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*Financial Audits and Mechanisms for Good
Governance: Country Case Studies*

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Chairperson Gamaliel A. Cordoba, Commission on Audit of the Republic of the Philippines.
Source: Commission on Audit of the Republic of the Philippines.

Championing Fiscal Accountability: How SAI Philippines Leads Global Public Debt Oversight and Pioneers Citizen Participatory Audits

Author: Chairperson Gamaliel A. Cordoba, Commission on Audit of the Republic of the Philippines

Strong public financial oversight is indispensable to good governance. Financial audits, public debt audits, and citizen-centered mechanisms play essential roles in ensuring the accountability of public funds and protecting fiscal integrity. The Philippines offers a compelling example of how a Supreme Audit Institution (SAI) can lead globally by pioneering a major audit reform initiative and advancing collaboration to strengthen public debt oversight. Together, the Citizen Participatory Audit (CPA) and its Chairmanship of the INTOSAI Working Group on Public Debt (WGPD), highlight the Philippine Commission on Audit's (COA) commitment to transparency, accountability, and public sector reform.

The CPA: A Philippine Innovation in Collaborative Governance

The 1987 Philippine Constitution provides the COA with the exclusive authority to define the scope of its audit and examination and establish the techniques and methods required for its audits. With this constitutional mandate, the COA designed the CPA as part of its transparency reforms, integrating civil society organizations, community leaders, and citizens directly into the audit process. Launched in 2012, the CPA stands as one of the most distinctive public accountability initiatives recognized worldwide to promote civic engagement.

Unlike traditional audits conducted exclusively by auditors, the CPA brings together citizens and COA teams to assess national and local government projects. This includes auditing barangay health centers, examining solid waste management programs, or reviewing the use of disaster funds. Citizens provide local knowledge and real-world context, while COA auditors lend technical expertise and professional standards.

This collaboration produces more grounded, credible, and community-centered audits. Agencies demonstrate greater openness to audit recommendations when findings emerge not only from auditors but also from the communities they serve. Over time, the CPA has strengthened institutional trust, promoted civic engagement, and enhanced overall accountability in governance.

The CPA's measurable impacts include more timely audit recommendations, improved compliance, and reduced risks of inefficiency or corruption. It has given communities a direct voice in public expenditure oversight, demonstrating that accountability flourishes most when citizens are empowered participants.

The initiative has earned significant recognition: the Open Government Partnership (OGP) Bright Spots Award (2013), the Global Initiative for Fiscal Transparency Special Mention Award (2017), and the OGP Impact Award for the Asia-Pacific Region (2021). In 2022, COA received a national OGP Certificate of Recognition for exemplifying transparency, civic engagement, and the effective use of technology in governance. These distinctions affirm COA's leadership in pioneering participatory audit approaches globally.

Strengthening Public Debt Oversight: COA's Leadership of the INTOSAI WGPDP

Since assuming Chairmanship of the INTOSAI WGPDP in 2017, SAI Philippines has guided the Working Group in advancing high-quality standards, tools, and capacity-building programs for SAs around the world.

Debt management is a highly specialized field requiring technical expertise, sound institutional frameworks, and rigorous audit methodologies. Under COA's leadership, the WGPD has prioritized:

- development of guidance materials on public debt audits,
- peer-learning and knowledge-exchange programs,
- capacity-building activities for financial, compliance, and performance auditing of public debt, and
- strategic collaboration with global partners such as the INTOSAI Development Initiative (IDI), The International Monetary Fund (IMF), Asian Development Bank (ADB), World Bank, UN Trade and Development (UNCTAD), and International Budget Partnership (IBP).

Through these efforts, member SAIs are better equipped to conduct impactful audits of public debt and debt management, promoting fiscal transparency, accountability, and long-term sustainability.

One of the WGPD's most significant achievements is the development of GUID 5250, Guidance on the Audit of Public Debt, which the INTOSAI Congress approved in 2022. As the first IFPP-compliant product authored under COA's leadership, GUID 5250 provides SAIs with foundational guidance on:

- auditing borrowing operations,
- assessing quantitative and qualitative debt information,
- evaluating legal frameworks and transparency practices, and
- reviewing risk management mechanisms and debt strategies.

WGPD also contributed to the INTOSAI Development Initiative's Global Public Goods in 2022 through the jointly branded [Audit of Public Debt Management: A Handbook for Supreme Audit Institutions](#). Published in English, French, Spanish, and Arabic, the handbook serves as a practical reference for auditors worldwide.

Capacity building remains central to WGPD's mission. Webinars, workshops, and global discussions help SAIs address capability gaps, share best practices, and navigate emerging fiscal risks. In May 2025, WGPD and IDI jointly organized a major webinar series on public debt sustainability, featuring experts from the World Bank, ADB, UNCTAD, and IBP, as well as representatives from SAIs of Argentina, Brazil, Egypt, and India. This initiative strengthened global dialogue on debt risks and the role of SAIs in monitoring sustainability.

Through these collaborative efforts, WGPD helps SAIs enhance public debt auditing practices, an indispensable safeguard for fiscal governance, especially amid rising global debt levels and increasing complexity of financial instruments.

As global fiscal environments evolve, SAls face new challenges. Climate-related challenges, economic shocks, and gaps in national debt legislation demand innovative audit approaches. In response, WGPD's new three-year work plan includes development of non-IFPP knowledge products addressing:

- public debt challenges associated with climate change, and
- gaps between international debt definitions and national frameworks.

These initiatives aim to help SAls strengthen their audit methodologies and deepen understanding of emerging fiscal vulnerabilities, ensuring that debt oversight remains relevant, resilient, and responsive.

Conclusion

The Philippine COA offers a powerful model of how financial auditing, citizen engagement, and global collaboration collectively advance accountability and good governance. Through the CPA, COA empowers citizens to participate directly in the audit process, strengthening transparency and trust in public institutions. Through its leadership of the INTOSAI WGPD, COA supports SAls worldwide in strengthening debt oversight and promoting fiscal sustainability.

By championing both community-based accountability and international cooperation, COA demonstrates that safeguarding public funds is both a local responsibility and a global endeavor. Its work exemplifies the vital role SAls play in ensuring that public resources are managed with integrity and used in ways that genuinely serve the public good.



Aerial view of construction site of standardized houses of the Minha Casa Minha Vida Program, in Pompeia city, of the São Paulo State, Brazil. Source: Adobe Stock Images, Alfribeiro

Spending Review of Brazil's National Housing Initiative (PMCMV): Lessons for Ensuring Accountability in the Allocation and Expenditure of Government Funds

By André Farias, Senior Auditor of Brazilian Federal Court of Accounts (TCU)

Abstract

While financial audits of public expenditures are a cornerstone of government accountability, a critical dimension of public finance often escapes equivalent scrutiny: revenue losses through tax expenditures. In 2023–2024, Brazil's Supreme Audit Institution (SAI Brazil), conducted an audit of federal tax benefits which revealed significant governance gaps and risks to fiscal sustainability.

This article presents a case study of that audit, by detailing how Brazil's audit body assessed the efficiency of tax benefit programs and their actual economic impact, aiming to improve transparency in public finances. It concludes explaining what lessons were learned for other SAIs seeking to enhance oversight of fiscal policy beyond traditional financial audit procedures.

Introduction

Supreme Audit Institutions (SAIs) have long served as guardians of public spending. However, in an era of rising fiscal pressures and growing reliance on tax incentives to stimulate economic sectors, public accountability must also extend to revenue-side decisions. Tax breaks and incentives often lead governments to lose as much revenue as they spend directly. Yet, these losses are rarely subject to the same scrutiny or transparency.

Recognizing this imbalance, SAI Brazil initiated a series of reviews culminating in a comprehensive audit of federal tax expenditures as part of its 2023 assessment of the Union's annual accounts. The findings sparked national debate and highlighted urgent reforms needed to bring fiscal governance in line with constitutional principles of efficiency, transparency, and equity.

Background: The Scope and Scale of Tax Expenditures in Brazil

According to TCU's 2024 reporting on the 2023 federal accounts, the Brazilian government forfeited an estimated R\$518.9 billion (USD 105 billion) in tax revenues due to a wide range of exemptions and incentive programs. This figure represents 5.9% of the country's GDP, and nearly one-quarter of total government revenues.

More strikingly, 32 new tax benefit programs were introduced in 2023 alone, with projected costs of R\$213.6 billion through 2026. TCU flagged that many of these incentives lacked ex-ante impact assessments, monitoring mechanisms, or clear social or economic justification. In some cases, long-standing exemptions were renewed despite consistent underperformance in delivering intended public benefits.

Audit Methodology

The audit was conducted as part of TCU's Report and Preliminary Opinion on the Accounts of the Federal Government, led by Minister Vital do Rêgo. The scope included:

- Inventory and classification of all active tax expenditure programs.
- Analysis of projected vs. realized fiscal impact using data from Federal Revenue Service and the National Treasury.
- Cross-examination of tax benefits and policy outcomes, including employment generation, regional development, or industrial growth.

- Review of legislative practices concerning the approval and renewal of tax incentives.
- Comparative international benchmarking, focusing on OECD guidelines for transparency and control of tax expenditures.

Key Findings

1. Lack of Strategic Planning and Performance Criteria

The TCU observed that the Executive Branch rarely subjects tax expenditure policies to the same planning rigor required for public spending. Few programs had established objectives, measurable targets, or performance indicators. As a result, many tax benefits functioned as quasi-permanent subsidies with little oversight or feedback on their effectiveness.

2. Fiscal Risk and Budgetary Constraints

The unchecked expansion of tax expenditures contributed to the structural fragility of Brazil's public finances. The R\$518.9 billion in foregone revenues far exceeded all federal investments and rivaled major mandatory spending categories such as pensions or healthcare. This dynamic undermines budget credibility and restricts fiscal space for discretionary investments.

3. Regressive Distribution of Benefits

The audit showed that a disproportionate share of tax benefits favored large corporations and wealthier sectors. For instance, state-owned oil company Petrobras and mining giant Vale received R\$29.5 billion and R\$19.2 billion respectively in tax relief, without clear public returns. Meanwhile, smaller businesses or vulnerable populations benefited minimally from the existing tax architecture.

4. Governance Gaps in the Legislative Process

TCU highlighted that many tax incentives were introduced or extended through provisional measures or last-minute amendments in budget discussions, bypassing structured review. Some programs lacked cost ceilings or sunset clauses, allowing them to persist indefinitely without reevaluation.

Recommendations

In its final opinion on the 2023 accounts (Decision n. 1534/2024 – Plenary), TCU issued concrete, actionable recommendations:

- Impose a prudential cap on total tax expenditures as a percentage of federal revenues.
- Suspend the creation of new exemptions while the federal budget remains in deficit.
- Mandate ex-ante and ex-post impact evaluations for all tax benefit programs, aligning with international standards such as those from the OECD and IMF.

- Enhance transparency by expanding public disclosure of beneficiaries, fiscal cost estimates, and expected outcomes of tax policies.
- Institutionalize periodic review mechanisms for existing programs, including automatic sunset provisions unless renewed based on performance.

These measures aim to rebalance Brazil's fiscal governance framework and improve the effectiveness and fairness of public finance instruments.

Public and Policy Impact

The audit-identified weaknesses in Brazil's National Housing Initiative (PMCMV)'s financial management and monitoring have had—and may continue to have—several consequences for the program's public impact and policy outcomes:

- *Harm to Transparency and Social Oversight:* Inconsistent and unreliable data on how funds are applied and on program results undermine the program's transparency and make auditing difficult. This prevents society—including non-governmental organizations, which are implicit in the concept of social oversight—from tracking and scrutinizing the public policy.
- *Difficulty Measuring Effectiveness:* The lack of robust monitoring and up-to-date indicators—such as changes in the housing deficit—weakens the ability to assess whether the program is effectively meeting its core objectives. This limits decision-making and policy improvements aimed at better serving the population's needs.
- *Risk of Project Interruptions and Unmet Goals:* Financial difficulties and divergent spending forecasts signal a risk of construction stoppages due to erroneous projections of cash disbursements. Issues like delayed payments to contractors and untimely monitoring contribute to an accumulation of halted projects, directly affecting beneficiaries.
- *Inefficient Use of Public Resources:* Problems such as the improper use of outstanding payables, expenditures without prior commitment, and accounting shortcomings reveal deficiencies in financial management. Failure to observe the accrual basis results in an undervaluation of federal assets, complicating both asset and financial management.
- *Compromised Accountability:* The lack of reliable data and adequate monitoring impairs the government's ability to report transparently and accurately to society on PMCMV implementation and results.

In summary, the lessons learned point to an urgent need to improve information management, results monitoring, and accounting and financial procedures to ensure the transparency, reliability, efficiency, and effectiveness of the PMCMV and future housing programs.

What other SAls can learn from this TCU's spending review audit

The audit of PMCMV, with an emphasis on its financial management, revealed several weaknesses and highlighted key lessons for managing large-scale public programs:

- *Critical, Unified Data Management:* There were extensive and worrying divergences and inconsistencies in financial data among the Ministry of Regional Development (MDR), Caixa Bank (the operational manager), and the other financial agents. The decision mentioned the apparent absence within the program of a clear, objective accounting procedure. This shows an imperative need for a joint, robust information-management plan to ensure consistent, reliable, and timely data.
- *Essential Results Monitoring and Evaluation:* After more than ten years, mechanisms for evaluating outcomes were still deemed incipient. A prior audit had already recorded the precarious monitoring of PMCMV results. The housing-deficit indicator has been outdated since 2015, blocking any assessment of recent impact, showing that continuous monitoring and evaluation are indispensable for refining public policy.
- *Program-Specific Accounting Segregation:* The audit found no segregation of accounts within the Residential Lease Fund (FAR) for PMCMV-Companies and the FAR sub-programs. This prevents clear data on total costs and the sources and uses of funds for each program. This remind us that resources must be segregated among different housing programs for clarity and better management.
- *Careful Financial and Budgetary Planning:* Although part of the analysis was referred to another proceeding, initial findings showed insufficient federal-budget resources and issues such as using outstanding payables from prior years. This point emphasizes how precise budgetary and financial planning is crucial.
- *Compliance with Public-Sector Accounting Standards:* Failure to use the accrual basis to record some beneficiaries' financial participation in the MDR's accounts also violated the Public-Sector Accounting rules. This led to an undervaluation of the Union's assets and difficulty in forecasting future program results, showing that accounting records must strictly follow standards to correctly reflect rights and obligations.

Conclusion

As governments worldwide seek to reconcile fiscal discipline with inclusive development, the oversight of tax expenditures becomes imperative. Brazil's TCU approached this complex issue with a firm strategy, delivering practical insights that prompted real reforms.

This shows that tax oversight can be both technical and transformative. By doing so, it not only safeguarded billions in public resources but also strengthened the foundations of democratic governance.

For the international audit community, this case underscores that effective public finance auditing must look beyond spending into the often-hidden world of tax incentives and their real impact on society.



Source: Brazilian Federal Court of Accounts



Source: Adobe Stock Images, FAHMI

Financial Disclosure Audit: Best Practices and Impact in the Public Sector Segments Reporting

Author: Accountability State Authority of the Arab Republic of Egypt

Introduction

Financial statement disclosure is considered an important aspect of enhancing transparency and accountability, thus combating corruption. Financial audits conducted by Supreme Audit Institutions (SAIs) play an effective role in auditing these disclosures. In this article, we shall be tackling the disclosure audit of segments reports in the public sector, presenting a case study on these disclosures as an important aspect of enhancing transparency and accountability.

The International Public Sector Accounting Standard 18 (IPSAS 18) sets out the principles for reporting segments in the public sector, stating that disclosing segment information enhances the transparency of financial reporting and enables the entity to fulfill its accountability obligations (IPSAS 18,B), on an appropriate basis for performance evaluation and making decisions on resource allocations.

Risks inherent in presenting financial information by segment

IPSAS 18 adopts an approach to determine the level of detail required for segment reporting in the explanatory notes to the financial statements.

The Standard requires the identification of where the segments is a distinguishable activity or group of activities of an entity, for which it is appropriate to present financial information separately for the purposes of evaluating the entity's past performance in achieving its objectives and making decisions on the future allocation of resources (IPSAS 18,9).

Under this standard, public sector entities must identify specific activities or groups of activities that should be reported separately as segments. This helps in (a) evaluating the entity's performance, and if it has met its objectives in the past, and (b) making informed decisions about how to allocate resources. Entities are also encouraged to disclose additional information about these reportable segments, as determined by the Standard or necessary for accountability and decision-making. (IPSAS 18,13).

Factors to be considered when determining the segment financial information

Factors, to be considered when determining whether outputs (goods, services) are interrelated and should be grouped as segments for financial reporting purposes, include:

- (a) The entity's primary operating objectives, goods and services; activities related to achieving each of those objectives; whether resources are allocated and budgeted based on groupings of goods and services;
- (b) The nature of goods or services provided or activities performed;
- (c) The nature of the production process and/or the process or mechanism for providing and distributing services;
- (d) The type of customer or consumer of goods or services;
- (e) Whether this reflects the entity's management method and how financial information is reported to Senior Management and the Board of Directors;
- (f) If applicable, the regulatory environment's nature (for example, management or statutory authority) or government sector (for example, the financial sector, public utilities or general government).

