

# **Assessing the credibility of government budgets through external audits**

**Results of a survey to INTOSAI members**

**2022**

## Table of Contents

<b>Introduction .....</b>	<b>4</b>
<b>Section I: Public Financial Management Profile of Countries.....</b>	<b>5</b>
Key takeaways .....	5
Profile of respondents by SAI region and type of audit institution .....	5
Budget cycle processes, approaches and challenges .....	7
The budget cycle and parliament.....	8
<b>Section II: SAI Mandate to Audit Budget Credibility .....</b>	<b>10</b>
Key takeaways .....	10
Scope of mandates to audit budget credibility .....	10
Common types of audits .....	11
<b>Section III: Auditing the Performance of the Public Financial Management System.....</b>	<b>15</b>
Key takeaways .....	15
Auditing components of the public financial management system .....	15
Real Examples of the Impact of Auditing the Public Financial Management System .....	19
<b>Section IV: Recurring assessment of the state budget or end-year accounts.....</b>	<b>21</b>
Key takeaways .....	21
Frequency of recurring audits of the budget .....	21
Aspects of the budget audited in end-year accounts and in recurring audits .....	22
Legal frameworks and information sharing .....	24
Budget deviations in recurring audits and end-year audit reports.....	26
<b>Section V: Auditing Budget Credibility Risks at the Whole of Government and Program or Entity Level.....</b>	<b>27</b>
Key takeaways .....	27
SAI assessment of economic modeling and forecasting .....	27
Profile of respondents on conducting audits at budget program and entity levels.....	27
Methodologies and standards in conducting budget program and entity-level audits.....	29
Identifying budget credibility risks at the budget program and entity levels.....	33
<b>Section VI: Challenges.....</b>	<b>36</b>
Key takeaways .....	36
Internal and external challenges and possible solutions .....	36
<b>Section VII: Follow-up to Audit Recommendations .....</b>	<b>39</b>
Key takeaways .....	39

<b>Legal and administrative frameworks .....</b>	<b>39</b>
Working with legislative bodies .....	41
<b>Information, technology, and documentation.....</b>	<b>43</b>
<b>Engagement with civil society.....</b>	<b>46</b>
<b><i>Section VIII: Conclusion.....</i></b>	<b>48</b>

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## Introduction

This report summarizes the results of the survey conducted by the International Budget Partnership (IBP) and the Division for Public Institutions and Digital Government of the United Nations Department for Economic and Social Affairs (DPIDG/UNDESA) on the experience of Supreme Audit Institutions (SAI) in auditing the credibility of government budgets. The purpose of the survey was to serve as an input for the development of a handbook on how the credibility of government budgets can be analyzed through external audits.

The questionnaire was distributed via email in February 2022 through the International Organization of Supreme Audit Institutions (INTOSAI) to its 196 members. As of April 25, 2022, 38 responses had been received.

The survey complements other sources of information that will inform the development of the handbook, including an earlier survey and a policy brief published in 2021, two consultancy reports on the experiences of Pacific and French-speaking SAIs, and several publications and reports by IBP. Additional information and materials are available at <https://internationalbudget.org/issues-lab/budget-credibility/>

This report has been prepared by Regan Price, Intern at DPIDG, under the supervision of DPIDG and IBP staff.

## Section I: Public Financial Management Profile of Countries

### Key takeaways

- One-third of respondents are from the European Organization of Supreme Audit Institutions (EUROSAI) and almost half from a Westminster-type of SAI.
- SAIs highlighted that while the budget process is well-defined by law in most countries, significant differences in the performance of Public Finance Management systems across countries exist in practice.
- Most SAIs consider the materials provided to the parliament sufficient and timely for the parliamentary review of the budget proposal and/or budget project in their respective country.

