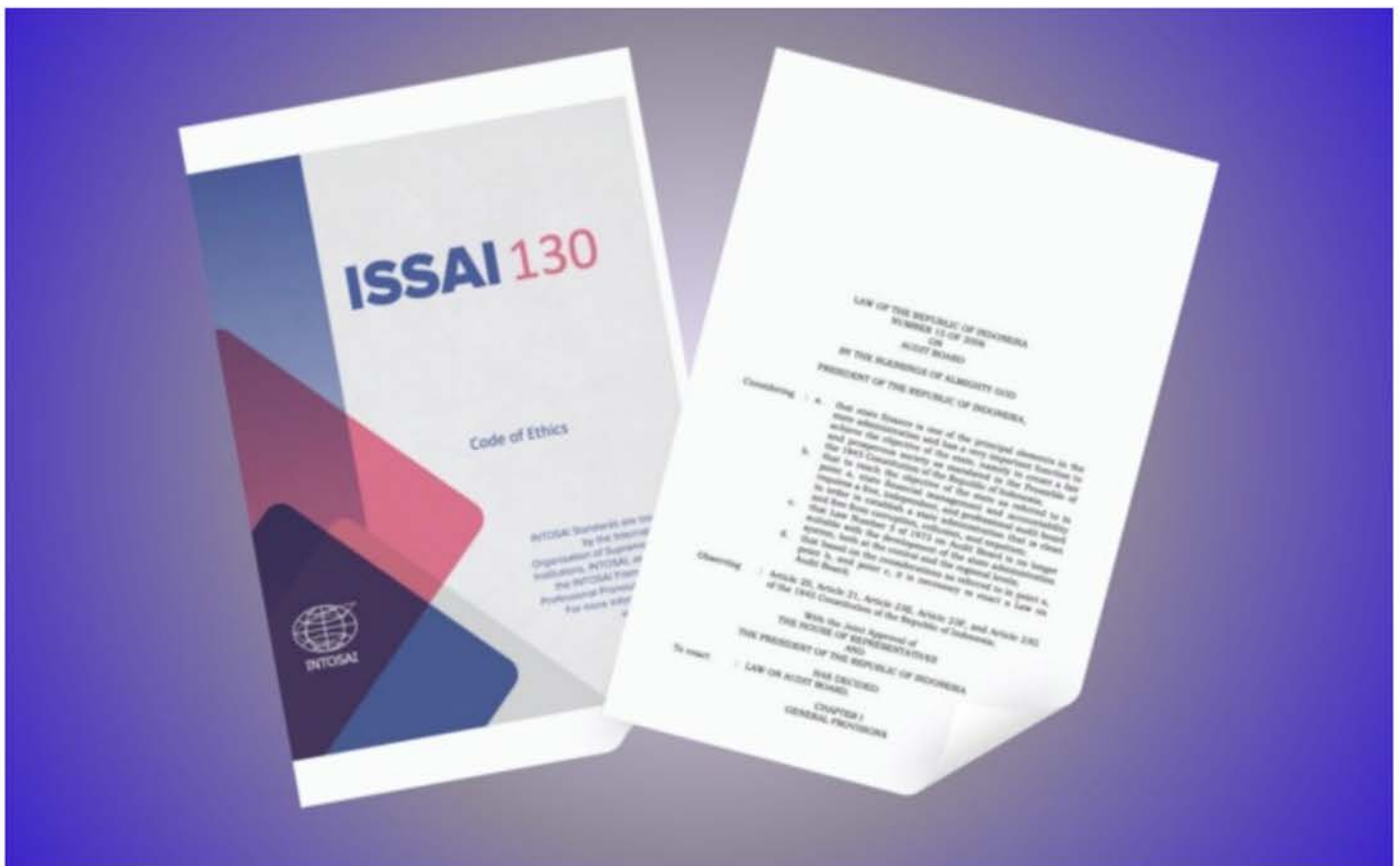
Integrating an Ethics Control System through the Integrity Management Framework (IMF)