Case Study

The Case

Entity(X)- a public sector entity which applies IPSAS, has a number of subsidiaries and develops consolidated financial statements. At the consolidated financial statements level, it has a number of segments, discloses segments at the activity level and it is audited in accordance with International Standards on Auditing (ISA).

Disclosures

Below is the section on segment disclosures as of December 31, 2024 and December 31, 2023 for Entity(X), whose main activity consists of segments that include exchange revenues from land transportation, maritime transportation and other services as well as non-exchange revenues represented by grants it receives from the State.

Information about Segments

Total (one thousand pounds)	Grants (one thousand pounds)	Other Services (one thousand pounds)	Maritime Transportation (one thousand pounds)	Land Transportation (one thousand pounds)	Description
					31-12-2024
41 000 000	600 000	3 700 000	22 700 000	14 000 000	Revenues
(10 100 000)		(1 100 000)	(6 000 000)	(3 000 000)	Wages
(2 500 000)		(700 000)	(300 000)	(1 500 000)	Depreciation
13 700 000	600 000	800 000	7 200 000	5 100 000	Surplus
52 000 000		10 000 000	20 000 000	22 000 000	Total Segment Assets
18 500 000		3 000 000	500 000	15 000 000	Total Segment Liabilities
					31-12-2023
39 950 000	550 000	3 750 000	22 650 000	13 000 000	Revenues
(9 520 000)		(920 000)	(5 800 000)	(2 800 000)	Wages
(2 460 000)		(720 000)	(215 000)	(1 525 000)	Depreciation
13 480 000	550 000	830 000	7 300 000	4 800 000	Surplus
29 450 000		7 000 000	20 300 000	2 150 000	Total Segment Assets
38 700 000		4 200 000	18 000 000	16 500 000	Total Segment Liabilities

Disclosure of revenues from Key Product Groups and Geographical Regions

Total (one thousand pounds)	Grants (one thousand pounds)	Other Services (one thousand pounds)	Maritime Transportation (one thousand pounds)	Land Transportation (one thousand pounds)	Description
					31-12-2024
14 150 000	350 000	2 300 000	11 500 000	10 000 000	Area 1
3 600 000	200 000	1 200 000	10 700 000	2 500 000	Area 2
3 250 000	50 000	200 000	500 000	1 500 000	Area 3
21 000 000	600 000	3 700 000	22 700 000	14 000 000	Total Revenues
					31-12-2023
12 500 000	250 000	1 900 000	11 150 000	9 200 000	Area 1
13 700 000	200 000	1 100 000	11 200 000	1 200 000	Area 2
3 750 000	100 000	750 000	300 000	2 600 000	Area 3
39 950 000	550 000	3 750 000	22 650 000	13 000 000	Total Revenues

Audit Work

Materiality

In accordance with the requirements of the International Standard on Auditing 320 (ISA 320), and in light of the ASA's audit procedural guide, we set materiality at 1% of total assets and performance materiality at 80%.

Planning for Auditing Financial Statements

ASA planned the audit of the financial statements in accordance with the requirements of ISA 300. In identifying and evaluating the risks of material misstatement (in accordance with the requirements of ISA 315), we designed audit procedures in response to the evaluated risks (in accordance with the requirements of ISA 330). Based on our professional judgment, we determined the substantive procedures to be performed:

- (a) Use of analytical procedures as substantive procedures
- (b) Tests of details

We categorized the risks of material misstatement of financial information based on segments into:

- Determining the management of segments for which financial information should be disclosed
- Determining the degree of risk associated with the disclosed information
- Determining the audit procedures to be performed for auditing segment information

Audit Evidence

ASA used horizontal and vertical analysis of the financial statements related to the disclosed segments by comparing the entity's financial information with:

- Comparative information for prior periods
- The entity's planned results according to the approved budgets

We tested details of a sample of transactions related to the disclosed segments' data and obtained related confirmations, which met our assurances of "completeness, occurrence, accuracy, classification". We focused on transactions at the end of the financial period and the beginning of the following financial period as they are considered matters that increase the risks of material misstatement.

Key Audit Matters

ASA identified segment reporting as a key audit matter in accordance with the requirements of ISA 701, given its critical importance in providing information about the entity's performance. It is also important as an area where the risk of material misstatement increases, particularly regarding management's professional judgment in determining which segments to report.

Key audit matters are communicated in a separate section of the Independent Auditor's Report in accordance with the requirements of ISA 701. This may include a description of the key audit matter, "Presentation of Financial Information about Segments", which includes:

- The reason for considering segment financial information a key audit matter, through clarifying the importance of presenting such data in evaluating segment performance and its impact on transparency and accountability, by providing financial information to the entity's supervisory bodies, enabling them to evaluate performance and hold management accountable.
- How to address the disclosure of financial information about segments through explaining the methodology used to verify the financial statements related to the disclosed segments and a brief overview of the procedures implemented.

Independent Auditor's Report

ASA issued a long-form report on the audit of Entity (X) in accordance with the requirements of International Standards on Auditing and the entity's regulatory requirements, in accordance with its financial regulations. The report included:

- An unmodified report on the financial statements for the fiscal year ending December 31, 2024, per ISA 700, with key audit matters presented separately as required by ISA 701.
- An executive summary of the observations from the financial and performance audits, communicated to management and governance bodies “the Program and Budget Committee”.

Conclusion:

Auditing segment reporting is a critical component of public sector financial audit, extending beyond mere compliance to enhance transparency and accountability. These audits empower stakeholders to assess fund allocation and spending efficiency, strengthen financial reporting credibility, and support sound financial governance by ensuring ethical and effective resource utilization.



Winnipeg, Manitoba, Canada. Source: Adobe Stock Images, Henryk Sadura

Impact of Government Use of Trusts and Funds on Financial Accountability: The Manitoba Experience

Author: Yves Genest, Senior Advisor, Project Audits, Office of the Auditor General of Manitoba

Introduction

Governments at a global level, can create various financial structures to segregate funds, set aside funds for specific objectives and manage funds on behalf of other parties. These structures can take the form of various types of trusts, funds, and special-purpose accounts. Although they provide alternative financing mechanisms that are advantageous in certain circumstances, they can also present challenges from an accounting and auditing perspective.

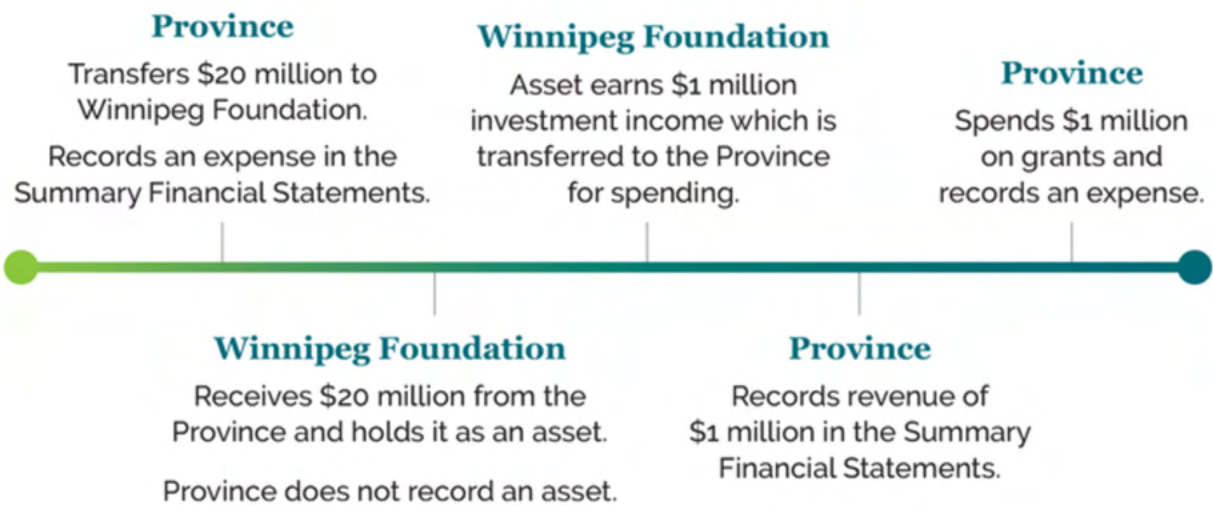
This article explores considerations, impacts and ramifications of the use of such mechanisms by examining the use of trust accounts by the Manitoba Provincial Government (the Province). In particular, audits undertaken by the Office of the Auditor General of Manitoba of the partnership between the Province and Winnipeg Foundation (WF) provide a useful lens to examine these issues.

Case Study: The Winnipeg Foundation

In 2018, the Province created four new trust accounts at the Winnipeg Foundation, to support various program initiatives. It is part of a complex structure of recipient organizations, with several layers of separate funds flowing into each other, falling under the term community foundations. Since 2018, \$410 million has been allocated from the Government Reporting Entity (GRE) to community foundations in Manitoba. Most of these funds are to be held in perpetuity by these organizations. (OAG Manitoba, 2019) and (OAG Manitoba, 2021)

For example, each WF fund or trust account is initially created with a transfer from the Province. In most cases, the initial transfer is in the form of an endowment—a large deposit, which will earn investment income that will then be used for a specific purpose. In some cases, the income goes back each year to the Province or to a controlled entity of the Province to use for a specific purpose during that year. In other cases, the funding flows from WF to an entity outside of the Province’s control to be used for a specific purpose.

To illustrate how transfers to WF could be accounted for, a description of a hypothetical \$20 million transfer is provided in the diagram below. It should be noted that is only one of several other funding variations, one of them being that the money doesn’t flow back (OAG Manitoba, 2021)



Source: Yves Genest.

Advantages of using trusts and special-purpose funds

Using trusts and funds as funding vehicles can help achieve policy objectives. They can be attractive options for government decision-makers because they provide some advantages. One of them is a guaranteed, recurring funding source for the programs covered. Like many other public administrations, the Province requires that any resources (money) not used by a department during the year will lapse and cannot be spent in the next fiscal year (Government of Manitoba, 2025). An irrevocable trust account avoids this constraint.

Also, the long-term impact on the annual surplus or deficit, could be considered advantageous because the long-term funding provided for a specific purpose will cause a one-time increase to the deficit or reduction in the surplus. After the fund is set up, there is no impact on net annual surplus or deficit. (OAG Manitoba, 2021)

It is also claimed that the formula adopted by the Province, by delegating the attribution of grants in many instances, is a more efficient (Congressional Research Service, 2025) and effective (Person, A.E., 2009) way of managing them. The foundations can establish their own allocation mechanisms and have more built-in knowledge of the needs of the communities and of the type of interventions that will generate the most successful outcomes.

Potential downsides of using trusts and special-purposes funds

Because such funding mechanisms deviate from the usual budgetary processes, the Province must take into account issues and impact considerations, through discussions, approvals and controls. There are obvious concerns regarding accounting provisions and mechanisms that should be used to provide an adequate treatment of these transactions in financial statements. Among the issues that should be considered, OAG Manitoba outlined the following (OAG Manitoba, 2021):

- *Significant expense in the first year:* Utilizing trusts and special purposes funds reduces the impact on future years' annual results. However, the impact to the financial statements in the first year is much higher compared to a scenario where the Province chose to fund these programs each year.
- *Control:* The approach used for WF funds removes control from the Province and as a result, the assets were not included in the financial statements. It also removes the Province's unilateral authority to use these funds for other purposes in the future. As previously indicated, this approach provides a guaranteed funding source for these programs and their objectives. However, the Province has lost flexibility with these funds and cannot use them for a different purpose if priorities change in the future.
- *Cost of the structure:* If these funds are being set up when the Province is in an annual deficit position, it means that they are being funded by increases to borrowings.

Using the Synergy Between Performance Audits and Financial Audits

From a financial accountability standpoint, the core issue is related to the control of the funds. Although these funds are treated as gifts, they remain public funds spent to benefit citizens, and therefore assurance must be provided to ensure that they are achieving their goals. (OAG Canada, 2005). In fact, these concerns are not exclusive to the public sector, as it has been noted that private foundations could also face governance issues. (Gloria, M.J., 2022; OIG-USAID, 2020)

Performance audits conducted in Canada, the U.S. and the U.K. have shown that these concerns are real and well-founded. For instance, a recent audit of the Office of the Auditor General of Canada concluded that a foundation, Sustainable Development Technology Canada (SDTC), did not always manage funds in accordance with the terms and conditions of the contribution agreements and with its legislative mandate. The audit found that some funded projects were ineligible, conflicts of interests were poorly managed, and several legal requirements were not met. SDTC violated its conflict-of-interest policies 90 times, awarded \$59 million to 10 projects that were not eligible and frequently overstated the environmental benefits of its projects. Soon after the report was tabled, the Minister announced that SDTC was abolished. (OAG Canada, 2024)

Based on these examples and the potential concerns rising from the inherent risks of these mechanisms, OAG Manitoba concluded that a performance audit of the use of trusts and funds, could be used to examine the potential ramifications of observations made through its financial audits.

The audit plan for this audit explored several lines of enquiries that could help elucidate the impact of trusts and funds on the quality and nature of the managements of public funds distributed in through these mechanisms. The audit focused on:

- *Risk management considerations:* As demonstrated by OAG Manitoba financial audits and performance audits conducted in other jurisdictions, several factors must be considered when determining the use of these funding mechanisms. It is important that they are carefully documented and analysed from a risk management perspective. They should also consider the magnitude and likelihood of these risks and any mitigations that should be undertaken.
- *Guidance provided:* The funds are transferred under the umbrella of an agreement. These agreements should include accountability expectations consistent with guidance from the provincial government for funding arrangements.
- *Use of agreements with recipients:* The government should monitor these agreements with recipients to ensure that objectives and expected outcomes were achieved.

- Availability and quality of accountability information: Finally, the information collected through the monitoring activities of the government should be accurate, reliable, and reported publicly. The absence of such information should also be reported and explained.

The audit work on this performance audit is still on-going and will be reported to the Legislative Assembly of Manitoba in 2025-2026.

Conclusion

Trusts and funds could be useful and are legitimate funding mechanisms for governments as they provide a certain level of flexibility and efficiency that could contribute to the achievement of policy objectives. However, they also raise some potential concerns with respect to control by the government and accountability for results achieved. In that respect, performance audits could be a fruitful extension of the financial audits. Financial statement audits are a great way of assessing accounting treatment of these arrangements but are not always able to dig deeper into “softer”, organizational issues that are mingling ethics, efficiency and governance challenges. Performance audits can extend and deepen the insights of financial audits and provide recommendations that could strengthen accountability and governance while providing useful lessons learned to ensure that future implementation of these funding agreements are robust and provide the accountability required to ensure that policy goals are achieved with integrity.

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Source: Adobe Stock Images, Paulista

Bringing Audits to the People: Making Audit Reports More Engaging and Relevant

By Shay Sapir, Deputy Spokesperson, The State Comptroller and Ombudsman of Israel and EUROSAI Presidency

Introduction

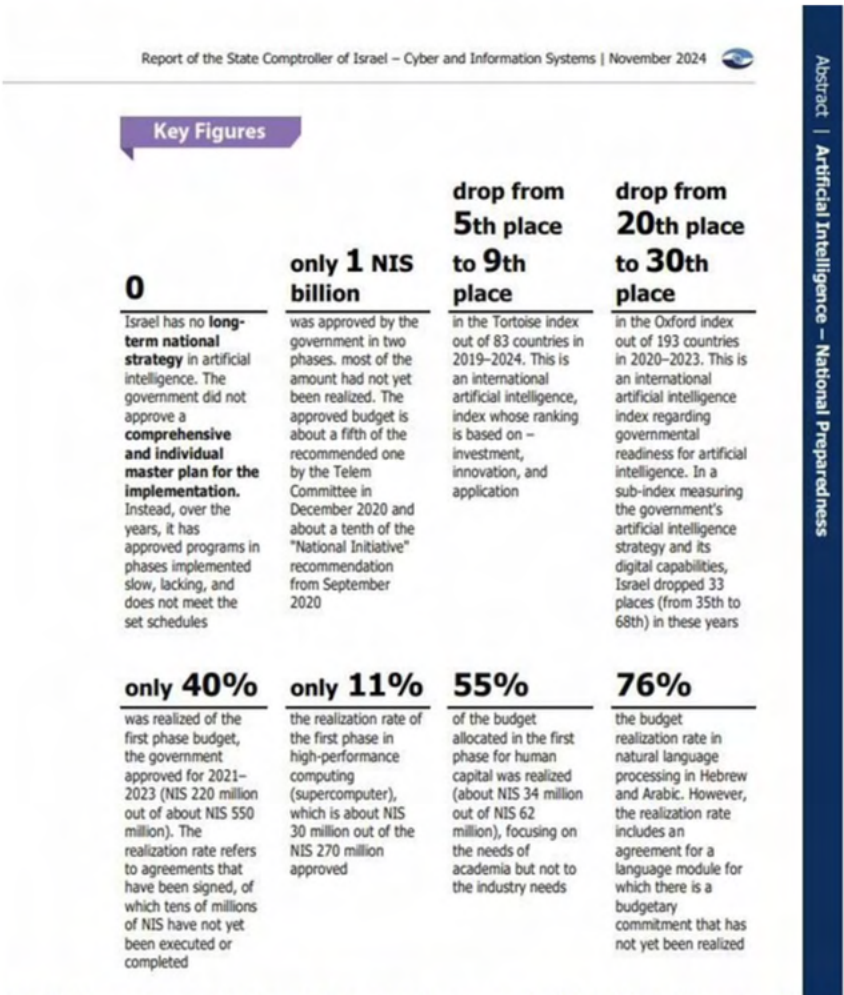
Audit institutions serve as guardians of transparency and accountability in various societies around the world. Yet for too long, their work has remained cloaked in dense language, legal references, and technical jargon that are largely inaccessible to the general public. While audit reports contain findings that can impact every citizen—from public transportation delays to failures in health systems—most people never read them. In an age where information is expected to be instantaneous, visual, and emotionally resonant, audit institutions around the world must reimagine how they present their work.