### Profile of respondents by SAI region and type of audit institution

Survey respondents were from diverse INTOSAI regions, including EUROSAI (32 percent), 18 percent from AFROSAI, 18 percent from OLACEFS, 11 percent from ARABOSAI, 13 percent from ASOSAI, and 5 percent of responses from PASAI. Additionally, almost half of the respondents were from a Westminster-type of SAI. See Figures 1 and 2 and Table 1 for more information.

### Map 1

#### Survey respondents - Map of Countries.

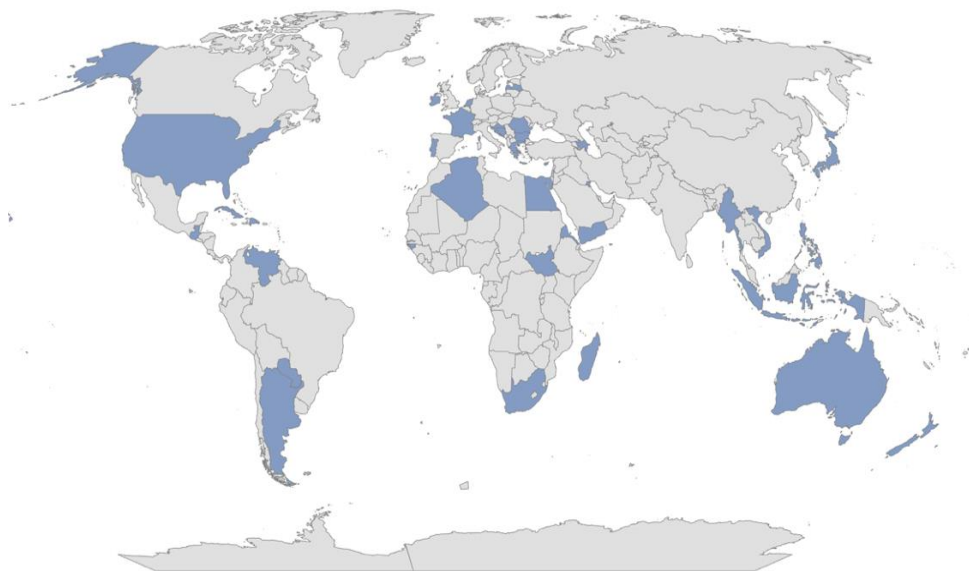


Table 1  
**Survey respondents by INTOSAI region**

EUROSAI	AFROSAI	OLACEFS	ARABOSAI	ASOSAI	PASAI
Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, France, Greece, Ireland, Latvia, The Netherlands, Portugal, Romania	Egypt, Eritrea, Guinea- Bissau, Madagascar, Republic of Mauritius, South Africa, South Sudan	Argentina, Cuba, Dominican Republic, Guatemala, Paraguay, Puerto Rico USA*, Venezuela	Algeria Kingdom of Bahrain, Kuwait, Republic of Yemen	Japan, Indonesia, Myanmar, Philippines, Viet Nam,	Australia, New Zealand

Notes: (\*) Puerto Rico is an associate state of the USA, but it has its own SAI; (\*\*) A response was also received from the US Government Accountability Office, which is not member of any INTOSAI region.