By I Nyoman Wara, Teguh Widodo and Moh. Iqbal Aruzzi

Source: INTOSAI, BPK

Introduction: Good Practices of Ethics Control Systems

The integrity and ethics standards and guidelines of supreme audit institutions SAIs have been provided by the International Standards of Supreme Audit Institutions ISSAI . INTOSAI P1 on the Lima Declaration states that members and auditors of a SAI must have the qualifications and moral integrity required to carry out their duties. ISSAI 100 on Fundamental Principles of Public Sector Auditing states that SAIs need to develop and maintain procedures relevant to organizational ethics and quality control to ensure that the supreme audit institution and its auditors comply with standards, ethics and statutory provisions. Furthermore, ISSAI 130 on the Code of Ethics emphasizes the need for a SAI to implement an ethics control system that comprises specific strategies, policies, and procedures. These practical elements, such as regular ethics training, clear ethical guidelines, and a system for reporting ethical violations, are crucial to guide, manage, and control ethical behaviour, making the implementation of ethics control systems a tangible and effective process.

Some countries and organizations use different terms for ethics control systems in broader contexts. For instance, the Australian Government published a fraud control framework, which is essentially an ethics control system containing the main elements of fraud control: fraud rules, policy, and guidance. Australia has also issued a fraud and corruption control system, another term for an ethics control system, consisting of planning, prevention, detection, and response. Meanwhile, the Office of the Controller and Auditor-General of New Zealand in 2022 published an integrity framework, also another term for an ethics control system, containing key activities and ways of working required to build and maintain integrity throughout the organization. The Organization for Economic Co-operation and Development OECD in 2017 published a public integrity strategy blueprint, essentially an ethics control system that includes three main pillars: system, culture, and accountability. The International Organization for Standardization ISO published ISO 37001:2016 on anti-bribery management systems, which is synonymous for an ethics control system that

regulates the requirements and guidelines for establishing, implementing, maintaining, and improving bribery management systems in an organization. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Association of Certified Fraud Examiners (ACFE) jointly published a fraud risk management guide, which is an ethics control system that contains components of governance, fraud risk assessment, fraud control activities, fraud investigation and corrective actions, and monitoring activities.

The Implementation of an Ethics Control System in SAI Indonesia

In practice, SAI Indonesia the Audit Board of the Republic of Indonesia or BPK has implemented many instruments required in an ethics control system. The momentum for its commitment to adopting and implementing its code of ethics started with the issuing of Law Number 15 of 2006 on the Audit Board. In 2007, SAI Indonesia established the code of ethics, which was then continuously amended as needed in 2011, 2016, and most recently in 2018.

Furthermore, SAI Indonesia does not stop developing various integrity enforcement instruments, including gratification control programs, provision of whistleblowing channels, development of organizational culture, development of human resource information systems, measurement and assessment of integrity risks, and implementation of risk management. SAI Indonesia has also proactively provided various regular training on ethics and integrity for its auditors. In addition, it also has a special working unit responsible for conducting audits and enforcing against integrity violations, including violations of the code of ethics, fraud, and disciplinary actions. SAI Indonesia has also established an Honorary Council on the Code of Ethics to ensure compliance with the organization's code of ethics.

However, until recently, SAI Indonesia has not included those instruments in the explicit form of an ethics control system or an integrity framework that integrates and harmonizes all components and instruments of the system. The absence of a framework makes it difficult to understand, communicate, and implement the components of integrity control. This has become a significant issue when it faces conditions that have the potential to disrupt their independence, integrity, and professionalism.

The Development of Integrity Management Framework in SAI Indonesia

SAI Indonesia has taken a strategic initiative to develop an integrity management system as part of its Strategic Plan for 2020 – 2024. In mid-2022, SAI Indonesia decided to implement the "Trilogy of Integrity Development" and fraud control system to strengthen the implementation of its basic values – Independence, Integrity, and Professionalism. This approach aims to prevent, detect, and swiftly respond to integrity violations by implementing a fraud control system, having top management act as integrity champions, and reinforcing the commitment to the organization's core values. The trilogy consists of integrity education, integrity system development, and integrity enforcement and is expected to make the organization resilient and capable of preventing, detecting, and swiftly responding to integrity violations.

THE TRILOGY OF INTEGRITY DEVELOPMENT

2 Integrity System Development

Establishing a fraud control system, internal control system, and other relevant systems intended to mitigate the risk of integrity violations by all BPK personnel

Incapable to break the rules

1 Integrity Education

Integrity education is intended to instill integrity values in all BPK personnel so that they have the resilience not to commit integrity violations

Reluctant to break the rules

3 Integrity Enforcement

- It means taking action quickly, firmly, and measurably, which has a deterrent effect on any integrity violations.
- Cooperation with Law Enforcement Officials

Frightened to break the rules

Figure 1. The Trilogy of Integrity Development

After a prolonged process of careful consideration, the trilogy of integrity development was operationalised into an ethics control system known as the Integrity Management Framework IMF . The board of SAI Indonesia approved the IMF in January 2024.