The Office of the State Comptroller and Ombudsman of Israel (SAI Israel), which currently holds the EUROSAI Presidency, has embarked on a mission to do just that. By adopting innovative communication methods such as video infographics, social media engagement, and even artificial intelligence (AI) tools, SAI Israel exemplifies a growing global movement within the auditing community: making audit reports not only accessible, but engaging, human-centered, and impactful.

Why Accessibility Matters

Public sector audits are not just internal accountability mechanisms. They are the voice of the public, evaluating whether government agencies have delivered services fairly, efficiently, and lawfully. Yet, we cannot rely on the assumption that the average citizens will read the whole report. And indeed, they shouldn't have to.

Audit accessibility is not a compromise; it is an obligation. If audit findings are to trigger reform, mobilize citizens, and influence decision-makers, they must be understandable. More importantly, they must resonate with lived experience. In this context, accessibility means more than translation or formatting. It is about relevance, connection, and inclusion.



Key Figures of the Audit Reports on National Preparedness to Artificial Intelligence (November 2024). Source: The State Comptroller and Ombudsman of Israel

Reinventing the Audit Summary: From Text to Narrative

One of the most transformative steps undertaken by SAI Israel has been the redesign of its executive summaries. Traditionally long and wordy, the summaries were distilled into more digestible formats that include:

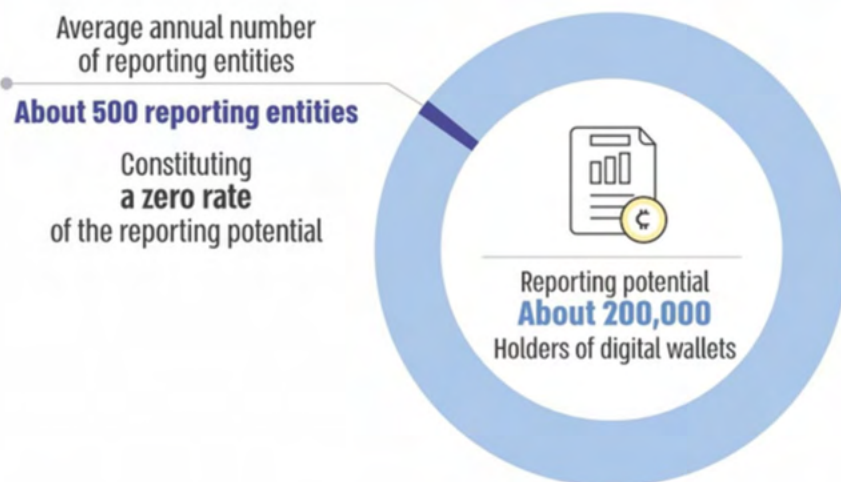
- A short background of the audit topic
- Key figures that often tell the story in a single glance
- A summary of audit actions
- Clear, prioritized findings
- Concise recommendations
- Supporting visuals such as graphs or photographs

Consider the audit on Taxation of Digital Currencies that was published by EUROSAI President and State Comptroller and Ombudsman of Israel, Mr. Matanyahu Englman, on November 2024. Rather than delving into legal complexities, the summary of the report highlighted two figures: 200,000 estimated crypto holders in Israel, and only 500 who reported to the tax authority. These figures alone demonstrated a serious compliance gap, making the issue immediately understandable and attention-grabbing – even for a layperson.



Taxation of Digital Currencies

The Average Number of Annual Reports on Crypto Activity was Reported Out of the Estimated Minimum Reporting Potential for 2018–2022



According to data from the Tax Authority and the Chief Economist's report, processed by the Office of the State Comptroller.

An illustration from the audit report on Taxation of Digital Currencies (November 2024). Source: The State Comptroller and Ombudsman of Israel

The Power of Video: Beyond the Page

Text has its limits. That is where video enters the scene. In recent years video has proven to be a powerful tool for transforming technical audits into emotionally compelling narratives.

Take, for example, the extended follow-up audit on National Climate Action by the Government of Israel. Released in March 2024, it concluded that Israel's national climate action had stagnated. Instead of a long document lost in bureaucratic archives, the audit findings were launched with a short video infographic. Its visual urgency combined with clear messaging led to extensive media coverage and even policy engagement.



An excerpt from the video on climate audit findings (March 2024). Source: The State Comptroller and Ombudsman of Israel

Similarly, a video released alongside the audit on artificial intelligence preparedness led to an emergency discussion in the Prime Minister's Office and in the Parliament. This discussion led to the formation of a new governmental committee on AI strategy. In both cases, the audit's reach expanded dramatically – because it was seen, understood, and shared.

Humanizing Audit Reports: Voices Behind the Findings

A core principle in SAI Israel's communications strategy is the idea that "behind each audit report, there are people." This human-centered approach brings public audits closer to the heart of the viewer.

Prominent cases illustrate this power. Shira Isakov, a survivor of domestic abuse, presented the audit on violence against women. Ariel, a schoolboy who was shunned by his schoolmates, narrated the findings of a report on online child protection.



Ms. Shira Isakov, featured in the video accompanying the audit report on the phenomenon of spousal violence (June 2021). Source: The State Comptroller and Ombudsman of Israel

Dorit, a survivor of the terror attack at the Nova music festival on October 7th 2023, presented a report on post-trauma mental health services.

These testimonies transform audits into narratives. They give voice to the voiceless and make abstract data feel real and urgent. In doing so, they also reaffirm the relevance of the audit institution itself.

Expanding Channels: Social Media and Podcasts

Making reports accessible is not just about format; it's about meeting people where they are. That means distributing content across diverse platforms.

SAI Israel is active on Facebook, Instagram, X (formerly Twitter), Telegram, YouTube, LinkedIn, TikTok, and Threads. Each network requires tailored messaging: Instagram for quick visuals, YouTube for longer explainers, TikTok for sharp bursts of insight, and LinkedIn for policy and professional engagement.

Other SAIs in EUROSAI have taken similar steps. The UK National Audit Office (NAO) promotes reports through LinkedIn and Twitter. SAI Austria produces podcasts with auditors. SAI Estonia maintains a blog. Accessibility is now a continental expectation.

Suhted avalikkusega

Pressiteated

Riigikontrolli blogi

Meediakajastus pressis ja ringhäälingus

Pöördumine riigikontrolli poole

Riigikontrolli pildialbumid

Riigikontrolli blogi

2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | Kõik aastad

◀ Eelmised

1

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3

Järgmised ▶

Kas järgmine Nordica ja arve maksumaksjale on juba teel?

20.12.2024 | Ermo Liedemann, vanemauditor

Olles auditeerinud nii Estonian Airi krahhi kui ka Nordica allakäiku, teeb nõutuks riigi äriühingute valitsemise eest vastutajate seisukoht, et süsteem töötab nagu kellavärk või kui lõpuks ebaõnnestumine ilmsiks saab, on süüdi alati keegi teine. Kui riigi omanikutunne ei parane, tulevad uued pankrotid ja kahjud pigem varem kui hiljem.

Loe edasi ▶



Kas saamegi kiire interneti alles 2050. aastaks? Selles graafikus Eesti liigub

15.10.2024 | Toomas Viira, auditjuht

Eesti liikumine kiire interneti poole paistab olevat kõige muud kui kiire. Veelgi enam, ehkki kiire internet viimise iga Eesti inimeseni on olnud riskikes plaanides juba kaks aastakümnet, läheneb Eesti sellele teosammul ja tähtaegu pidevalt kaugemale tulevikku lükates. Et see nii ei juhtuks, oleks vaja märgatavalt suurendada rahastamist ja ehitustempot, saada oluliselt seigem pilt, millistele aadressidele tasub kiire interneti ühendusi ehitada ja millistele mitte, kes kiiret ühendust ootavad ning kuidas reguleerida võrkude hilisemat haldust.

Loe edasi ▶



The Blog of SAI Estonia. Source: SAI Estonia

New Frontiers: AI, Mobile, and Multilingual Access

Innovation does not stop with videos and social media. SAI Israel is now piloting tools to increase accessibility even further:

1. *Mobile-First Reports*: Reports structured for mobile reading, recognizing that many citizens increasingly avoid accessing full desktop websites.
2. *AI-Powered Chatbot*: A developing project that aims to allow users to ask questions about audits and navigate findings via conversational AI.
3. *Multilingual Outreach*: Recognizing Israel's diversity, some reports are now distributed in Arabic – particularly those affecting marginalized communities.

Even children are considered in this inclusive strategy. SAI Israel is exploring child-friendly videos, especially for audits on education, environment or online safety. Because accessibility should not start at age 18.



An excerpt from the video on Shading of Urban Public Spaces (July 2025). Source: The State Comptroller and Ombudsman of Israel

Best Practices for Accessible Auditing

Based on experiences in Israel and shared practices from around the world, here are five best practices for making audit reports more accessible:

1. *Simplify Language*: Avoid audit jargon. Use everyday vocabulary. Focus on impact, not process.
2. *Visualize Data*: Translate numbers into motion. Use graphs, animations, and infographics.
3. *Tell Human Stories*: Include real voices. Connect findings to personal experiences.
4. *Use Diverse Platforms*: Don't rely on websites. Go where the audience is – mobile phones, social networks, podcasts.
5. *Design for Inclusion*: Consider language minorities, children, and people with disabilities. Think about every audience.

Conclusion: From Oversight to Outreach

We are no longer in an era where audit institutions can afford to speak only to government professionals. If audits are to serve society, they must become tools of outreach – not just oversight.

By embracing new formats, amplifying real voices, and meeting people in their digital spaces, Supreme Audit Institutions can expand their influence far beyond traditional reports. They can drive change, restore trust, and remind the public that accountability is not abstract – it is personal.

The path forward is clear: Make the report human. Make it visible. Make it relevant.



Source: Adobe Stock Images, Vadym

Benford's Law as a Tool for Audit Planning and Control: An Analysis of Municipal Expenditures

Author: Georgios Stefanou, M.Sc., Ph.D. Head of Department, Hellenic Court of Audit – Commissioner's Office in the Prefecture of Messinia

Abstract

This study presents a practical application of Benford's Law to the expenditure data of two Greek municipalities, Messini and Trifylia, aiming to evaluate the extent to which these financial transactions conform to the expected digit distributions as defined by Benford's Law. The primary goal is to assess the utility of Benford's Law as a tool in public sector auditing processes and determine whether it can raise red flags to prompt further investigative procedures.

We applied Z-tests and Chi-square tests to expenditure contracts from 2021 to measure compliance with Benford's distribution for both the first and second digits. Statistically significant deviations from the expected digit frequencies were treated as indicators of potential irregularities, thereby warranting further audit review.

The analysis revealed that Benford's Law can be a valuable preliminary assessment tool in the detection of anomalies. Contracts deviating from expected distributions can inform audit prioritization. Results show that the Municipality of Trifylia demonstrated greater compliance with Benford's Law, whereas the Municipality of Messini showed more frequent and pronounced deviations.

1. Introduction

Advancements in information technology have significantly increased the volume and complexity of financial data. In modern audit practices, analytical techniques are increasingly utilized to streamline audit processes and enhance the detection of anomalies and irregularities in public spending. As noted by Durtschi, Hillison, and Pacini (2004), these techniques simplify and enhance audit procedures.

This study explores the use of Benford's Law as a statistical method for identifying irregularities in public expenditures, specifically within the financial data of two municipalities. The research assesses whether these expenditures align with the expected digit distribution under Benford's Law and investigates the implications of any observed deviations.

Benford's Law has been previously applied in numerous studies for fraud detection in public finance, including notable works by Carslaw (1988), Nigrini (2005), and others. The importance of this study lies in its practical application of predictive irregularity models for transparency assessment in public administration.

2. Benford's Law and Its Audit Relevance

Benford's Law predicts the frequency distribution of digits in naturally occurring datasets. Introduced by Simon Newcomb (1881) and later formalized by Frank Benford (1938), the law suggests that lower digits occur more frequently as leading digits. The law has been applied across diverse datasets such as financial transactions, river lengths, and population figures.

In audit settings, researchers (Durtschi et al., 2004; Arkan, 2010; Ardiansah & Sudarto, 2017) have demonstrated that Benford's Law can identify data irregularities that merit further investigation. It is now integrated into audit software tools such as ACL and CaseWare.

Applications range from IT data integrity (Debreceeny & Gray, 2010), fraud detection in national statistics (Holz, 2014), environmental reporting (Stoerk, 2016), to electoral fraud analysis (Leeman & Bochsler, 2014). KPMG and other global firms have recommended its use in forensic auditing (Pavlovic, 2019).

3. Research Methodology

3.1 Data Collection

The study analyzed 129 contracts from the Municipality of Messini and 230 from the Municipality of Trifylia, all retrieved from Greece's electronic procurement platform (Promitheas). These contracts reflect 2021 expenditures totaling approximately €3.73 million and €10.22 million, respectively.

3.2 Statistical Model

We employed Z-tests and Chi-square tests to measure deviations from Benford's expected distribution for both the first and second digits. The tests evaluate the null hypothesis (H_0 : no irregularities) versus the alternative (H_1 : potential irregularities). A significance level of $\alpha = 0.05$ was adopted.

Benford's probability distributions for digit frequencies were used as reference, and critical values were based on standard statistical tables (Z-critical = 1.96; Chi-squared critical values = 15.507 for the first digit, 16.919 for the second digit).

4. Results and Discussion

4.1 Municipality of Messini

Significant deviations were observed in the digit frequencies. For the first digit (see Table 1), the values 1, 2, and 9 exceeded the Z-critical threshold. The overall Chi-square value (22.250) also surpassed the critical limit, indicating a rejection of the null hypothesis. Similar deviations were noted for second-digit values 3 and 8 (see Table 2).

Table 1. Distribution of First Digits in Messini Municipality Expenditures (2021).

1st digit	number of observations	Po	Pe	Po-Pe	Fo	Fe	Fo-Fe	Z	x^2	chi-square critical
1	61	0.473	0.301	0.172	61	39	22	3.319	12.659	
2	13	0.101	0.176	-0.075	13	23	-10	2.812	4.148	
3	11	0.085	0.125	-0.04	11	16	-5	1.491	1.629	
4	14	0.109	0.097	0.012	14	13	1	0.278	0.177	
5	9	0.07	0.079	-0.009	9	10	-1	0.24	0.139	
6	6	0.047	0.067	-0.02	6	9	-3	0.906	0.808	
7	7	0.054	0.058	-0.004	7	7	0	-0.007	0.031	
8	6	0.047	0.051	-0.004	6	7	-1	0.033	0.051	
9	2	0.016	0.046	-0.03	2	6	-4	2.486	2.608	
total	129	1	1	0	129	129	0	–	22.25	15.507

Table 2. Distribution of Second Digits in Messini Municipality Expenditures (2021).

2nd digit	number of observations	Po	Pe	Po-Pe	Fo	Fe	Fo-Fe	Z	χ^2	chi-square critical
0	25	0.194	0.12	0.074	25	15	10	1.923	5.855	
1	10	0.078	0.114	-0.036	10	15	-5	1.413	1.506	
2	17	0.132	0.109	0.023	17	14	3	0.627	0.614	
3	7	0.054	0.104	-0.05	7	13	-6	2.362	3.068	
4	12	0.093	0.1	-0.007	12	13	-1	0.122	0.063	
5	14	0.109	0.097	0.012	14	13	1	0.278	0.177	
6	8	0.062	0.093	-0.031	8	12	-4	1.298	1.332	
7	16	0.124	0.09	0.034	16	12	4	1.019	1.66	
8	4	0.031	0.088	-0.057	4	11	-7	3.587	4.761	
9	16	0.124	0.085	0.039	16	11	5	1.185	2.312	
total	129	1	1	0	129	129	0		21.348	16.919

4.2 Municipality of Trifylia

The data showed fewer deviations. Only the first-digit value 2 (see Table 3) and second-digit values 4 and 9 (see Table 4) exceeded the Z-critical threshold. However, the overall Chi-square result for the first digit (11.657) did not exceed the critical value, implying general conformity with Benford's Law.

Table 3. Distribution of First Digits in Trifylia Municipality Expenditures (2021).

1st digit	number of observations	Po	Pe	Po-Pe	Fo	Fe	Fo-Fe	Z	x ²	chi-square critical
1	83	0.361	0.301	0.06	83	69	14	1.742	2.739	
2	30	0.13	0.176	-0.046	30	40	-10	2.007	2.713	
3	21	0.091	0.125	-0.034	21	29	-8	1.691	2.089	
4	22	0.096	0.097	-0.001	22	22	0	-0.043	0.004	
5	23	0.1	0.079	0.021	23	18	5	0.941	1.284	
6	12	0.052	0.067	-0.015	12	15	-3	0.87	0.755	
7	17	0.074	0.058	0.016	17	13	4	0.79	1.004	
8	14	0.061	0.051	0.01	14	12	2	0.486	0.439	
9	8	0.035	0.046	-0.011	8	11	-3	0.753	0.629	
total	230	1	1	0	230	230	0		11.657	15.507

Table 4. Distribution of Second Digits in Trifylia Municipality Expenditures (2021).