Figure 1  
**Percentage of survey respondents by INTOSAI Region**

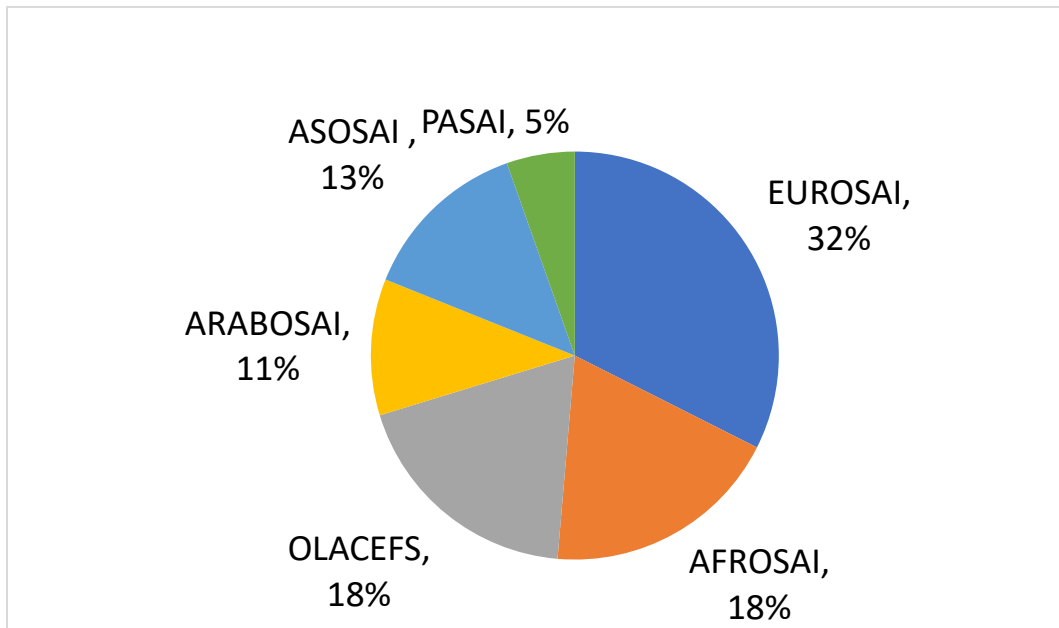
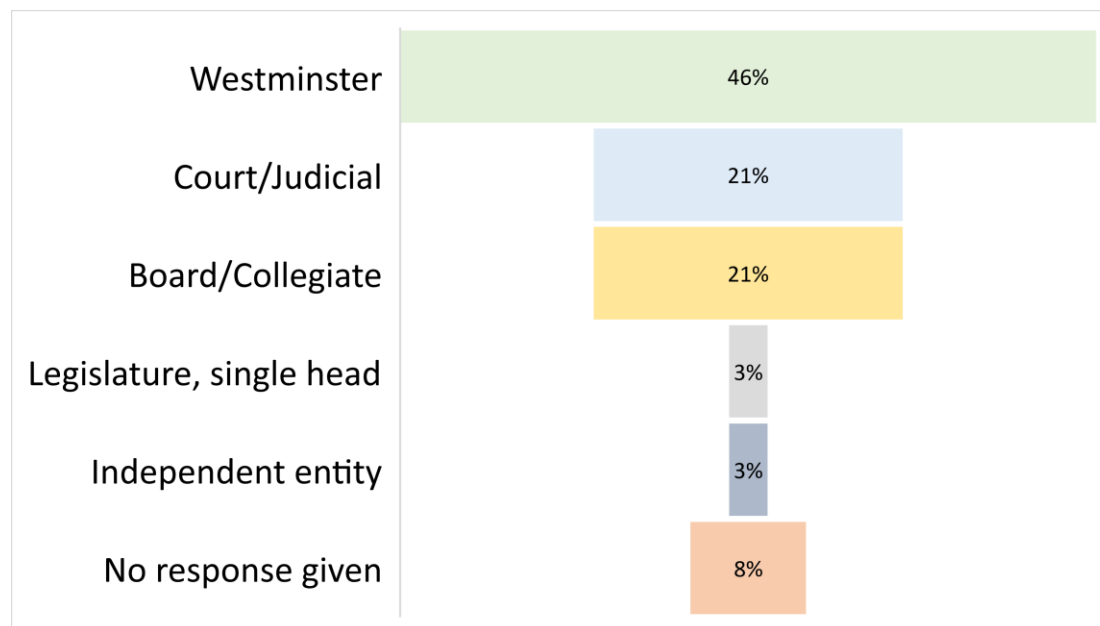


Figure 2

Percentage of survey respondents by model of SAI



Budget cycle processes, approaches and challenges

Most survey respondents reported that their respective countries generally follow a standard budget cycle involving budget preparation, approval, and execution, in coordination with the respective parliamentary bodies and when applicable, subnational governments. Most respondents also noted that their country's budget processes were carried out according to law. However, there were differences across countries regarding the extent to which the country's budget system performs well in practice. This has implications in terms of the quality-of-service delivery and the achievement of long-term national priorities such as the Sustainable Development Goals (SDGs).