The IMF is a framework that SAI Indonesia uses as a reference to maintain integrity. This includes developing an organizational culture of integrity, preventing, detecting, controlling, and taking action against violations of integrity in a comprehensive and measurable way. It also involves accommodating all integrity management initiatives currently in progress and those being developed by SAI Indonesia. The IMF contains strategies and policies to guide, manage, enforce, and foster an organizational culture of integrity. The objectives of the IMF are:

1. manifesting an organizational culture that upholds the basic values of the organisation, namely Independence, Integrity, and Professionalism;
2. harmonizing all integrity control instruments or components in the Integrity Management Framework; and
3. increasing transparency and accountability in governance, prevention, detection, and response against integrity violations, as well as monitoring and evaluating integrity management in the organisation.

The IMF is comprised of five main components and thirty-three subcomponents, which can be easily visualized in the IMF Map. This map is a helpful tool that simplifies and explains the various parts of the IMF. Each component is either already established or is being built and developed in BPK. The IMF Map is designed to provide users and stakeholders with a clear and accurate understanding of the IMF in a quick and concise manner.

BPK
INTEGRITY MANAGEMENT FRAMEWORK

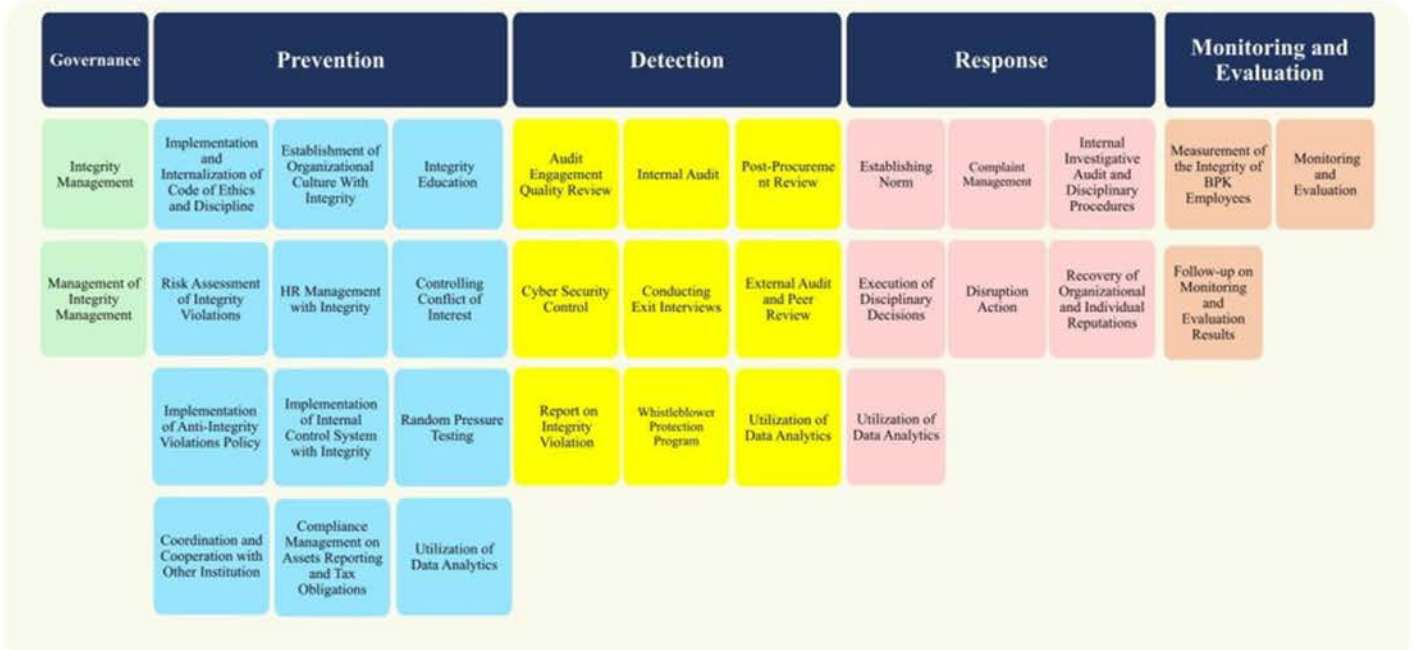| Governance	Prevention			Detection			Response			Monitoring and Evaluation	
Integrity Management	Implementation and Internalization of Code of Ethics and Discipline	Establishment of Organizational Culture With Integrity	Integrity Education	Audit Engagement Quality Review	Internal Audit	Post-Procurement Review	Establishing Norm	Complaint Management	Internal Investigative Audit and Disciplinary Procedures	Measurement of the Integrity of BPK Employees	Monitoring and Evaluation
Management of Integrity Management	Risk Assessment of Integrity Violations	HR Management with Integrity	Controlling Conflict of Interest	Cyber Security Control	Conducting Exit Interviews	External Audit and Peer Review	Execution of Disciplinary Decisions	Disruption Action	Recovery of Organizational and Individual Reputations	Follow-up on Monitoring and Evaluation Results	
	Implementation of Anti-Integrity Violations Policy	Implementation of Internal Control System with Integrity	Random Pressure Testing	Report on Integrity Violation	Whistleblower Protection Program	Utilization of Data Analytics	Utilization of Data Analytics				
	Coordination and Cooperation with Other Institution	Compliance Management on Assets Reporting and Tax Obligations	Utilization of Data Analytics								