2nd digit	number of observations	Po	Pe	Po-Pe	Fo	Fe	Fo-Fe	Z	x ²	chi-square critical
0	34	0.148	0.12	0.028	34	28	6	1.079	1.484	
1	30	0.13	0.114	0.016	30	26	4	0.636	0.545	
2	20	0.087	0.109	-0.022	20	25	-5	1.083	1.025	
3	26	0.113	0.104	0.009	26	24	2	0.327	0.181	
4	15	0.065	0.1	-0.035	15	23	-8	2.041	2.783	
5	15	0.065	0.097	-0.032	15	22	-7	1.85	2.395	
6	20	0.087	0.093	-0.006	20	21	-1	0.209	0.09	
7	19	0.083	0.09	-0.007	19	21	-2	0.289	0.14	
8	18	0.078	0.088	-0.01	18	20	-2	0.429	0.248	
9	33	0.143	0.085	0.058	33	20	13	2.357	9.253	
total	230	1	1	0	230	230	0		18.144	16.919

4.3 Summary Comparison

The Municipality of Messini exhibited more significant and numerous deviations across both digit positions, suggesting higher risk of irregularities. Approximately 74.10% of Messini's contract values involved suspect digits, compared to 22.03% for Trifylia (see Table 5). These results support the use of Benford's Law in prioritizing audit efforts and optimizing resource allocation.

Table 5. Contracts Issued which First Digits Disagree with Benford's Law

	Non-Conformity Digits		Contracts (n)	Contracts (€)	% Total Contracts
Municipality of Messini	1st digit	1, 2 and 9	76	2,433,183.67 €	65.18
	2nd digit	3 and 8	11	333,030.90 €	8.92
Municipality of Trifylia	1st digit	2	30	782,085.53 €	7.65
	2nd digit	4 and 9	48	1,469,650.74 €	14.38

5. Conclusion

The analysis confirms the value of Benford's Law as a preliminary audit tool for public expenditures. The Municipality of Messini showed greater deviation and thus may present higher audit risk. With the statistically significant deviations found, which are indicators of potential irregularities, public auditing organizations could identify cases for audit review. Benford's Law enables data-driven prioritization in audit planning, offering transparency indicators and supporting strategic decisions.

Future research could expand the dataset across more municipalities to establish a transparency index incorporating Benford compliance as a core variable.

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Source: General Court of Audit of Saudi Arabia

The Role of General Court of Audit in Saudi Arabia's Fiscal Oversight: Financial Audits and Mechanisms for Good Governance of Public Funds

Author: Mr. Mohammed Almalki, Assurance Auditor at the Supreme Audit Institution of Saudi Arabia

Introduction

Public sector accounting in the kingdom of Saudi Arabia is undergoing significant transformation, shifting from cash-based to full-accrual accounting. This shift represents a strategic pillar of Vision 2030, which includes large-scale capital projects. In light of this transformation, financial audits must evolve into proactive tools that identify risks, and help redirect public resources toward citizens' priorities, rather than solely being passive year-end exercises. In response to these changes, Saudi Arabia's General Court of Audit (GCA) has taken on an increasingly strategic role in strengthening financial oversight and public accountability.

This article explores the critical role of GCA in advancing public sector accountability in Saudi Arabia by examining best practices. It also highlights GCA's efforts in combating corruption and financial mismanagement, as well as the mechanisms it employs to ensure the effective use of government funds. Through case studies, it illustrates the positive impact of GCA's audit work on citizens and national development.

Best Practices for Conducting Public Sector Financial Audits

GCA has made significant developments in strengthening public sector financial audits by developing a modern audit methodology aligned with international audit standards (ISA), embracing digital transformation, and introducing a comprehensive training platform to enhance auditor capabilities.

GCA's financial audit methodology is guided by key principles such as institutional independence, real-time data access, and risk-based audits. Each audit begins with a structured risk assessment aligned with the International Standards of Supreme Audit Institutions (ISSAIs) (INTOSAI, n.d.), complemented by historical trend analysis derived from GCA's digital audit platform "Shamel" that leverages big data, sourced from the government-wide procurement and payments management portal "Etimad" and other national platforms. This approach ensures that audits are not only objective, but also strategically targeted at high-impact areas, forming a backbone for credible fiscal governance.

Shamel has significantly enhanced the efficiency, precision, and responsiveness of audit operations. Through seamless integration with national platforms such as Etimad, GCA auditors access real-time transactions and financial data, allowing them to cross-verify contract values, payment schedules, and project timelines against actual financial records. The platform incorporates a wide range of smart functionalities—including automated task creation, artificial intelligence (AI)-driven analytics, and integrated reporting tools—that streamline workflows and reduce manual effort. One of its key features is "ArIF", GCA's Artificial Intelligence Facilitator, an AI-powered smart assistant that uses Natural Language Processing (NLP) to provide auditors with instant, personalized responses to questions to support them during audit engagements.

Furthermore, enhancing audit quality and maintaining alignment with international public sector standards requires sustained investment in auditor development. GCA addresses this through ongoing professional training in areas such as International Public Sector Accounting Standards (IPSAS) and ISSAIs, thereby strengthening their technical capabilities and supporting consistency with global standards.

As part of this commitment, GCA launched the Smart Course Library (SCL) platform, a digital training platform designed to foster continuous learning and maximize the impact of modern technology. Accessible via smart devices, the platform improves user experience, expands access to learning resources, and supports personalized professional growth. It currently hosts more than 100 specialized courses covering audit practices, IPSAS, and related technical subjects, along with over 20 structured learning paths tailored to functional audit roles.

The Role of Auditing in Combating Corruption and Financial Mismanagement

Financial audits do more than detect financial misstatements—they help in detection of financial misconduct by promoting accountability across public entities. GCA plays a critical role in this process, and regularly uncovers high-risk transactions by leveraging advanced digital tools within its Shamel platform.

GCA contributes in combating corruption and financial mismanagement by implementing a structured escalation policy that requires audited entities to submit all requested documentation within 7 working days, and respond to the audit findings within 30 days. Such response framework ensures that audit findings are not ignored but translated into corrective action. GCA's independence further strengthens its role in enforcing accountability and allows it to escalate unresolved issues to relevant authorities when necessary.

In cases involving serious financial concerns or management override, failure to comply triggers automatic escalation to the Oversight and Anti-Corruption Authority (Nazaha). Material exceptions flagged by Shamel are shared through secure digital channels. The national whistle-blower hotline (980) feeds citizen reports into this system. Nazaha receives an average of 47,000 reports annually, part of which requires timely involvement of GCA to provide expert input particularly in cases involving embezzlement and bribery, abuse of authority and position, and financial misconduct (Al Arabiya, 2024).

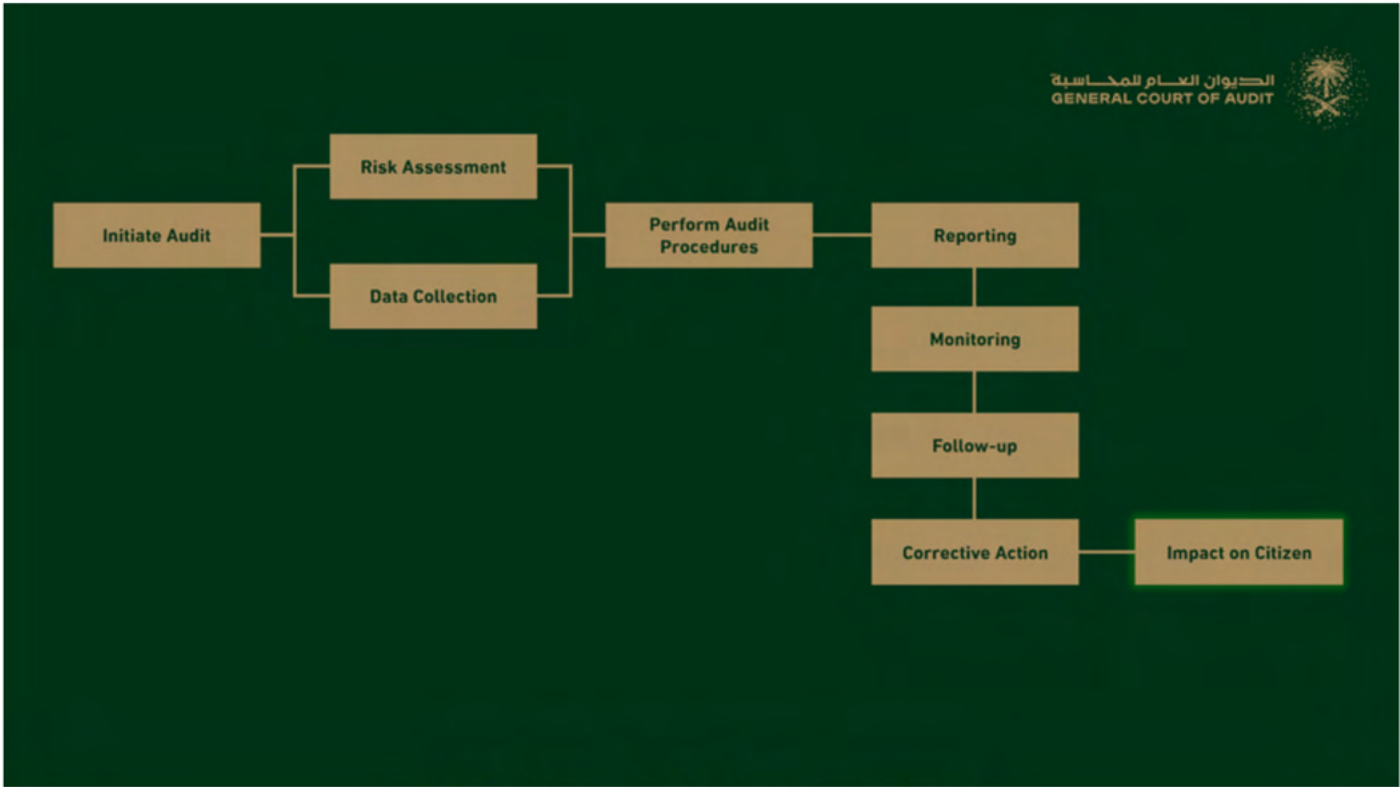
Mechanisms and Frameworks for Ensuring Accountability in the Allocation and Expenditure of Government Funds

GCA has developed an integrated accountability framework that spans the entire budget cycle, from appropriation to execution. This framework comprises several interlinked mechanisms, including real-time financial monitoring, audit follow-up systems, oversight escalation protocols, and high-level reporting tools designed to ensure both transparency and enforcement across all stages of public financial management.

At the core of this framework is the Audit Recommendation Tracking System (ARTS). This tool continuously monitors the status of audit recommendations and links them directly to financial disbursement decisions. When high-risk issues remain unresolved, ARTS notifies the Ministry of Finance—who may suspend or condition fund releases until corrective action is confirmed (AlQurashi, 2024). This mechanism transforms auditee corrective actions into a fiscal priority, reinforcing accountability across both the planning and execution phases of public funds.

Another essential element of this framework is transparency at the highest levels of governance. GCA submits its annual report directly to the King, emphasizing its pivotal role in promoting transparency and accountability within the Kingdom’s public financial management system. These reports provide a strategic overview of how well entities are adhering to fiscal priorities and whether public spending aligns with national development goals. This direct reporting line reinforces the accountability of public entities in how they manage and utilize public resources.

Case Studies of Successful Mechanisms for Good Governance of Public Funds



Source: General Court of Audit of Saudi Arabia

In Saudi Arabia, the General Court of Audit (GCA) plays a fundamental role in supporting operational and financial improvements across the public sector. By promoting the efficient use of public resources, GCA ensures that expenditures align with national priorities and deliver measurable outcomes for citizens. In line with INTOSAI-GUID 5260, which emphasizes the importance of strengthening internal audit functions as a fundamental component of good governance and risk management, GCA actively supports initiatives that build internal control capacity within government entities services (INTOSAI, 2019).

The following case illustrates how GCA contributes to the development of internal audit systems in the public sector—particularly within ministries responsible for delivering critical social services to the public.

Case Study: Enhancing Financial Oversight through Internal Audit Capacity in the Public Sector

As part of its ongoing commitment to strengthening the governance of public funds, GCA partnered with various ministries in the public sector to enhance internal audit capabilities. This collaboration focused on building internal structures that support accountability and improve oversight of programs with direct relevance to citizens.

The initiative involved designing a roadmap to establish a specialized training programs, aimed at equipping staff across ministries with the knowledge and tools necessary to carry out effective internal audits. The program was tailored to reflect the specific operational and financial environment of the public sector, helping institutionalize sound internal control and auditing practices (General Court of Audit, 2023).

As a result:

- Ministries received structured guidance to develop more effective internal audit functions.
- Sector-specific training plans were launched to upskill internal audit teams in financial auditing
- A stronger foundation for internal accountability and program oversight was established

While the initiative focused on internal audit capacity building, its long-term value lies in improving the overall performance and financial management within the public sector. As financial audit practices are strengthened, ministries are better positioned to manage public resources, enhance service delivery, and develop more responsive and effective programs—ultimately benefiting citizens who rely on these services.

Conclusion: A Strategic Audit Authority for Fiscal Accountability and Governance

GCA has emerged as a cornerstone of Saudi Arabia's fiscal governance system, playing a significant role in enhancing the accountability and governance of public spending. Through the integration of advanced digital tools, such as Shamel and the Audit Recommendation Tracking System (ARTS), and its commitment to international audit standards, the GCA has transformed financial auditing to a proactive instrument for public sector improvement. As Saudi Arabia advances its Vision 2030 goals, the GCA will continue to serve as a vital enabler of reform, helping to align financial management with national priorities and public trust.



The author, Mr. Mohammed Almalki. Source: The author.

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Source: Office of the Auditor General of the Union of Myanmar

The Office of the Auditor General of the Union of Myanmar: Strengthening Financial Audit Mechanisms to Improve Public Financial Management

Author: Office of the Auditor General of the Union of Myanmar

Introduction

In the context of Myanmar's ongoing political, economic, social, and administrative reforms, public expectations are increasing regarding the effective use of citizen-owned resources and the sound public financial management by the government.

Government departments and organizations are actively carrying out their responsibilities to support national development and fulfill the expectations of citizens. In alignment with this, the Office of the Auditor General of the Union (OAG) envisions itself as an institution that safeguards and promotes public interests, placing national priorities and citizens' well-being at the core of its mission. As the Supreme Audit Institution (SAI), it plays a vital role in overseeing the implementation of government programs and activities to ensure they obtain effective results as intended and contribute to the improvement of public financial management. The OAG is committed to conducting audits with professionalism and efficiency, with a strong emphasis on serving the public interest.

OAG's Audit Responsibilities

Public financial management systems of government departments and organizations in the public sector, along with the actions of civil servants, must uphold the principles of accountability and transparency. Transparency means that the public is informed about how public funds are used and how organizations perform. Accountability means that those responsible for managing public resources are answerable for their actions and must take corrective measures when necessary. These principles are essential for the effective and responsible management of public finances.

The OAG, together with the regional audit offices, is responsible for reporting on the extent to which responsible individuals and organizations have effectively utilized public resources entrusted to state-owned entities. Thus, the OAG provides external oversight that is essential for strengthening the public financial management system. In each ministry and organization, financial statements are prepared by respective accountants and issued with the approval of management. Auditors are responsible for examining the accuracy and completeness of these financial statements and related budget information by reviewing relevant supporting documents. They must then express an audit opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

Legal Framework to Audit

To support the effective execution of auditors' responsibilities, the Auditor General of the Union Law was enacted in 2010 and subsequently amended in 2013, 2014, and 2018. These amendments were introduced to address emerging needs and challenges, with the aim of enhancing the timely detection and monitoring of waste, leakage, damage, loss, and misuse of public funds; promoting public cooperation in audit processes; safeguarding the public interest; strengthening the effectiveness of audit activities; and ensuring alignment with the International Standards of Supreme Audit Institutions (ISSAIs) and international best practices.

The OAG conducts its audit in accordance with the Auditor General of the Union Law. As stipulated in Section 11 of the Law, the primary responsibility of the Union Auditor General is to audit the accounts of the receipts and payments of the Nation. Section 11 outlines a total of 27 specific duties. To effectively implement these responsibilities, the OAG has established a clear vision, defined tasks, and formulated relevant policies and strategies. The OAG carries out its audit processes with competence and efficiency, in alignment with the public's expectations for good governance and clean government.

Reforming the OAG Office

As part of its reform efforts, the OAG has implemented several key initiatives. These include amending the Auditor General of the Union Law to strengthen the legal framework; delegating expanded responsibilities to Region and State Auditors General and Audit Officers to enhance decentralized oversight; formulating Strategic Plans for 2018-2022 and 2023-2027; engaging in efforts to adopt International Standards on Accounting and Auditing; and participating in Public Financial Management reform initiatives.