For example, the respondent from the Netherlands reported that their country's budget system is viewed internationally as a successful example regarding top-down control of expenditure ceilings and compliance with fiscal rules. However, respondents from other countries (e.g., Guinea-Bissau) highlighted the institutional capacity constraints of their public financial management (PFM) systems. For example, several countries noted that budgets are sometimes not approved on time or on an annual basis by the legislature, and therefore are not used in practice to guide the execution of public expenditures. Another common constraint is that public expenditures are often driven by immediate short-term needs rather than longer-term priorities and national objectives.

## The budget cycle and parliament

Most of the respondents reported that their SAI considers the materials provided to parliaments to be sufficient and timely for the parliamentary review of the budget proposal and/or budget project for their respective country. See Table 2 for more information.

Additionally, most of the respondents noted that their SAI does not give assistance to parliament in the review of the budget proposal and/or budget projects. Countries where the SAI gives assistance to parliaments include Azerbaijan, Bulgaria, Cuba, France, Japan, New Zealand, the Philippines, Portugal, the Republic of Yemen, The Netherlands, USA, and Viet Nam. See Figure 3 for more information.

Table 2

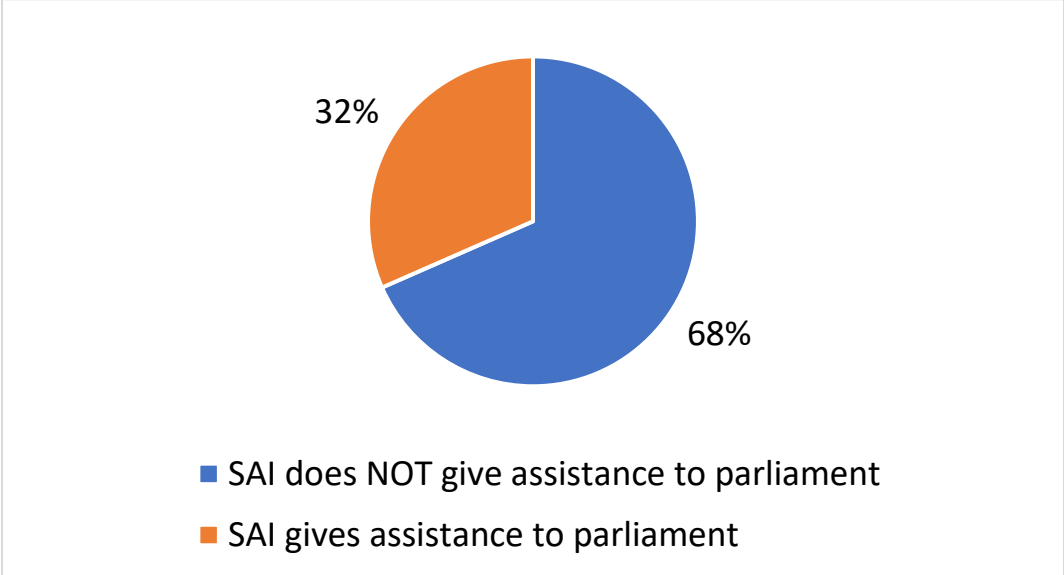
### SAI considers that the materials provided to parliament are sufficient and timely for the parliamentary review of the budget proposal/project, by country