Figure 2. The IMF Map

The Integrity Management Governance Component ensures that each integrity management component, subcomponent, and instrument is implemented, monitored, and evaluated by responsible parties within the organisation.

The Prevention of Integrity Violations Component is designed to reduce the risks of integrity violations that may occur. The three-line model approach is used to prevent integrity violations, including developing and maintaining high integrity and a strong organizational culture within the organization.

The Detection of Integrity Violations Component is a tool created to identify any previously undiscovered integrity violations, enabling prompt remedial action to be taken. This is essential because even with comprehensive prevention measures in place, there is always the possibility of corruption, fraud and other integrity violations occurring. By detecting these violations at the earliest opportunity, SAI Indonesia can take swift action to address them.

The Response to Integrity Violations Component is intended to address possible integrity violations. Enforcement is necessary to uphold BPK's fundamental values, preserve BPK's reputation and credibility, and recover any losses that may result from such violations.

The Monitoring and Evaluating the Integrity Management Component is an ongoing process of observation, measurement, and assessment for each component of the Integrity Management Framework.

These five interconnected components are implemented in SAI Indonesia's daily business processes iteratively and the components may only function well if they are supported by other components.

Conclusion and Way Forward

The Integrity Management Framework IMF was developed under a zero-tolerance policy for integrity violations. However, implementing the framework does not rule out the possibility of integrity violations since these violations may occur due to opportunities, motives, rationalization, pressure, and other factors coming from any individual who influences the employee's decision to commit integrity violations. The IMF can help SAI Indonesia implement reasonable and proportional plans to prevent, detect, and respond to integrity violations.

Every SAI should acknowledge that integrity is an ongoing process requiring continuous adaptation, and improvement is a crucial lesson for global organizations. Embracing a culture of continuous improvement ensures that integrity initiatives remain relevant and effective in the face of evolving challenges.

SAI Indonesia's willingness to acknowledge these challenges and public understanding of the principle of upholding integrity is highly important. This is to keep public expectations within reasonable limits and show its profound understanding of the complexities of maintaining integrity in public institutions.

SAI Indonesia is committed to addressing these issues by continuously improving its integrity management system. As a principle-based document, the IMF's components and subcomponents will be implemented continuously using many forms of instruments that adapt to the changing needs and demands of its internal and external environments.

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U.S. GAO's 2024 International Auditor Fellowship Program Builds Capacities For SAIs Around the World

By Brenda Fernandez and Mark Keenan

On July 11, 16 international professionals from Supreme Audit Institutions SAIs graduated from the U.S. Government Accountability Office's GAO International Auditor Fellowship Program IAFP . The 2024 fellows represent the countries of Albania, Argentina, Brazil, Georgia, India, Kosovo, Madagascar, Malawi, Nepal, Rwanda, Sierra Leone, South Africa, Sri Lanka, Tanzania, Uganda, and Ukraine.

