

Budget Credibility Risks

AT THE PROGRAM/ENTITY LEVEL

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Main indicators of credibility risks at program/entity level

- Credibility risks at program/entity level often manifest during the budget execution phase. Common risk factors are :
 - a. Management capacities and procedures
 - b. Documentation of expenditures
 - c. Estimation of costs/spending
 - d. Timing of spending
 - e. Generation, capture, and management of performance information



Interlinkages between budget credibility risks at the WoG level and at the entity/program level

- Budget cycle begins with the whole of government planning for the budget of the coming year.
- Fiscal policies, strategic plans and adequate macroeconomic and fiscal projections.
- Insights/information gathered from programs/entities, via mandatory reports on their budget implementation, contributes to shaping the budget preparation for the upcoming fiscal year at the whole-of-government level.
- Challenges related to the generation and management of performance information at the program/entity level can also impact the formulation and forecasting of the overall government budget.



Measures can be implemented to address risks at entity/program level

- **At SAI level:** applies the risk-based audit approach in the conduct of audit and provides audit recommendations that could mitigate risks thru an audit observation memorandum
- **At the auditee level:** clear guidelines and fiscal policies in the implementation of programs at the entity level and implementation of programs at the entity level in accordance with these policies and guidelines.



Positive impacts in the case of SAI Philippines

- SAI Philippines stresses the significance of PFM knowledge allowing auditors to identify potential risks to budget credibility.
- SAI Philippines issues recommendations for enhancing budget credibility, monitoring implementation through tools like the Action Plan Monitoring Tool (APMT), making audit recommendations a key factor in assessing auditee performance and providing insights to legislative deliberations on budgets of such programs/entity.
- Engaging with stakeholders and adopting Citizen Participatory Audit (CPA) strategy, SAI Philippines actively involves citizens and NGOs in monitoring government programs.
- SAI Philippines supports its auditors whenever they are invited as resource persons in budget deliberations highlights the importance of audit findings in shaping budgetary decisions.



key recommendations or action points to advance SAI work in this area

- In strategic audit planning, SAIs should incorporate budget credibility into audit planning, focusing on accuracy, internal controls, and fund utilization, aligning audits with government priorities and ensuring transparency, effective and efficiency in the implementation of government programs and projects.
- Capacity building for auditors is important to enhance skills related to budget credibility, that ensure effective assessment of credibility risks
- Continuous knowledge sharing, sharing resource materials and experiences on budget credibility audits among SAIs is beneficial for aligning audit practices with standards. Collaboration enhances audit practices within the INTOSAI community.





Conclusion:

SAIs can achieve significant and valuable work outputs by integrating the theme of budget credibility into their audits and sharing their experience and expertise on this matter. Indeed, we take pride as one INTOSAI community, remaining committed to our motto, *"Mutual experience benefits all."*

Thank you!