As of 2025, the OAG has established 410 audit offices across the country, including Region and State Auditor General Offices, as well as the Nay Pyi Taw Audit Office. The OAG is responsible for auditing 16,304 entities nationwide and is supported by a workforce of 3,651 audit staff and 851 non-audit staff, totaling 4,502 personnel.

OAG Financial Audits and Budgetary Oversight

According to the provisions of the Union Budget Law, the OAG shall audit the accounts of the receipt and payment of the Union; whether measures have been taken to obtain fully the receipts contained in the Budget Estimates; whether the sanctioned money contained in the Budget Estimates are utilized effectively, and shall submit the report at least once a year and on the unusual situation from time to time to the highest Authority of the State.

In accordance with the Auditor General of the Union Law, the OAG and various levels of audit offices examine whether the revenues collected from citizens, other sources of income, and foreign grants or loans during the fiscal year are utilized in the most cost-effective, efficient, and impactful manner for the benefit of the nation. They also assess and report the extent to which these funds contribute to the public and national interest. During the audits, the Union Budget Law, Region or State Budget Law, National Plan Law, Regional Plan Law, Union Taxation Law, Public Debt Management Law, and relevant financial rules, regulations, notifications and directives pertaining to the budget are used as audit criteria for evaluation and assessment.

In reporting audit findings that are inconsistent with established criteria, the Union Budget is assessed to determine whether it is being used transparently and effectively by Union-level organizations, and the findings are submitted annually to the highest Authority of the State. Similarly, the Region/State Budget is evaluated to determine its transparent and effective use by Region/State-level organizations, with the findings submitted to the respective Region/State Governments.

Beyond Financial Audits

The OAG previously conducted financial, compliance, and performance audits to assess the effectiveness, efficiency, and economy of government operations. At present, its audit scope has been expanded to include real-time audits, which enable more timely detection of irregularities during ongoing processes, and information technology (IT) audits, which evaluate the reliability, security, and effectiveness of government information systems.

Beyond its audit work, OAG provides a unique service by providing comments and recommendations on accounting and financial matters, financial regulations and procedures, and the procurement process to government entities, with the aim of strengthening public financial management. This proactive advice, offered upon request, helps entities avoid issues, mitigate risks, improve outcomes, and seize opportunities when developing new policies, procedures, projects, or other initiatives. Additionally, it ensures alignment with established policies, procedures, and regulations.

In addition, the Institute of Advanced Accounting and Auditing, under the Office of the Auditor General (OAG), offers accounting training courses, including programs on the Diploma in International Public Sector Accounting Standards (IPSAS) and the Diploma in International Financial Reporting Standards (IFRS). Region and State Auditor General Offices also conduct basic accounting training. These training initiatives aim to develop professional accountants who uphold ethical standards and promote greater transparency in financial reporting within government organizations. Moreover, staff from the OAG have been trained in ISSAI-based financial audits to enable them to perform audits and report in accordance with international standards. As a result, ISSAI-based financial audits were implemented in 100% of audit offices since the 2022–2023 financial year, following the development of a nationwide roll-out plan and the practical execution of audits. The OAG also contributes to capacity building by developing the accounting and auditing syllabus for the Public Financial Management Academy under the Ministry of Planning and Finance and by assigning lecturers to deliver these subjects.



Closing Ceremony of Diploma in International Public Sector Accounting Standards (Batch 2, Level I). Source: Office of the Auditor General of the Union of Myanmar

Conclusion

Conducting financial audits helps ensure that public funds are utilized transparently, thereby supporting the prevention of corruption, minimizing losses and waste, and reinforcing public trust. Consequently, Myanmar is promoting transparent financial practices to advance sustainable development, while ongoing improvements in governance continue to strengthen public financial management.



Source: Supreme State Audit Institution of Albania

Strengthening Good Governance Through Financial Audits: The Albanian Experience

Author: Lorena Lici

Introduction

Effective financial oversight is foundational to good governance. The Supreme State Audit Institution of Albania (KLSH) plays a vital role in safeguarding public resources, promoting accountability, and reinforcing trust in public institutions. This article shares key findings from the institution's 2023 audit activities, assesses their impact on public sector governance, and identifies best practices applicable across INTOSAI member SAIs.

Audit Scope and Strategic Objectives

KLSH operates under a strategic framework aligned with its mission to support parliamentary oversight and ensure the efficient, effective, and economical use of public funds. Three overarching strategic goals are tracked through performance indicators. In 2023, KLSH issued 71 financial audit opinions, underscoring its commitment to accountability.

Key audit focus areas included:

- Budget Execution: Identification of irregularities in expenditure planning and execution, including unauthorized commitments and arrears.
- Procurement Oversight: Recurring deficiencies in public procurement practices due to procedural noncompliance, impacting value-for-money.
- Revenue Administration: Detection of lost revenues due to irregularities in tax and customs collection.

Corrective Measures and Implementation Rates

The audits resulted in 1,024 recommended measures, categorized as corrective financial, damage compensation, disciplinary, and administrative. Verification of recommendation implementation showed mixed outcomes:

- 98% of financial corrective measures were accepted, but only 17% were fully implemented.
- 94% of damage compensation measures were accepted, with a 32% full implementation rate.
- Disciplinary and administrative measures also reflected relatively low implementation, signaling challenges in enforcement and follow-up.

Institutional Impact and Legal Cooperation

KLSH referred 67 audit reports to the Special Prosecution Against Corruption and Organized Crime and an additional 24 cases to local prosecutor offices. These referrals demonstrate the institution's cooperation and role in combating corruption and enforcing accountability beyond administrative measures.

Public Engagement and Transparency

Citizen engagement with KLSH is increasing, evidenced by 368 information requests and complaints in 2023—primarily regarding local government operations. KLSH responded promptly to all actionable cases, contributing to its growing public credibility.

External Assessments and Recognition

The Support for Improvement in Governance and Management (SIGMA) initiative, a joint initiative of the Organization for Economic Co-operation and Development (OECD) and the European Union issued a report in 2023 on Public Administration Principles, and acknowledged KLSH under Principles 16 and 31 as a trusted, capable actor promoting effective service delivery and fiscal integrity. Survey data revealed:

- 58.6% of respondents identified KLSH as the most effective domestic accountability institution, surpassing Parliament (49.5%).
- Transparency and accountability perceptions for central and local governments remained low (around 40%), reinforcing the need for SAI interventions.

Best Practices and Lessons Learned

1. *Evidence-Based Recommendations:* KLSH employs a structured approach to recommending and tracking corrective actions. This could serve as a replicable model for SAIs aiming to enhance follow-up processes.
2. *Legal Interface:* Systematic referrals to anti-corruption bodies and local prosecutors reinforce the SAI's deterrent effect. This cooperation can be formalized through inter-institutional protocols.
3. *Public Communication:* Prompt and transparent handling of citizen complaints fosters trust and legitimacy—practices that can enhance the SAI's profile as a public protector.
4. *Performance Monitoring:* Periodic self-assessment and strategic tracking through key performance indicators support institutional maturity and alignment with INTOSAI standards.



Trust in Governance Opinion Poll 2023. Source: UNDP

Conclusion

The Albanian SAI's experience in 2023 exemplifies the important role of SAIs in promoting integrity, fiscal discipline, and trust in public governance. While challenges persist in implementation and enforcement, structured audits, cross-sector cooperation, and public engagement form the pillars of its success. These practices offer valuable insights for peer SAIs committed to improving public sector outcomes through financial oversight.

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Source: Adobe Stock Images, TarikVision

Strategic-Based Audit Model: A Vessel in Navigating Dynamic Governmental Landscape

Authors: Akhsanul Khaq and Candra Hapsari Susilo, The Audit Board the Republic of Indonesia (SAI Indonesia)

Introduction

The Audit Board of the Republic of Indonesia (BPK) is constitutionally mandated as an independent body, reflecting the INTOSAI Lima Declaration (1977), which underscores the importance of legal, organizational, and operational independence in ensuring accountability. However, Indonesia's evolving political and institutional landscape introduces challenges to this mandate. The 2024 presidential transition initiated a new development cycle under Law No. 25/2004, requiring each administration to prepare a National Medium-Term Development Plan (RPJMN) aligned with the Long-Term Development Plan (RPJPN). This process has involved ministerial restructuring, the establishment of new agencies, and the launch of flagship initiatives, such as the free nutritious meal program, all of which reshape governance arrangements and audit priorities.

The RPJPN 2025–2045 articulates four strategic goals: achieving developed-country income levels, reducing poverty and inequality, enhancing global leadership, and strengthening human capital. Attaining these objectives demands robust governance, efficient resource use, and effective oversight. Yet political transitions, shifting ideologies, and administrative restructuring often disrupt policy continuity, complicating long-term planning. Within this dynamic context, critical questions emerge: how can BPK safeguard its functional independence, and how can its audit approach remain responsive and relevant to shifting development agendas?

National Priorities and Our Part

For BPK, this implies that audit strategies must remain adaptive and responsive to ongoing changes. In light of today's evolving development context, several implications emerge for its role and approach, which can be framed through four key national priorities as outlined below:

1. Economic Transformation and High-Value Investments

Raising income to developed-nation levels involves large-scale investments in infrastructure, industrial policy, and innovation. BPK must ensure that these investments are efficient, transparent, and impactful, requiring audits that go beyond compliance and into value-for-money and outcome-based assessments.

2. Social Inclusion and Poverty Reduction

Efforts to reduce poverty and inequality will be implemented through expansive social programs, subsidies, and targeted development funds. BPK must assess program design, implementation integrity, and benefit distribution, with greater focus on effectiveness and equity, not just financial regularity.

3. Global Engagement and International Influence

Indonesia's increased participation in international forums and initiatives implies more cross-border spending, diplomacy-related funding, and global partnerships. BPK will need to ensure accountability in international cooperation, aligned with international auditing standards and transparency expectations.

4. Human Capital and Competitiveness

Massive public investment in education, health, and workforce development calls for audit approaches that can assess long-term strategic outcomes and institutional readiness. Ensuring the quality and impact of these programs is key to achieving RPJPN's long-term vision.

Addressing these implications requires not only adaptive audit approaches but also institutional alignment. Thus, ensuring coherence between BPK's Strategic Plan and the broader National Strategic Plan is critical for embedding audit functions within Indonesia's long-term development trajectory.

Alignment of the Institutional Strategic Plan to the National Strategic Plan

Based on Presidential Decree No. 80 of 2025, Indonesian government institutions must prepare five-year strategic plans aligned with the RPJMN, itself derived from the RPJPN toward Indonesia 2045. The 2025–2029 RPJMN marks the first stage of this agenda, emphasizing poverty reduction, human capital development, and sustainable economic growth (Bappenas, 2024).

In line with these priorities, BPK's Strategic Plan aims to enhance audit value and impact by strengthening institutional capacity, deepening audit quality, and integrating digital innovation. BPK stands as both an unwavering guardian of accountability and a forward-looking partner in driving the nation's development agenda. Guided by this dual mandate, our institution is determined to solidify its reputation as a credible, trustworthy, and influential institution whose work directly shapes the success of national objectives. This ambition comes to life through three defining missions:

1. Ensuring the integrity and impact of state financial management and reporting;
2. Driving the fight against corruption while enabling the recovery of state losses from financial mismanagement;
3. Upholding governance that is truly independent, transparent, and accountable

These missions form the foundation for the development of BPK's Strategic-Based Audit Model, a framework aimed at broadening the role of auditing from mere compliance and assurance, toward becoming a strategic instrument that supports governance reform, drives accountability, and contributes directly to national development priorities.



Figure 1. The Strategic-Based Audit Approach Triangle. Source: The Audit Board the Republic of Indonesia

Dignity and Impact: Strategic-Based Audit Model

Elem (2016) argues that policy's true value lies not in its written vision but in the resolve of those who implement it. Echoing this, INTOSAI P-12 highlights that SAIs add value by impacting citizens' lives.

Grounded in these principles, the Strategic-Based Audit Model aims to elevate auditing from routine compliance into a tool that actively supports national development.

The institutional ethos in the previous section is encapsulated in the tagline, BPK Bermartabat dan Bermanfaat, directly translated as Dignified Audit Board of Indonesia, Impactful Audit Board of Indonesia. A short and simple phrase on our commitment as a dignified institution and a force for meaningful change in public financial governance. Bermartabat reflects our unwavering dedication to independence, integrity, and professionalism, values that anchor our credibility and public trust. Bermanfaat speaks to our purpose: that our work must go past formality, producing insights and recommendations that improve governance, enhance public services, and ultimately serve the people.

Strategic-Based Audit in Public Sector Settings

In detail, we believe that an impactful audit can be achieved by focusing on three key points:

1. The Government National Plan and Priority Programs

The foundation of a strategic-based audit begins with a clear understanding of the government's National Development Plan (e.g., RPJMN/RPJPN) and its priority programs. These documents define the government's vision, mission, and measurable targets over the medium and long term. They outline areas of focus such as poverty reduction, infrastructure development, digital transformation, education, health, and sustainability. By aligning audits with these priorities, the SAI ensures that its work supports national goals and provides accountability for the use of public funds in strategic areas.

2. Institutional Strategic Plan

To remain effective and relevant, the audit institution itself must operate under a well-defined Strategic Plan that translates its constitutional mandate into actionable priorities. This includes setting objectives for improving audit quality, adopting new methodologies, strengthening institutional capacity, enhancing stakeholder engagement, and promoting innovation. The strategic plan acts as a compass to guide the organization in identifying which areas to audit, what capacities to build, and how to respond to emerging risks and governance challenges. When the institutional strategic plan is aligned with the national development agenda, it strengthens the coherence and impact of audit interventions.

3. Relevant and Targeted Audit Theme on Key Strategic Issues

A strategy-based audit approach emphasizes selecting themes aligned with key strategic issues—such as climate change, digital transformation, inequality, debt, and governance—through risk-based planning, consultation, and trend analysis. This ensures BPK is able to provide oversight, insights, and foresight, enhancing credibility, relevance, and significance on public outcomes.

Implementation: Thematic Audit 2025 on Human Development and Food Stability

As part of its Strategic-Based Audit approach, the Audit Board of Indonesia is currently conducting thematic audits aligned with the government's national priorities, specifically targeting the areas of human development and food security. These themes were selected due to their strategic significance in achieving the goals outlined in the RPJMN and RPJPN. Rather than focusing solely on individual entities, the audits are designed to assess policy coherence, implementation effectiveness, and inter-agency coordination across several ministries and government units.

Each theme is further broken down into a set of “quick-wins”, representing high-impact initiatives that are expected to deliver measurable outcomes within a shorter time frame. To capture the full implementation landscape, these audits are carried out not only at the central government level but also involve SAI's regional offices, which assess execution at the local level, including municipalities, districts, and even villages.

This integrated audit model supports the pillars of oversight, insight, and foresight: providing assurance on legality and performance, generating evidence-based evaluations of program delivery, and identifying risks or systemic issues that may affect long-term outcomes. Ultimately, this reflects BPK's commitment to delivering meaningful, relevant, and forward-looking audit results that support improved governance and better public services across all levels of government.

Conclusion

In an era of evolving national priorities and shifting institutional landscapes, the adoption of the Strategic-Based Audit Model represents a forward-thinking commitment to both institutional dignity and public impact, grounding its work in the pillars of oversight, insight, and foresight, and aligning with key government priorities and strategic themes, BPK ensures its audits remain relevant, responsive, and results-oriented. Through initiatives such as the thematic audits on human development and food stability, BPK demonstrates how independent audit institutions can serve not only as guardians of public accountability but also as strategic partners in national development. As BPK continues to carry out its mandate with independence, integrity, and professionalism, it upholds its dual promise to be dignified in stature and impactful in service.

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Source: Chamber of Accounts of the Republic of Azerbaijan

Implementation of Strategic Management Principles in the Public Sector: The Experience of The Chamber Of Accounts Of The Republic Of Azerbaijan

Authors: Tamerlan Yusif-Zada, Chief of Staff and Narmin Jafarova, Advisor, Chamber of Accounts of the Republic of Azerbaijan

Development of the Supreme Audit Institution's Key Strategic Document

Over the past 20–25 years, strategic management has been widely accepted as one of the methods for modernizing public policy. The Strategic Plan of the Chamber of Accounts for 2021–2025, which outlines the Chamber's long-term development, reflects its vision, mission, core values, outcomes and outputs, and relevant activities. It was developed based on international expert evaluations and recommendations, progressive practices, the "Strategic Management Handbook for Supreme Audit Institutions," and the principles of INTOSAI P-12 (The Value and Benefits of SAIs – Making a Difference to the Lives of Citizens).

The Strategic Plan serves as a roadmap for the Chamber of Accounts' operations from 2021 to 2025. It aims to strengthen institutional capacity and enhance the role of high-quality auditing in public financial management and oversight, through greater engagement with the parliament, government, and society.

Implementation of the Chamber of Accounts' Strategic Plan

To implement the Strategic Plan of the Chamber of Accounts for 2021–2025, an annual Operational Plan was developed, covering all outcomes and outputs. This plan includes measures aimed at addressing weak points and potential gaps across different areas of activity, and improving performance in various dimensions — institutional, organizational, and professional.

Outcomes are medium and long-term strategic changes in the organization's close external environment and among its stakeholders. The organization can significantly contribute to these changes (but cannot fully control them). As the final outcomes of its Strategic Plan, the Chamber of Accounts has defined:

- Contributing to enhanced accountability of public finance and strengthened fiscal responsibility;
- Strengthening trust in its activities.