IAFP 2024 group picture, from left to right: Deogratius B. Shayo (Tanzania), Rigels Guzi (Albania), Mbeko Mbebe (South Africa), Claudia Tirenti (Argentina), Donatha Uwimana (Rwanda), Marcelo Leite Freire (Brazil), Christopher Neil Makanga (Uganda), Shubhangi Gupta (India), Indra Padmini Thenna Gamage (Sri Lanka), Edona Abazi Demolli (Kosovo), Tekla Oniani (Georgia), Unisa Turay (Sierra Leone), Henintsoa S.F. Harimalala Ralaimamoa (Madagascar), Yuliia Lomeiko (Ukraine), Victoria Boaz (Malawi), and Satya Thapa (Nepal).

Fellow Shubhangi Gupta from India was selected by her class to give the graduation speech and complimented "the IAFP network and entire experience of learning alongside fellows from 16 different countries across the globe, exchanging insights about our countries' cultures and our SAIs, broadening our perspectives as auditors." She added that "The entire process has equipped us with the tools and confidence to lead change and drive progress within our Supreme Audit Institutions."

Shubhangi Gupta from India was selected by her class to give the graduation speech.

The fellows attended the ceremony while family, friends, colleagues, and a wide range of GAO staff who supported the program watched and congratulated them in person and virtually. The fellows were grateful for the unique opportunity to participate in GAO's 3-month intensive, multifaceted training program based out of its Washington, D.C. headquarters. With the inclusion of this year's program, 657 officials from the SAIs of 111 countries have graduated the IAFP.

The IAFP is a prestigious, globally recognized program and is one of the major ways that GAO provides capacity development to SAIs around the world. It is designed for middle-to-senior level professionals from SAIs to help strengthen their institution's ability to fulfill their missions and to enhance accountability and governance worldwide. Fellows explore a variety of audit techniques and approaches with an emphasis on the skills required to conduct performance audits. They participate in classroom training, learn key audit and management practices, and develop strategies to implement change and transfer knowledge within their respective SAIs.

Each fellow is paired with a senior GAO staff member, who serves as a professional mentor, as well as a team of multidisciplinary GAO staff members who support the fellows in different ways throughout the program. Each fellow develops an organizational strategy paper to implement when they return to their SAI. Strategy paper topics have included enhancing recommendation follow-up, improving report quality control systems, using real-time auditing, and strengthening the process for determining audit scope and methodology.

In addressing the fellows at the graduation ceremony, Gene L. Dodaro, Comptroller General of the United States, underscored the importance of the program, noting:

"This program provides a unique platform for you to learn from GAO, and also for the people at GAO to learn from you. I hope the bonds you forged during your time here—both with your colleagues in the program and with GAO's people—will be a valuable asset for you as you progress in your professional careers."

Mr. Dodaro added "We look forward to continuing our cooperative relationships with you and I wish you congratulations upon the completion of this program. It is a great achievement and you have much to be proud of."

The U.S. Comptroller General Gene Dodaro welcoming the fellows during their first day in the program.

At the completion of the IAFP, fellows can stay connected through the IAFP Alumni Network—a global forum for continuous exchange of experiences and best practices among graduates of the fellowship program. The network, run by the alumni for the alumni, reflects the commitment to connect and empower the IAFP alumni community. Stephen Sanford, GAO's Strategic Planning and External Liaison Managing Director, encouraged and commended the IAFP Alumni Network noting "The mutual experience we have all had with the IAFP can now continue well beyond just the time spent at the GAO."

The fellows were nominated by their SAI leadership with the expectation that they will transfer the knowledge and skills gained to their organizations. Several program graduates have implemented audit and internal control standards, policy guidance, developed or updated strategic plans, and established performance or forensic auditing units in their audit offices. A number of graduates have since continued to advance in their career by going to become the Auditor General, the Deputy Auditor General or Government Ministers in their respective countries.

Spotlight on Diversity, Equity and Inclusion

Talking about equality, inclusion, and harassment prevention in Supreme Audit Institutions: the experience of the Brazilian Federal Court of Accounts

By Marcela de Oliveira Timoteo, Cláudia Gonçalves Mancebo and Valéria Cristina Gomes Ribeiro

Source: Adobe Stock Images, TarikVision

Institutions that begin to develop efforts on issues such as gender equality, diversity and inclusion, and prevention of harassment know that it is natural for resistance, discomfort, and questions to arise within the workforce. This is normal and legitimate, as in any organizational process involving innovation or change.