No	Yes
Croatia	Algeria
Eritrea	Argentina
Greece	Azerbaijan
Guinea-Bissau	Bosnia and Herzegovina
Indonesia	Bulgaria
Kuwait	Cuba
Madagascar	Cyprus
Portugal	Dominican Republic
Romania	Egypt
South Africa	France
Venezuela	Guatemala
	Kingdom of Bahrain
	Latvia
	Myanmar
	New Zealand
	Paraguay
	Philippines
	Puerto Rico U.S.A.
	Republic of Mauritius
	Republic of Yemen
	South Sudan
	The Netherlands
	USA
	Viet Nam



Figure 3

Percentage of SAIs that give assistance to parliament in the review of the budget proposal/project



## Section II: SAI Mandate to Audit Budget Credibility

### Key takeaways

- Most SAIs in the survey consider that audits related to budget credibility fall within the scope of their mandate.
- Most respondents have unrestricted access to records, documents and information related to the budget by law, but in practice some face challenges to access information in a timely manner.
- Most SAIs surveyed engage with stakeholders for both the audit on the annual execution of the State budget and other audits related to budget issues. However, only a few SAIs share their audit reports regularly with civil society.
- Most SAIs surveyed have a mandate to publish their audits reports.

### Scope of mandates to audit budget credibility

Over 80 percent of respondents reported their SAI has a mandate to audit issues related to budget credibility (see Figure 4).

Regarding the process of conducting audits to assess Public Financial Management (PFM) issues, 95 percent of respondents reported that their SAI can decide on the scope of these audits. See Figure 5 for more information. Additionally, almost all respondents highlighted that the legal framework enables their SAI to have unrestricted access to records, documents, and information. However, some SAIs face challenges and limitations in this regard. For example, in some countries constant changes in public administration due to political instability have resulted in a lack of consistent accounting information in state departments and public entities. This creates significant obstacles for auditors to having access to relevant information during the audit process.

Figure 4

Percentage of respondents with SAI mandate to audit issues related to budget credibility

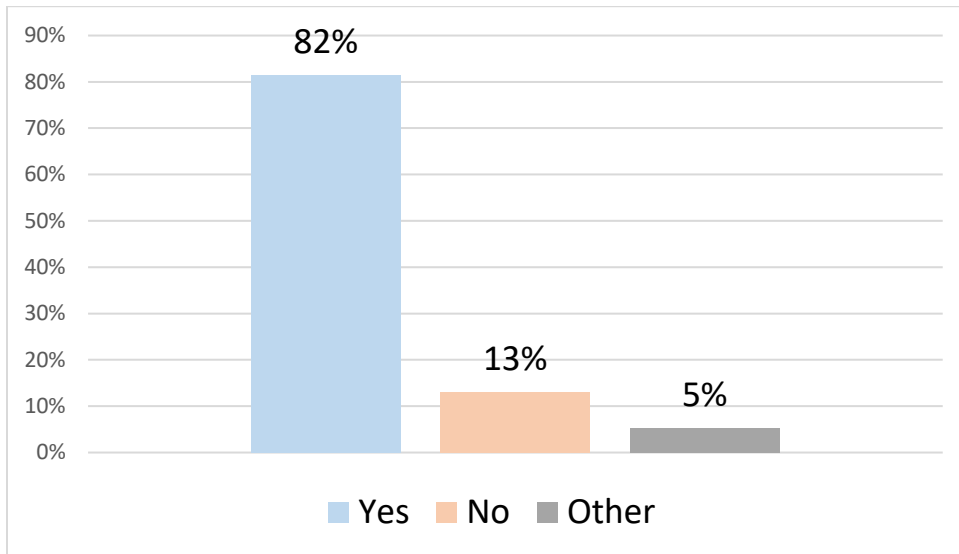
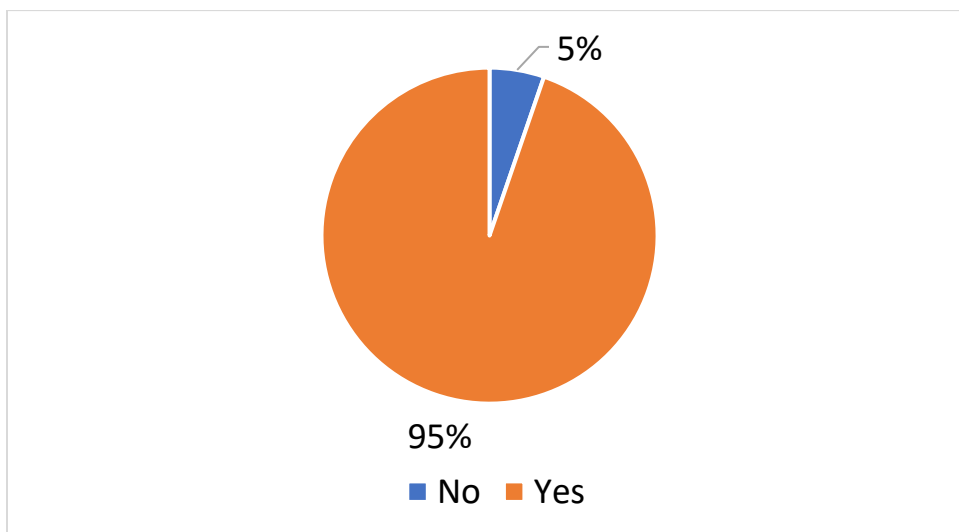