Outputs are results that are under the organization's control. As intermediate outcomes of its Strategic Plan, the Chamber of Accounts has defined:

- Expanding the scope of performance auditing,
- Improving the selection and coverage of financial and compliance audits,
- Enhancing the quality of audits.

Achieving intermediate outcomes depends on the organization's **capacity**, which consists of three distinct dimensions: institutional, organizational, and professional.



Source: Chamber of Accounts of the Republic of Azerbaijan

At the heart of the Operational Plan lie the “activities”. The most important requirement for this element is its capacity to contribute to the achievement of the goals set out in the Strategic Plan. Analyses show that one of the main shortcomings in many institutions’ strategic plans is the inclusion of predominantly routine (day-to-day) activities.

Monitoring and Accountability of the Chamber of Accounts’ Strategic Plan



Source: Chamber of Accounts of the Republic of Azerbaijan

Monitoring and accountability are sometimes treated as components of the overall strategy implementation process. Establishing a monitoring framework for outcomes and outputs during the preparation of the strategy allows for the methods of measuring outcomes to be defined in advance, and helps to specify the outcomes more precisely.

At the Chamber of Accounts, a system of indicators has been developed to monitor the implementation of the Strategic Plan. This system includes over 90 key performance indicators (KPIs). It sets the frequency of assessments and defines quantitative and qualitative targets to be achieved.

To ensure that the implementation of the planned activities is measurable, at the end of each year, actual implementation is assessed by comparing it against the planned indicators.

A dedicated section on the implementation of the Strategic Plan was included in the Annual Activity Reports of the Chamber of Accounts for 2021–2024, marking the first such practice in the country. In addition, for the first time in Azerbaijan, the reporting on the implementation of the Strategic Plan was also linked to budget indicators.

Table 1 . Execution of the Operational Plan and the budget of Strategic Plan , %

	2022	2023	2024
<i>Operational Plan</i>	81,3%	91.7%	91.6%
<i>Budget</i>	80,0%	83.3%	86%

As seen in Table 1, the implementation of activities exceeded the level of budget execution. Furthermore, the overall implementation status of the indicators within the Monitoring Framework remained at or above 80% during these years, which, being higher than the corresponding budget execution level, serves as an additional indicator of the effective implementation of the Strategic Plan.

The reporting practice of the Chamber of Accounts on its Strategic Plan has been recognized by international organizations (e.g., the INTOSAI Development Initiative (IDI)) as one of the best in the field, and was recommended to other Supreme Audit Institutions (SAIs). The Chamber of Accounts has even been involved as an expert in projects aimed at establishing similar processes in the SAIs of other countries.

Table 2. Extract from the 2024 Implementation Status of the Strategic Plan Monitoring Framework

Indicator	Planned	Implementation	Status
<i>Share of revenues analyzed in the opinion compared to total state budget revenues</i>	96,0%	97,8%	
<i>Share of expenditures analyzed in the opinion compared to total state budget expenditures</i>	75,0%	85,5%	
<i>Consideration of the Chamber of Accounts' recommendations in the Cabinet of Ministers' Report</i>	Yes	Yes	
<i>Share of performance audits among total audits</i>	12,5%	13,0%	
<i>Publication rate of the Portfolio (Work Plan of the previous year)</i>	63%	64,3%	
<i>Implementation rate of the recommendations of Board decisions on oversight measures</i>	65%	70% (operative information)	
<i>Share of audits and other measures that underwent quality control out of total activities</i>	100%	98%	
<i>Chamber of Accounts' score on the Open Budget Index</i>	89	100	

As previously mentioned, this article focuses more on the next stages of strategic management, particularly on monitoring. In this regard, the identification of appropriate indicators for measuring progress toward objectives becomes especially important. The article also highlights the significance of key performance indicators (KPIs) in various activities and emphasizes the importance of tracking implementation status using these indicators. The goal is to support public institutions in implementing this process and to contribute to the improvement of the indicator systems in use.

The Chamber of Accounts applies outcome indicators to measure the impact of its work by utilizing strategic management principles in both its core function — public auditing — and other activities.

However, it should be noted that some indicators are not included in the Strategic Plan's Monitoring Framework, either because the Chamber of Accounts does not have direct control over the collection of relevant data or because such indicators cannot be planned in advance. For example: Recommendations with financial impact — such as recovery of public funds, cost savings, prevention of overspending, or increased public revenues; Recommendations with procedural or compliance effects (i.e., those without direct financial effect) — such as improved legal compliance or the adoption of new regulatory documents. Although these are among the main indicators of audit activity, they are not part of the Monitoring Framework of the Strategic Plan. Nevertheless, data on these indicators are included in the Annual Activity Reports.

Thus, it can be concluded that not all good indicators can be applied for monitoring the implementation of strategic documents.

One of the most important aspects regarding the Monitoring Framework is the correct identification of indicators. Failure to define appropriate indicators may result in significant progress going unnoticed, even when the implementation rate of the Strategic Plan appears high.

Indicators must be directly linked to capacity, outputs, and outcomes. They can be expressed in quantitative or qualitative terms. Quantitative indicators are relatively easy to measure. Qualitative indicators, on the other hand, tend to be more descriptive in nature and often require additional criteria for measurement. A successful practice is to combine both types of indicators in the Monitoring Framework.

Including too many indicators in the Monitoring Framework can negatively impact the monitoring process (i.e., the system must remain manageable). In this regard, it is considered optimal to define 2–3 indicators for each outcome, and 1–2 (sometimes 3–4) indicators for each output. Additionally, indicators related to capacity may also be included in the relevant framework.

The inclusion of many indicators in the Monitoring Framework by the Chamber of Accounts is due to various reasons. Broadly, this reflects the first-time application of a results-based framework, with plans to optimize the number of indicators in future strategic documents. It also includes the use of indicators that can measure not only outcomes and outputs but also capacity, and considers the Chamber's ability to collect relevant data within a short timeframe. For example, indicators such as: Number of audits, ratio of published audit reports to the total portfolio, number and implementation rate of recommendations issued, number of quality-controlled audit activities are all under the direct control of the institution.

At the same time, it is possible to classify indicators in the Monitoring Framework as "good" or "poor". The table below provides some examples of training activities.

Table 3. Good and Poor Indicators (Using Training Activities as an Example)

Expected outcome of strategy	Poor indicator	Weakness	Good indicator	Advantage
<i>Competent staff in financial audit</i>	Number of staff who have received financial audit training	Unclear what kind of training is meant; lacks specificity	Number of staff certified with PESA in financial audit	Reflects the required competence, qualification, and experience; certification is mentioned
<i>Increase in participants of quality financial audit training</i>	Increase in the number of trainings	Vague – unclear what specific training is referred to	Ratio of staff completing PESA training to total staff in this area / Number of PESA-certified staff as a proportion of total staff in this area	

For institutions newly adopting strategic management, the use of poor indicators may be acceptable in early years, but should be replaced with better indicators over time.

Other Strategic Documents of the Chamber of Accounts

In recent years, the Chamber of Accounts has expanded its strategic management practices across different domains. The aim is to ensure that activities in all areas are structured and implemented in line with the institution's strategic goals for the medium term and are assessed based on performance indicators. This includes the development and implementation of a communication strategy, training strategy, and human resources strategy.

Consequently, it can be concluded that in the implementation of principles aimed at creating value for society and enhancing the quality of public sector governance, the role of strategic management is once again emphasized. The Chamber of Accounts intends to continue its efforts to share its exemplary practices with other institutions in the relevant sector to promote the wider adoption of strategic management approaches.

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3. Strategic Management Handbook for Supreme Audit Institutions;
4. SAI PMF (Supreme Audit Institutions Performance Measurement Framework);
5. INTOSAI P-12 (The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens).



Source: Adobe Stock Images, Jirapong

Financial Audits and Mechanisms for Good Governance of Public Funds: Promoting Accountability, Transparency, and Citizen Trust through Oversight and Best Practices

Author: May Al-Roomi – Senior Information Systems Auditor – State Audit Bureau of Kuwait

Introduction

Good governance depends on the efficient and transparent management of public funds. Financial audits and oversight mechanisms have become increasingly important as public trust is closely tied to financial accountability. These audits and mechanisms have two main purposes: detecting and preventing corruption and mismanagement, as well as promoting transparency and strengthening institutions to deliver tangible benefits to citizens.

This article reviews the technical and practical issues of financial audits and other mechanisms of governing public funds. It discusses the best practices in public sector financial auditing, the role of audits in fighting corruption, and the frameworks that support accountability. It also provides examples of how financial audit processes can enhance governance and the welfare of the citizens.

The Role of Financial Audits in Public Sector Governance

Financial audits can be defined as systematic evaluations of public financial statements and operations to determine compliance with legal requirements, regulatory standards and ethical principles. These audits help the public sector achieve the following objectives:

- Verification of financial reports for accuracy to maintain their integrity.
- Minimization fraud, mismanagement and malpractice by ensuring close inspection of financial operations.
- Better guidance for financial decision-making, leading to enhanced resource allocation.
- Support for transparency by allowing public access to audit results.

The Organisation for Economic Co-operation and Development (OECD)’s 2024 Survey on “Drivers of Trust in Public Institutions”, together with other studies, demonstrate that public trust in government directly relates to transparency and accountability measures. Strong financial auditing systems function as a key element among these measures. The data presented in Figure 1 demonstrates that nations with effective auditing systems maintain stronger public trust levels, but systems with weak auditing approaches tend to produce lower trust scores.

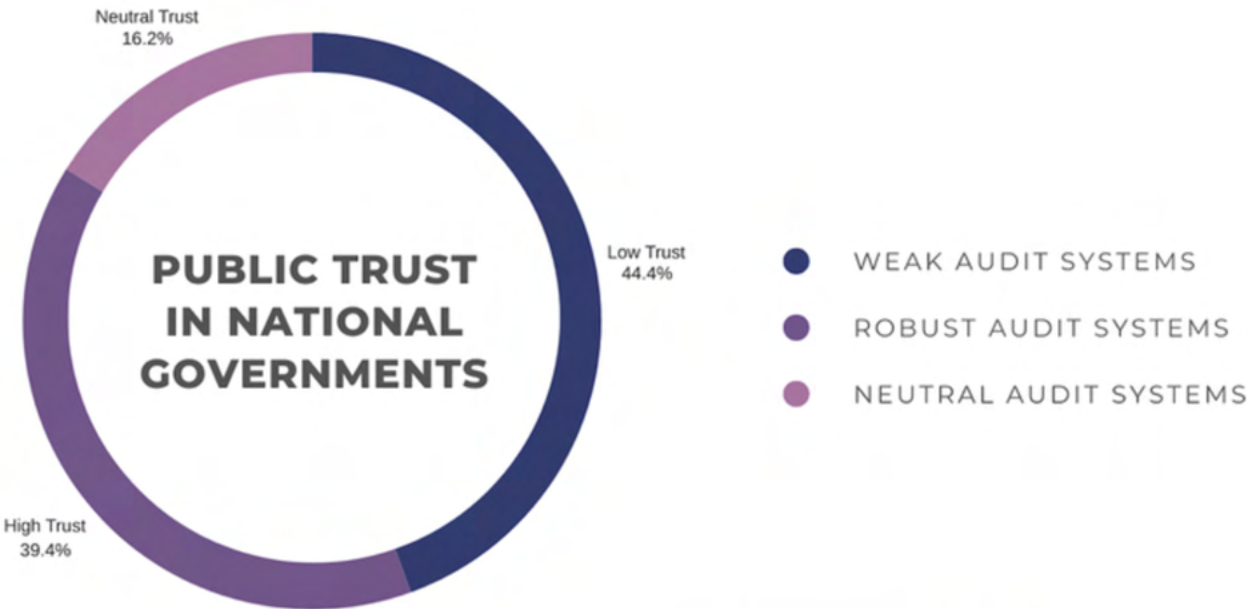


Figure 1: Distribution of Public Trust in National Governments (OECD, 2024)

Supreme Audit Institutions (SAIs) along with national audit offices should perform independent audits on government entities. The executive branch must remain separate from these institutions because such independence ensures the objectivity and credibility of their audit work.

Best Practices for Conducting Public Sector Financial Audits

The following best practices should be implemented to maximize the impact of financial audits:

Adherence to International Standards

The public sector needs to adopt International Standards of Supreme Audit Institutions (ISSAIs) from INTOSAI, as these standards offer direction for audit planning, execution, reporting and follow-up activities to establish consistent and credible auditing practices.

Risk-Based Audit Planning

Auditors should direct their audit efforts toward areas with the highest risk levels instead of using uniform procedures for all cases. For example, an auditor could apply more scrutiny toward large procurement contracts, infrastructure projects and grant distributions, as these areas present higher risks of mismanagement or irregularities.

Timely and Accessible Reporting

Unrestricted access must be provided to audit reports, which must be released promptly. Clarity of such reports should be improved through executive summaries and visual data to help non-technical stakeholders better comprehend the information.

Stakeholder Engagement

Auditors should attend meetings with legislative bodies, civil society groups and media representatives to explain their findings and to encourage public discussions regarding audit results. This fosters accountability and extends the impact of audits beyond technical circles.

Robust Follow-Up Mechanisms

Audits should not end with a report. SAIs must create monitoring systems to continuously track audit recommendations through performance metrics and defined timelines.

Auditing as a Tool to Combat Corruption and Financial Mismanagement

Corruption and financial mismanagement deplete public resources, damage public trust and hinders development. Financial audits function as the first line of protection against such threats by performing their fundamental roles which include:

1. Detecting Irregularities: Audits detect financial record anomalies which include misstatements and unauthorized expenditures and weak internal controls. The identification of such issues results in additional investigations, possible prosecutions and reform actions.
2. Strengthening Internal Controls: Audit recommendations often suggest improvements to internal control systems, including segregation of duties, enhanced documentation, and proper authorization processes, all of which reduce opportunities for fraud.
3. Encouraging a Culture of Integrity: Over time, the consistent application of audits instills a culture of accountability across public institutions. Employees demonstrate greater caution and diligence because their work activities can undergo independent evaluation and internal reviews.
4. Supporting Legal and Disciplinary Action: Audits which reveal illegal activities allow for legal consequences and administrative penalties to be applied. This reinforces the rule of law and signals zero tolerance for abuse of public office.

Mechanisms and Frameworks for Accountability in Public Fund Management

Financial audits serve their purpose best when they operate within an extensive governance framework. The following mechanisms and frameworks should operate alongside financial audits to establish accountability:

1. Public Financial Management (PFM) Systems: The Public Financial Management (PFM) systems include budget planning, execution, accounting, and reporting. Real-time public expenditure data from an integrated PFM system allows for more efficient and accurate audits.
2. Legislative Oversight: The authority to review audit reports together with the power to summon officials and enforce corrective actions should be given to parliaments and audit committees. Such measures will enhance accountability while reducing instances of misconduct.
3. Transparency Portals: Displaying real-time government expenditure on digital platforms enhances both public oversight and trust. The data enables citizens together with watchdog organizations and journalists to maintain government accountability.
4. Whistleblower Protections: Internal mechanisms which allow financial irregularities to be reported anonymously by insiders play a vital role. Whistleblowers frequently serve as the initial source of misconduct detection, and their protection mechanisms boost reporting rates.

5. Civil Society Participation: National organizations, advocacy groups and academia play a vital role in interpreting audit findings, educating the public, and pushing for reforms.
6. Implementation and IT-Enabled Monitoring Mechanisms: Digital tools and systems provide an effective method to implement governance frameworks. Such tools and systems allow for accurate reform tracking through error reduction and data consistency while offering real-time oversight capabilities. The combination of PFM systems with transparency portals and audit processes creates better accountability while supporting continuous improvement.

Case Studies: The Impact of Effective Financial Audit Processes

Saudi Arabia: General Court of Audit's Digital Transformation

Dr. Hussam Alangari, President of the General Court of Audit of Saudi Arabia (GCA) led the GCA through a major transformation to boost its auditing capabilities. The GCA launched the "Shamel" electronic auditing platform, which integrated artificial intelligence (AI)-based audit methods with data analytical tools. The digital transformation enabled real-time data access while improving communication between the GCA and audited entities and strengthened financial oversight to meet Saudi Arabia's Vision 2030 targets.

Kuwait: Strengthening Auditor Independence through IT Governance

A 2023 study investigated how Kuwaiti Islamic banks are improving the independence of external auditors through the implementation of strong information technology (IT) governance frameworks. The banks have established clear IT policies and obtained departmental commitment and standardized metrics to create an environment that supports objective and independent auditing practices. The study established that IT governance measures play a substantial role in enabling auditors to work independently which leads to better financial audit quality and reliability in the Kuwaiti banking sector.

Qatar: AI-Augmented Oversight in the Qatar Financial Centre Regulatory Authority

The Qatar Financial Centre Regulatory Authority (QFCRA) has adopted artificial intelligence in its supervisory and financial oversight functions. The authority employed AI-augmented decision-making tools to improve the monitoring of financial entities, to expedite regulatory compliance reviews, and to enhance the accuracy of risk assessments. This change is in line with Qatar's strategic move towards data-driven governance, financial integrity, and the implementation of technology in proactive audit supervision.