In addition, initiatives related to such issues are generally initiated through training and awareness-raising processes, which include articles in internal newsletters, talks, and courses. A major challenge arises during this process: how to engage employees who are less interested or more resistant to such educational actions

The Brazilian Federal Court of Accounts, which has been working to include people with disabilities since 2015 and has greatly intensified other actions in the areas of equity, diversity, and inclusion, and preventing and combating harassment in the last two years, has also had to face this issue. Overall, whenever an event or training on these topics was promoted, the audience was primarily made up of people who were already engaged in the issues being addressed.

Rather than forcing staff to take part in actions, the institution's culture and management style recognize the need for a more sensitive and effective approach to address such crucial issues in the promotion of a healthy environment. This makes it necessary to use another strategy that will reach a larger number of people and promote a culture of respect and non-discrimination more effectively.

The strategy involved including such topics in other opportunities where staff presence is already mandatory with a historically high attendance rate through workshops and talks to open the discussion of diversity, equity, and inclusion with staff. The main actions carried out in this regard in 2023 and 2024 are highlighted below:

1.Workshops on the themes of **Diversity and Inclusion** and **Prevention and Fight Against Harassment** in an integration event of the General Secretariat of Administration, which brought together 250 civil servants from the TCU's administrative branch.

2.Workshop on the theme **Healthy and Sustainable Environment** in the Meeting of the Heads of Administrative Units, addressing issues related to discrimination, harassment, and ableism, for 100 managers.

3.Workshop titled **Fighting Harassment and Promoting Inclusion: How Does This Relate to Me** in both onboarding programs carried out in 2023 to welcome and integrate 70 new external control federal auditors.

4.Public talk titled **The Role of Leaders in the Promotion of a Healthy, Productive, and Sustainable Workplace** during the 2023 Directors Conference, attended by 150 senior managers and presented by one of Brazil's leading experts on diversity and inclusion, psychologist and Master of Psychology Mafoane Odara.

5.Online workshop titled **Healthy and Sustainable Environment – Equality, Diversity, and Inclusion Within Organizations** as part of the "Urban Dialogue", a recurring event that brings together the team from the Audit Department for Urban and Water Infrastructure around 50 people to discuss relevant issues for the department's work and activities.

During these meetings, participants were invited to reflect on situations of moral and sexual harassment, racism, ableism, sexism, homophobia, and ageism through talks and case studies. By engaging in exercises that promote self-analysis and empathy, participants move from theory to practice. The content covers both national and specific Brazilian public administration statistics, awareness-raising videos, publicizing of management actions, policies, regulations, and anonymized real cases.

The teams responsible for the actions received very positive feedback. In addition to the participants' active involvement, reaction evaluations have shown that the activity has strong acceptance from the audience. In terms of results, events like these encourage people to feel more comfortable discussing these issues and voluntarily taking part in other training activities on the same topics. Another positive outcome that can be stressed is that, as a consequence of internal media promotion and the events' repercussions, managers have been
asking those in charge of the initiatives to carry out similar actions with their teams.

Additionally, it is worth noting that people who belong to minority groups, such as women, Black, LBTQIA , and disabled individuals, report that it is important to bring these issues to the table within the organization through these training sessions. This opportunity allows many to verbalize their point of view and to speak frankly about issues that for a long time were considered taboo within the institution. This tends to strengthen their sense of belonging and psychological security in their work environment.

Notable lessons learned include:

- The importance of support from high management for proposals to address these topics in traditional events that are widely attended by civil servants.
- The relevance of organizational bodies that deal with these issues and are able to address awareness-raising and training needs, such as the TCU's Technical Committee for Equity, Diversity, and Inclusion and the Technical Committee for Preventing and Confronting Moral Harassment, Sexual Harassment, and
- Discrimination.
- The need for a comprehensive approach when addressing themes such as harassment and discrimination, gender and race equality, and inclusion of people with disabilities.
- The importance of having instructors that have both in-depth knowledge of these topics and the ability to engage with diverse perspectives.