Figure 5

Percentage of surveyed SAI that can decide on the scope of audits relating to PFM issues.



### Common types of audits

Most of the SAIs surveyed conduct compliance, financial, and/or performance audits. SAI Algeria, Eritrea, and South Sudan also report on conducting forensic audits. While many SAIs conducted all three main types of audit practices, some only conduct compliance (e.g., Australia) or performance audits (e.g., Ireland, Latvia). See Table 3 for more information.

Table 3

**Types of audits conducted by country**

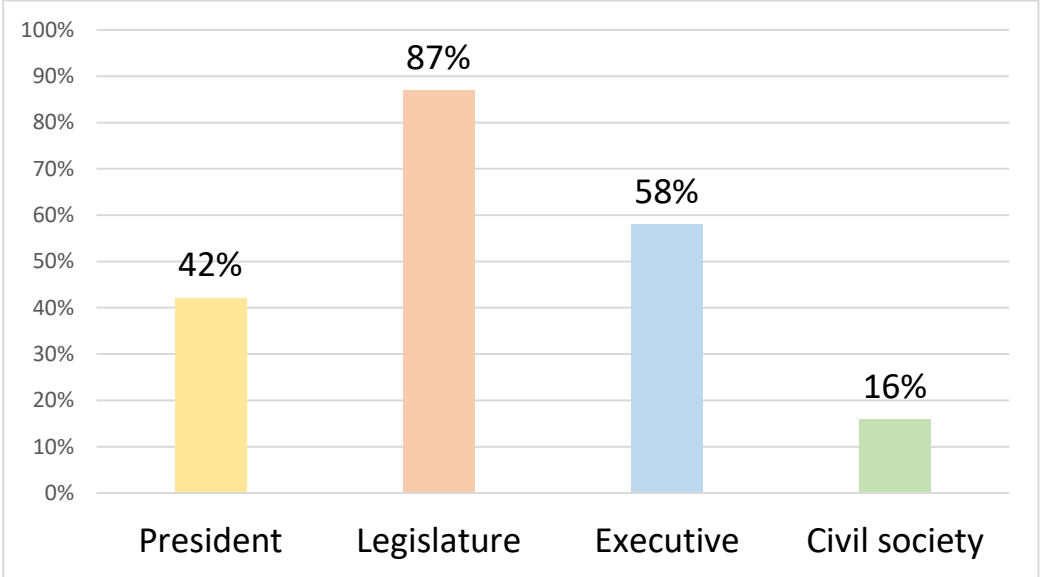
Country	Compliance Audit	Financial Audit	Performance Audit	Forensic Audit
Algeria	X	X	X	X
Australia	X			
Azerbaijan	X	X	X	
Bosnia and Herzegovina	X	X	X	
Cyprus	X	X	X	
Dominican Republic		X		
Egypt	X	X	X	
Eritrea	X	X	X	X
France	X	X	X	
Guinea-Bissau	X	X		
Indonesia	X	X	X	
Ireland			X	
Japan	X	X	X	
Kingdom of Bahrain	X		X	
Kuwait		X		
Latvia			X	
Myanmar	X	X	X	
Philippines	X			
Portugal	X	X	X	
Republic of Mauritius	X	X	X	
South Africa	X	X	X	
South Sudan	X		X	X
The Netherlands		X	X	
USA		X	X	
Venezuela	X		X	
Viet Nam		X	X	