Challenges and Opportunities

Financial audits encounter multiple obstacles despite their multiple advantages, such as the following:

- Audit institutions in developing countries suffer from lack of trained staff and inadequate tools.

- Political interference and lack of independence that undermines the credibility and effectiveness of audits.
- Weak enforcement of audit recommendations because there are no adequate follow-up mechanisms in place.
- Public engagement is restricted in certain areas because people are unaware about audit reports and how to use them to enforce accountability.

Supreme Audit Institutions (SAIs) encounter these recurring obstacles which reduce their operational effectiveness. The most frequently encountered problems are shown in Figure 2 which includes insufficient staff, political interference and inadequate follow-up systems.

Several solutions can address these challenges, including:

- Utilizing advanced tools that implement AI and data analytics to improve audit planning, risk detection and fraud analysis.
- International cooperation with audit institutions and donor agencies, which enables the development of capacity building.
- Performance improvements through peer assessments and benchmarking processes.
- Leveraging technology and modern mobile applications to enable real-time financial oversight.



Figure 2: Most Common Challenges Faced by Supreme Audit Institutions (INTOSAI Development Initiative, 2020)

Conclusion

Financial audits that follow best practices and operate transparently serve as essential tools for promoting good governance of public funds. Such auditing processes enable institutions to protect their resources while revealing inefficiencies and preventing corruption. Public engagement combined with modern technology and robust oversight frameworks makes these audits more effective drivers of accountability.

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Source: Adobe Stock Images, Artbibun

Financial Audits and Mechanisms for Good Governance of Public Funds

Author: Sammer Ahmad (CIA, CISA, CISM, SAP-FI) Director General (IT), SAI Pakistan

Good Governance of Public Funds

To finance government activities and provisions of public goods and services like healthcare, education, infrastructure, defense, and social welfare programs, public funds are used. These funds are usually managed by government entities and are subject to firm rules and oversight to ensure that they are used in most appropriate manner. Good governance, specifically with respect to public funds, discusses the principles and practices that ensure resources are managed appropriately, clearly, and in the best of public interest. Generally, good governance includes the following key principles:

- Accountability: Decision makers are responsible for their decisions and are accountable to the public representatives or other stakeholders;
- Transparency: Organizational decisions, actions and processes are open to scrutiny and review and are clearly communicated;
- Responsiveness: Processes and institutions produce products or services for the stakeholders within a reasonable time;
- Rule of law: Legal frameworks are applied fairly especially those related to human rights;
- Participation: Citizens have opportunity to participate in decision-making process either directly or indirectly;
- Equity and inclusiveness: All groups of people, most importantly, the poor have opportunities to progress or at least preserve their status; and finally,
- Efficiency and effectiveness: Products and services are produced in accordance with the needs of society with minimum cost and time.¹

Good governance of public funds ensures service delivery, trust, and economic stability. It reduces waste, inhibits corruption, and assure that public funds provide benefits to the community as a whole.² While pondering upon good governance of public funds, the United Nations Sustainable Development Goals (SDGs) can also be consulted, as they describe specific goals, relevant targets and their indicators for sustainable development. More specifically, good health and wellbeing, quality education, gender equality, climate finance, and reduced inequalities are more pertinent SDGs for consideration while spending public funds.³

Financial Audits

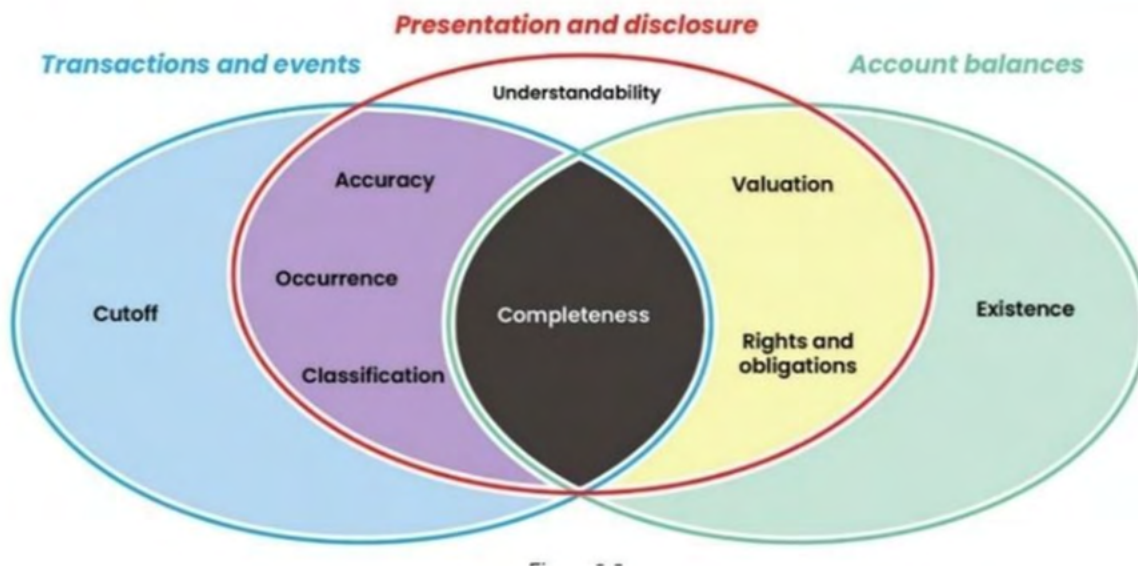
Financial audits revolve around assessing the validity of management's assertions. These assertions are trifurcated into these categories: (1) transactions and events; (2) presentation and disclosure; and (3) account balances. There are in total nine types of assertions in all three categories, but 'Completeness' is the only assertion that is common to all. Categories and their respective types of assertions are depicted here.⁴

1. United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 

2. Ibid 

3. SDGs of the United Nations. 

4. CIA, Gleim study material 2023. 



Financial audit (sometimes called financial attest audit or certification audit) reviews and assesses the financial statements of an organization with respect to all of the above shown nine assertions. The balance sheet, statement of cash flows, profit and loss account, and notes to financial statements are reviewed and assessed against these assertions. While conducting the financial audit of expenditure of public funds, auditors evaluated whether the financial transactions are accurate, and the transactions happened due to occurrence of some past events. Moreover, whether the transactions are classified, completed, and within the cutoff date. Similarly, the financial auditors comment upon the remaining two categories and their respective and overlapped assertions. Finally, an opinion (unqualified, qualified, adverse or disclaimer of opinion) is given on the financial statements as a whole.

Internal Audits

Auditing plays a crucial role in combating corruption by improving transparency, accountability, and compliance with laws, rules and regulations. External audit provides independent financial assurance of organizations to identify any inconsistencies that could lead to corrupt or fraudulent practices. On the other hand, mechanisms used by internal auditing include detection and prevention. Internal audit function helps to identify non-compliance with laws, rules and regulations. Moreover, it detects red flags and suspicious transactions in the financial statements, records and data. In risk assessment and internal control mechanisms, auditors evaluate the design and effectiveness of internal controls, ensuring that safety measures against corrupt practices are in place. Compliance monitoring, whistleblowing, promoting ethical culture are other mechanisms that fall under the domain of internal auditing.

Requirements for Effective Audits

Before the start of any audit, including financial audit, auditors must align with certain attributes and characteristics as outlined in the 'Lima Declaration', otherwise known as the codes of ethics. These codes of ethics include integrity; trust, confidence, and credibility; independence, objectivity and impartiality; political neutrality; professional secrecy; competence; avoidance of conflict of interest; and professional development. After fulfilling the requirements of code of ethics, auditors must follow the second essential requirement of following the INTOSAI auditing standards for performing the audit. These standards include basic principles, general standards, field standards, and reporting standards. The INTOSAI standards are used in performing the audit cycle for the financial audit and is summarized below.⁵

- Audit Planning
 - Establish audit objectives and scope.
 - Understand the entity's business.
 - Assess materiality, planned precision, and audit risk.
 - Understand the entity's internal control structure.
 - Determine components.
 - Determine financial audit and compliance with authority objectives and error/irregularity conditions.
 - Assess inherent and control risk.
 - Determine test of internal control, analytical procedures and substantive tests of details.
- Activity and Resource Planning
 - Develop audit program.
 - Establish resource requirements and timing.
- Field Work
 - Execute audit program.
- Evaluation
 - Conclude audit work.
- Reporting
 - Issue report.
- Follow-up
 - Follow-up matters in reports.

5. Financial Audit Manual, SAI Pakistan. 

Other mechanisms for ensuring good governance of public funds

Good governance of public funds leads to better decision making, efficient utilization of public resources, and stronger accountability processes for the administration of those resources. Ensuring transparency and accountability in the allocation of government funds and expenditure requires a mechanism that combines institutional structure, legal framework, and best oversight practices. For that purpose, below mentioned frameworks and mechanisms are widely used.

- Public financial management (PFM) framework: This is the primary system for managing public funds and it includes, among others, budget formulation (i.e. planning and prioritization); budget implementation (i.e. spending the public money in accordance with the plan); and monitoring and evaluation (i.e. pursuing outcomes and impacts).
- Legislative oversight: A parliamentary committee (e.g. Public Accounts Committee) reviews various audit reports and holds the respective public officials accountable. Laws may require prior parliamentary approval for various types of spending from public funds.
- Supreme Audit Institutions (SAIs): The SAI (i.e. Office of the Auditor General) conducts audits of government spending and conveys the findings to the public representatives. Typical types of audit performed by the Office of Auditor General include financial attest, compliance with authority, and performance audits.
- Anti-corruption agencies: These are the agencies with specialized mandates to investigate misappropriation and abuse of public funds and carry out anti-corruption laws. In Pakistan, at the federal level, there two organizations which deal with the corruption and money laundering—the Federal Investigating Agency (FIA) and the National Accountability Bureau (NAB). At the provincial level, there are anti-corruption departments.
- Procurement systems and e-procurement: Procurement laws and digital procurement applications help hinder favoritism and fraud. Open bidding and information to the public regarding contract awards promote fairness and transparency in spending of public funds.
- Financial management information systems: These automated systems tracks the flow of funds from allocation to expenditure in almost real time. They are very helpful for tracing and vouching financial transactions, allowing for easier assessment, validation, and verification of asset amounts in financial records.
- Legal and regulatory frameworks: Laws related to public finance, regulations associated with procurements, and statutes pertaining to anticorruption serve as the basis of accountability. These laws, regulations, and statutes define the penalties for misuse of public funds and define the redress.

- Civil society and media oversight: Non-governmental organizations and media help to monitor government spending to expose issues related to transparency. Investigative journalism can discover misappropriation of public funds.
- Citizen participatory audit: This is a new form of auditing in which citizens participate in identifying findings while performing the audit. Citizens can take part in audit of government spending on services and projects by sharing useful, qualified, and well-supported information about the delivery of the services.

Conclusion and Recommendations

While performing any activity, there is always a risk of non-realization of activity's objectives. To mitigate the risk, decision-makers should implement control mechanisms to manage the risk within an acceptable level. For instance, spending public funds for betterment of the people may fail in reaching its objectives. To mitigate this risk of failure, financial audits and other mechanisms presented above serve as control mechanisms. However, all control mechanisms have inherent limitations, such as collusion among employees and/or stakeholders; management override; and changing conditions. Decision-makers should focus on preventing and eliminating collusion among employees who deal with public funds. Moreover, a zero-tolerance policy should be adopted against management override. Furthermore, closely observing the changing socioeconomic conditions will help decision-makers respond appropriately and in a timely manner. Hence, good governance of public funds can be achieved, through tools like audits and other mechanisms, to support the well-being of the general public.

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Archana Shirsat. Source: INTOSAI Development Initiative

Touching the Future: IDI's Story of Growing Generations of Training & Learning Specialists

Author: Archana Shirsat, Deputy Director General, INTOSAI Development Initiative (IDI)

"I touch the future. I teach."- said Christa McAuliffe, a teacher selected for NASA's Teacher in Space programme in 1986, highlighting the profound impact educators have on shaping future generations, innovators, and leaders. Her motto reflects a philosophy that teaching is lifelong, influential, and often shapes the future.

It will come as no surprise then that as I sit down to pen my most cherished reflections and experiences of growing with the INTOSAI Development Initiative (IDI), the most iconic story that comes to mind is the one about IDI's journey of growing people - pools of training specialists, eLearning specialists, blended learning specialists, and facilitators.

It is a story that spans across IDI's years in Canada and Norway; a story that has touched hundreds of lives and many Supreme Audit Institutions (SAIs) across all INTOSAI regions. It is a story that has stood the test of time by pivoting to adapt to changing needs; scaling from growing people to growing institutions for sustainability and impact. It is also my story!

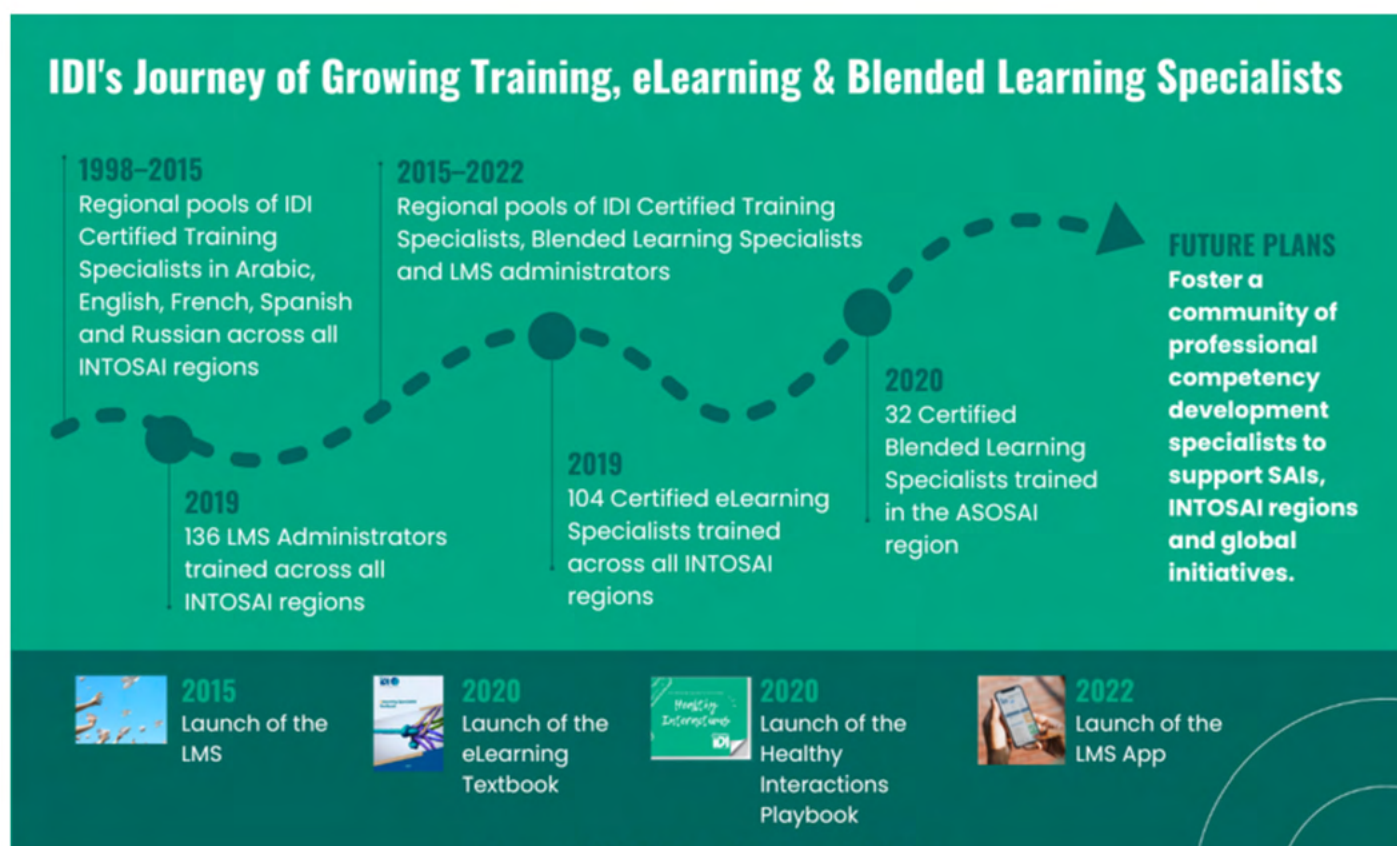
Becoming an IDI Certified Training Specialist

I was introduced to IDI's systematic approach to training in the early 2000s while learning how to conduct a financial audit at the National Academy of Audit & Accounts in Shimla. In 2002 SAI India nominated me to participate in the IDI-ASOSAI programme developing the second batch of training specialist for ASOSAI. What followed was seven weeks of a life-changing experience. It was fascinating to interact and learn with more than 30 participants from SAIs across the ASOSAI region. It was my first experience of seeing such diversity of SAIs, language, cultures, and audit practices. A facilitation team from the first batch of training specialists from ASOSAI facilitated our learning journey in adult learning principles and theory, training needs analysis, course design and development, and facilitation skills. We learned by doing; practicing and applying our knowledge and skills. What inspired me was not only the technical competencies but the values and personal attributes that my teachers demonstrated.