Finally, the TCU's experience confirms that cultural changes demand time and effort and that raising awareness of sensitive issues in the organization requires leaders to have a firm, creative, and innovative approach, both at the strategic and operational levels. As a result, we are able to build healthier and more inclusive work environments for everyone.

Spotlight on Science and Technology

Experiences on Auditing Algorithms and Artificial Intelligence in the Dutch Government

By Colin van Noordt and Esther Meijer-van Leijsen PhD, Netherlands Court of Audit
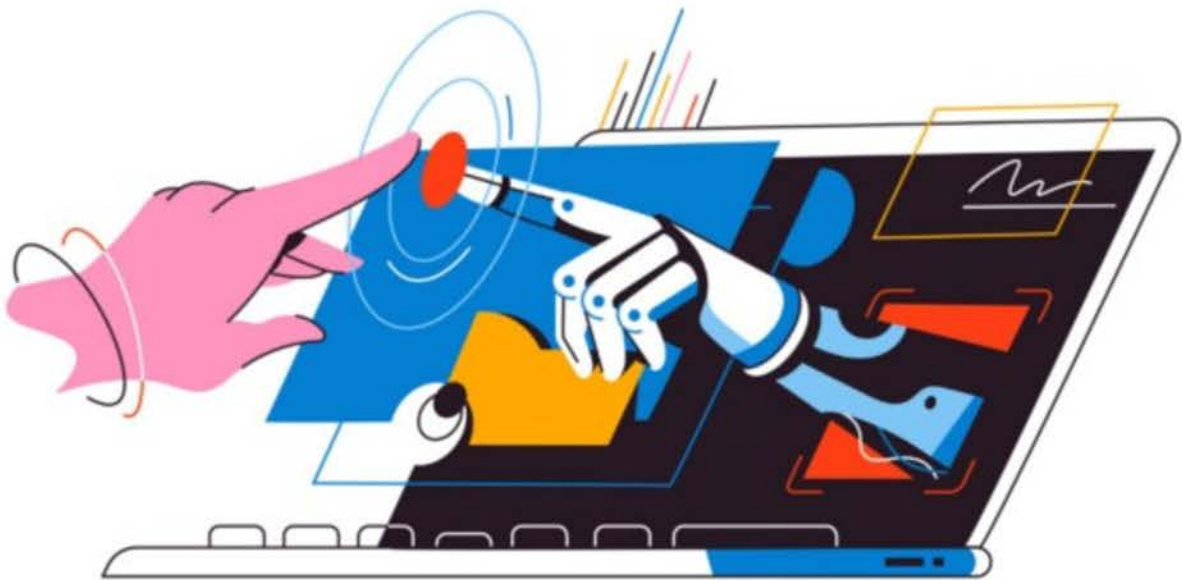
Source: Adobe Stock Images, Kit8 d.o.o.

Rationale of auditing algorithms and AI

The application of algorithms and artificial intelligence AI technology in government provides many opportunities for improving governmental processes, public service delivery, citizen engagement, and helping solve social challenges. As a result, this kind of technology is increasingly becoming a more important part of how governments operate. However, the introduction of AI also introduces risks if not deployed responsibly. For instance, AI might contain biases that lead to discriminatory outcomes or personal data may not be adequately protected. A lack of transparency when using the technology might lead to governance challenges.

Process of auditing algorithms

In 2021, the Netherlands Court of Audit NCA has developed an audit framework for algorithms. The framework covers both simple rule-based systems and more complex systems based on machine learning. It is a multidisciplinary framework, including norms on governance, privacy, model and data as well as general IT controls. In a previous article in this journal, we described the rationale and background behind the creation of the framework.

In 2022, we used this audit framework to audit nine algorithms used by the Dutch government. We found that 3 out of 9 audited algorithms met all the basic requirements. The other six did not and exposed the government to various risks: from inadequate control over the algorithm's performance and impact to bias, data leaks and unauthorised access.

Since 2022 onwards, we audit AI as part of our annual audits. This allows us to better understand what these algorithms truly do, how the government ensures governance on their deployment and how negative consequences are avoided. This Spotlight contribution includes the practical experiences in doing so and provides several lessons learned.

Stepwise assessment of AI

We form our opinion of the use of algorithms and AI technologies as follows:

1.**Effectiveness of controls**: We audit the effectiveness of all the controls included in our audit framework, based on the documentation submitted and conducted interviews. A control is assessed as 'effective', 'partly effective' or 'ineffective'.

2.**Residual risk**: We classify the residual risk as low, medium, or high. The residual risk is always high if the controls are ineffective. The risk classification may be lowered to either medium or low based on context and/or other supplementary measures.

3.**Conclusion**: We then form our conclusion and determine if the use of the algorithm does or does not comply with the requirements set out in our audit framework.

4.**Final opinion**: In case the algorithm does not comply with the audit framework, we decide whether to allocate a consideration or shortcoming to the minister. This is an overarching opinion.

Practical experiences with auditing algorithms

While **governance** norms are often rather general, these aspects are crosscutting across all the domains and are a central foundation in the audits. As noticed by one of our auditors:

"Often, when we identified issues in governance aspects during our audits, they also emerged in the other domains".

For instance, if the performance of an algorithm is not monitored adequately, auditees often cannot provide evidence about risk mitigation at the model level of an algorithm as well. These risks might be amplified if the development and management of an algorithm is outsourced to a third party. However, in our view, working together with an external partner does not remove the responsibilities for controlling their algorithms from public administrations.

Our audits revealed a wide range of different **privacy** practices among government organisations. These range from organisations that completed extensive Data Protection Impact Assessments (DPIAs) and clearly defined data responsibilities to organisations that struggled to comply with legal requirements. The latter category often had a backlog of under-documented algorithms and limited resources to address this backlog. We found one organisation working to

finalize over fifty different DPIAs with only a small team. There is also a variety in the depth of explanations to citizens with regard to the use of personal data. In some cases, we found only general information on websites, while in other cases a dedicated tool was available for citizens to gain this insight. On the bright side, we noticed a clear impact of our audits on these diverging practices:

> *"As a result of our audits, privacy has become a higher priority and organisations have made significant leaps in their data processing documentation after these audits".*

While auditing **data and modelling** aspects, we encountered two main issues. Firstly, there are currently no standardized ways of risk mitigation available, such as how to address biases or the choice of the models. Secondly, the development of the algorithms is regularly done in a silo environment. As a result, it may be challenging for business wishes to be conveyed to the development team. The opposite also occurs, for example when modelling decisions are not communicated in a manner that is actionable for that other specialists, such as those with a legal background or in management.

Our experiences auditing **General IT Controls (GITC)** show the importance of taking adequate time to explain the audit framework to IT administrators involved. Equally important is determining the scope of the audit object, such as the different IT components of the IT systems and the overall chain of service delivery. Determining this scope can help to identify the parties involved, and to analyse who is responsible for a specific component. However, most critically, the audit framework is only a tool and not a goal in itself. One of our team members stressed:

> *"No algorithm or AI system is the same, and adjustments to specificities, unique risks and needs might be required so that it can be applied purposefully and effectively."*

Despite the specialised domains during the auditing of algorithms, the complementarity of them together is key. As the project lead summarizes:

"Auditing AI requires a great deal of teamwork and the sharing of insights among each other. It is like different pieces of a puzzle coming together. Not one of the domains has the whole picture."

Throughout the auditing process and the timeline, the importance of this complementarity should never be underestimated. A comprehensive audit of an algorithm requires all the perspectives to come together. Working together in a multidisciplinary team is an important prerequisite for a successful audit.

Impact and future perspectives

As a result of our audits, we have noticed a clear shift in the responsible use of AI systems in the Dutch government. Our audits have had a direct impact on the auditees, especially when shortcomings were detected. These organizations can have a wake-up call to mitigate the risks of their deployed AI systems more effectively. At the same time, we noticed a wider impact on the Dutch society. Our audit framework has been at the basis for additional guidelines for the responsible use of AI in the Netherlands, in both the public and the private sector. The special, independent and trustworthy role of a Supreme Audit Institution in this emerging topic thus has a noteworthy contribution to the governance landscape of AI.

As the field is still evolving, so are we. We are closely monitoring the developments in generative AI, as they will certainly influence governmental operations. Similarly, the AI Act of the European Commission will be applicable soon, introducing new rules on AI. Especially high-risk AI systems will be subject to several new legal requirements. Our audit framework will have to consider these aspects as well. However, even with these developments, it is important not to wait for this. AI systems are already in use now and our biggest advice is to just start auditing AI!

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