They demonstrated trust in our ability and experience, they created a safe space for us to learn, they listened to our ideas and emotions, and they asked thought provoking questions. We could always trust them to give eye-opening feedback, and we had the opportunity to apply our learning by designing an audit training. At the end of seven weeks, I was certified as an IDI training specialist, I was a part of a regional and global community of training specialists, and it changed my life! I tell this story because it is not only my story, but that of most of the IDI certified training specialists.

Growing generations of training specialists

From 1998 to 2015 IDI created a community of training specialists in Arabic, English, French, Spanish and Russian across all INTOSAI regions. These pools went on to design, develop and deliver training and learning initiatives in their own SAIs, for their regions, and for IDI. They paid forward by contributing to the creation of subsequent batches of training specialists and they grew as SAI leaders, some going on to become Heads of SAIs and members of top management of the SAI. Some of us also joined the IDI!



Source: INTOSAI Development Initiative

Blending to move with changing times: Embracing digitalisation in learning

Keeping with the times, IDI started experimenting with eLearning and moved from standalone training to capacity development initiatives. We transformed the face-to-face training specialist format to a blend of in-person and online formats to create the next generation of eLearning specialists, blended learning specialists, and Learning Management system (LMS) administrators. In 2015, we launched IDI's own LMS. By 2019, we had created 136 LMS administrators and 104 certified eLearning specialists across INTOSAI regions and 32 certified blended learning specialists in ASOSAI. Over the years we have helped both regions and SAIs in building and managing LMS. We also wrote a textbook for eLearning specialists [Initiative Preselect – IDI](#)

While formats, platforms, and mode of delivery changed, the heart of IDI's training philosophy and values remained the same. The learner-centred, facilitatory approach empowering women, inclusion, and respect for diversity and country context stayed intact.

Resilience during the COVID era: Healthy interactions online

It is this investment in people and infrastructure for digital education that helped us to stay resilient during the COVID era. It was heartening to see IDI staff and our pools of resource persons adapt to online capacity development and interactions with elan! Coming out of this experience we wrote 'Healthy Interactions' capturing our experiences and recommendations for online interaction.

From people to institutions: Taking a facilitatory approach to capacity development

We have Since 2005 IDI started moving from standalone training to more comprehensive support for people, processes and institutions. Regardless of subject matter or nature of our support, it's the facilitation skillsets and approach that led to empowerment and sustainable change. Recognising the power of the facilitation approach, we built it into most of our growing resource pools. We started experimenting with developing pools of ISSAIs facilitators – a person who had deep learning of ISSAI implementation and facilitation skills. We also included rapid learning in design and facilitation skills as part of all mentor training for all IDI resource persons. Our pools of training and eLearning specialists played a key role with tremendous in-kind contributions to the design, development, and delivery of key initiatives like PESA qualification for auditors, SAI Young Leaders, and Sustainable audit practices. More importantly, IDI's facilitatory approach guides all our capacity development design – we empower and facilitate rather than supply.

Reimagining learning and growth: Growing Professional Competency Development Specialists
As we continue to grow those that touch the future – developments like the adoption of ISSAI 150 on Auditor Competency Development, the emergence of tech and AI and its constantly changing nature, a complex and uncertain world order, and demands of leaving no one behind – we are reimagining our next generation of learning specialists. To create a future-ready generation of learning specialists, we are currently designing a 'Global Certificate for Professional Competency Development Specialists'

In conclusion, on the occasion of IDI's 40th anniversary, I would like to pay homage to all my teachers and shout out a big thanks to the generations of training and learning specialists, all IDI people, all our partners both in- and outside INTOSAI, and all our resource persons who have poured their hearts and souls in growing people and institutions. I would like to leave you with the promise of continuing to touch the future by nurturing the next generations of those that grow others. May our tribe grow!



Source: General Court of Audit of Saudi Arabia

Knowledge Sharing Builds Capacity: The Saudi Center for Financial Review and Performance Control

Author: Fahad Al-Herbi

The Kingdom of Saudi Arabia's supreme oversight bodies enjoy complete independence in performing their duties, despite certain challenges they may face, such as overlapping powers and conflicting roles between multiple entities, a lack of specialized information technology (IT) skills to keep pace with the monitoring of electronic technologies and digital currencies, or forensic experts to detect complex financial manipulation such as money laundering, as well as a lack of specialists in project management or infrastructure engineers to determine the minimum and optimal use of iron, asphalt, and others related to construction, implementation, and design.

Bureaucracy and resistance to change and development within the system also weakens transparency, leading to arbitrary decisions and an unfair distribution of job and financial incentives. This could expose auditors to temptations or pressures that lead to frustration and frequent resignations, affecting the quality of outputs and task follow-up.

Among the difficulties facing auditors are the high expectations of some affected parties, which may exceed the capabilities of the audit bodies, or the perception of oversight as an adversary or threat, rather than a tool for reform and improvement. Therefore, it has become important to study the risks associated with internal governance so that the agency has clear standards for transparency, professionalism, and integrity.

The Government of the Kingdom of Saudi Arabia has given the General Court of Audit (GCA) great importance as the highest financial and accounting oversight body in the Kingdom, as reflected in legislation, independence, capacity building, and continuous modernization of its system in line with international best practices, digital and technical development, and international cooperation. The GCA, as a result, has become one of the most important and most advanced oversight bodies in the region, in line with Vision 2030, which focuses on transparency and public financial governance. It has been granted broad powers to audit the final accounts of government agencies and state-owned companies, the number of which will increase when the privatization system is fully implemented.

The GCA launched several internal platforms, such as:

- The “Wathiqah” to store all royal decrees, regulations, legislation, rules, and circulars for reference,
- The “Himma and Saqal” platform for training, development, education, follow-up, and recording innovations,
- The “Soun” platform to preserve the professional and intellectual rights and benefits of auditors,
- The ‘Shamel’ platform to follow up on audit work and apply regulations electronically, and,
- The “Aref” platform to provide professional and intellectual support to auditors.

The Saudi Center for Financial Review and Performance Control was established as a national center for capacity building and competency development in the field of accounting and public auditing, supporting enrollment in postgraduate studies and professional qualification (such as CPA, CIA, and SOCPA certifications). The Bureau has opened up avenues for international and regional cooperation by hosting and chairing meetings of the supreme financial and accounting oversight bodies (ARABOSAI, INTOSAI) to actively participate in the exchange of experiences and international standards. It works on the principle of transparency and promotes integrity, preparing its annual report and submitting it directly to the Custodian of the Two Holy Mosques to contribute to the protection of public funds.

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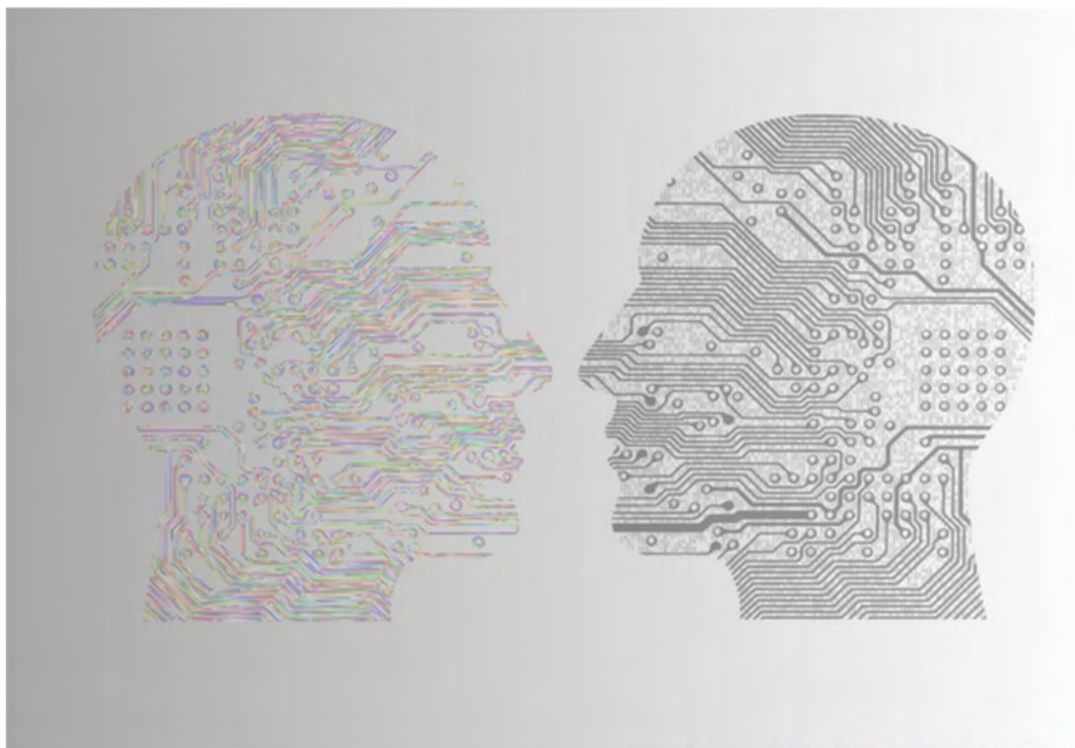
The Center seeks to achieve complete digital transformation and rely on technology by analyzing big data to quickly examine transactions and track financial operations in real time through automated systems connected.

Using the government databases to highlight indicators of fairness in budgets and ensure that financial resources are distributed fairly and cannot be manipulated, the Center is tasked with:

- Detecting errors in the awarding of certain important contracts,
- Within contracts, identifying shortcomings and weaknesses in the implementation of clauses, or duplication and repetition to ensuring efficiency and quality of performance,
- Reviewing accounts and the regularity of payment orders,
- Auditing consulting contracts, and identifying the departments requesting them,
- Reviewing the added value and benefits of such consultations, and
- Ensuring that all certificates of completion and outputs are received and approved.
- Examining and reviewing the accounts, systems, and regulations of companies owned by the state,
- Supporting the Public Investment Fund in implementing its investment strategies and governance mechanisms, and following up on the collection of delayed or suspended investment returns.
- Studying financial corruption issues professionally and wisely.

- Preparing comprehensive financial and administrative reports explaining the cause and effects of violations. These reports are supported with the competition and procurement system, its executive regulations, orders, and legislation. The Center presents the results to decision-makers to ensure that work is done to address the deficiencies, and that lessons learned are understood to ensure that they are not repeated.

The independence of the higher financial control and accounting bodies is a means of ensuring integrity, transparency, and protection of public funds, and presents a pragmatic way to open up prospects for regulatory bodies to be more effective. Interconnectedness between departments, effective communication, distribution of tasks according to capabilities, transfer of information, and participatory auditing involving multiple backgrounds and experiences reduces bias, increases creativity, and serves as a scientific and practical source for the birth of new ideas that make accounting and auditing a strategic tool for reform and development.



Source: Adobe Stock Images, Aliste7484

Audit Technology Success Among Malaysian Public Sector Auditors: Key Insights & Future Directions

By Dr. Farida Binti Veerankutty, Head of Internal Audit Department, Ministry of Housing and Local Government of Malaysia

Introduction

The new ways of doing business in the digital environment have implicated the current audit practices, specifically in financial audit and have directed the audit function into a new path. Auditors need to handle the changes caused by technologies (Yen, Huang, Li, & Hsiah, 2006) As such, this has led into the necessity of new audit procedures, techniques and tools to evaluate the control in order to mitigate the new business risk (Masli, Peters, & Richardson, 2010). Further, audit standards have clearly stated that the computer-based controls and computer-assisted audit techniques need to be conducted once audit clients have used advanced enterprise systems and depend broadly on Information Technology (IT) (Abdolmohammadi & Boss, 2009).

Auditors need to incorporate 'state-of-the-art' auditing software applications (audit technology) in the auditing process. This encourages the auditors to conduct their work in an electronic environment and permit more efficient and effective audit process (Braun & Davis, 2003).

Recent research highlights a significant competence-perception gap regarding audit technology among practitioners. While auditors acknowledge the strategic importance of these tools, their technical proficiency remains insufficient. Consequently, targeted pedagogical interventions are required to align practitioner capabilities with industry demands (Feliciano, C., & Quick, R., 2022).

Why Audit Technology Matters

While the use of technology by Malaysian public sector auditors during audit task began in 1980, the leadership of National Audit Department of Malaysia (NAD) has expressed concern over the underutilisation of technology among the auditors (Buang, 2015). Despite the usage of technology, public sector auditors still face challenges from what being expected by the management and the professional standard (Veerankutty, 2009). It was noted in a 2015 research paper that public sector auditors do not use analytics on unstructured data in performing data mining and collecting of audit evidence due to limitation of technical expertise and facing problems related to system complexities, data from different sources and platform, human resource capacity and capabilities, liability and compatibility issues (Buang, 2015).

However, the use of audit technology shows a progress trend after COVID-19. IFAC and CIPFA's 2022 highlighted that there was a significant shift towards integrated audit technologies usage in public financial management. Therefore, there is a need in assessing the effectiveness of audit technology during the audit task. This can enable audit organisations to ascertain whether the auditors are capable of doing the required task and delivering the quality audit work. For audit technology application to be an effective tool for the audit task, there is a need to develop and better understand the factors that best measure the audit technology success.

Research Overview

Information Systems (IS) Success Model

As the organisation continue to make substantial investment in information system to improve the service delivery and enhance the individual and organisation performance, evaluating IS investment is key to rationalising the significance and contribution to the quality, competitiveness and efficiency of the organisation. The IS Success Model has three components: the creation of an information system, the use of the system, and the consequences of this system use.

Research Design

This study aims to understand how the perspective of users on effective technologies can influence the ability of these technologies to increase efficiency of an auditor's job performance and increase the quality of the audit.

Audit technology success in this study signifies the effectiveness of technology/system from user perspectives toward user's job performance, and the dependent variable intends to measure the performance of audit technology in enhancing the auditors' job performance along with improving quality of technology-enabled auditing.

Research Method

Data was collected from public sector auditors who are performing the technology-enabled audit task in National Audit Department of Malaysia in the period of 2016 through personally administered (paper based) and electronically administered questionnaires. Of total 1,504 questionnaires distributed, a total of 309 were deemed valid and used for further analysis.

Key Findings

From the sample of this study of 309 respondents, about 45.0% have experience using audit technology more than 5 years and 62.1% of the auditors surveyed were perceived to have adequate IT skills.

The findings showed that system quality, information quality, perceived usefulness, user satisfaction and individual impact are valid and reliable measures of audit technology success. Public sector auditors perceived that higher-quality audit technology, such as systems that provide useful and updated information, enhances their perception of the technology's usefulness. This, in turn, increases their satisfaction and positively affects their job performance.

Professional Implication: Future Road Map For The National Audit Department Digitalisation Project

Under the new leadership of the Auditor-General (A-G) of Malaysia, Datuk Seri Wan Suraya Wan Mohd Radzi, the National Audit Department (NAD) is undergoing its largest digital transformation in its 120-year history. The A-G has committed to a transition from traditional sampling to a data-driven system with a vision for "Full Digitalisation" by 2025–2026, called the PPJ initiative, the Projek Pendigitalan Jabatan Audit Negara, which refers to the National Audit Department Digitalization Project. (National Audit Department, 2026).

The key components of the PPJ initiative are reflected in the rollout of several high-impact digital systems such as:

- e-SelfAudit System: Launched to automate the auditing of nearly 2,000 government-linked companies (GLCs).
- Auditor-General's Dashboard (AGD): Providing real-time monitoring of audit issues.
- National Audit "War Room": The establishment of a central digital "War Room" and similar facilities in all state NAD offices to support real-time data monitoring and high-impact auditing.
- Human Capital Development System (SPMI): A dedicated system to manage the digital upskilling of the NAD's 2,000+ officers.

The A-G's commitment is bolstered by the 2024 amendments to the Audit Act 1957 which empowers the A-G to audit any entity receiving public funds. This massive undertaking would be impossible without the e-SelfAudit System under the PPJ initiative. The digital tools are designed to facilitate the "follow the public money" approach, ensuring that every money is tracked across digital platforms to identify leakages and inefficiencies. The Auditor-General's commitment reflects a strategic pivot towards becoming a "Check and Balance" institution for the digital era, aiming to eliminate human error and manual delays while increasing the deterrent effect against financial mismanagement in the public sector.

With the high commitment of A-G, the system developers of PPJ initiative should focus on the quality of the application related to its attributes and output. System developers should emphasis audit application/technology to be user-friendly, easy to learn and easy to use.

The PPJ team should focus in developing audit technologies that are able to generate information which appropriately meets the auditors' requirements. The information should be updated and accurate and provided in a timely manner. Having accurate information will influence the auditors' perception on the usefulness of the audit application during the technology-enabled auditing. When the auditors perceive that audit technologies enable them to complete their tasks more quickly and efficiently, and improve their job, they will keener in using the audit technology. This will improve the effectiveness of technology in their job function, increase auditors' satisfaction to use audit technology more frequently, and improve technology enabled auditing performance. In addition, auditors' satisfaction on the efficiency and effectiveness of audit technology will stimulate the successful utilisation of the technology during the audit task. As a result, the auditors' use of technology can increase the efficiency, productivity, and effectiveness of auditors' job performance, which in turn represents the audit technology success.

The management and PPJ team should emphasize providing awareness to auditors to overcome resistance towards technology. Furthermore, based on the research, sufficient training for auditors should be provided to ensure the capacity development of appropriate knowledge and competencies related to audit technology, which further increases the perception that audit technologies are useful and beneficial to auditors.

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