*Note: the respondents from the following countries did not answer this question: Argentina, Bulgaria, Croatia, Cuba, Greece, Guatemala, Madagascar, New Zealand, Paraguay, Puerto Rico USA, Republic of Yemen, and Romania.*

Most of the respondents reported their SAI has a mandate to publish audit reports, and most respondents noted their SAI has a mandate to engage with stakeholders regarding both the

audit on the annual execution of the State budget and other audits on budget issues. 42 percent of the SAIs in the sample indicated that audit reports are submitted to the legislature in a timely manner. However, only seven percent of the SAIs surveyed systematically share their audit reports with civil society (see Figure 6). Respondents from Algeria, Bosnia and Herzegovina, Bulgaria, Cyprus, Latvia, and Romania highlighted that their SAI posts the audit reports publicly on their institution’s respective website. See Figure 7 and Table 4.

**Figure 6**  
**Percentage of respondents that report their SAI submits audit reports to civil society organizations, the executive, the legislature, and/or the president**



*Note: Some countries may submit audit reports to all, one, or a combination of these entities*

**Figure 7**  
**Percentage of surveyed countries in which SAI has a mandate to publish audit reports**

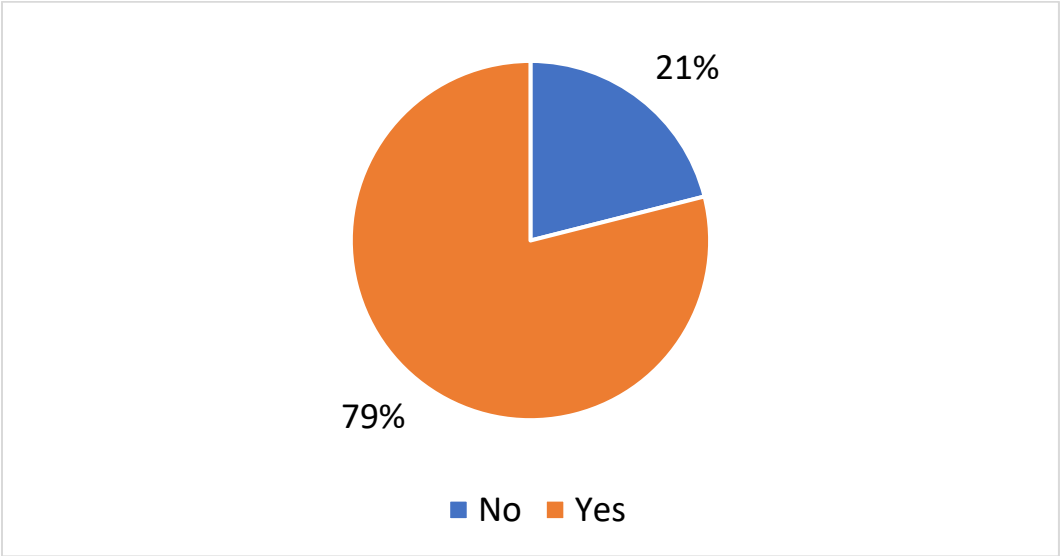


Table 4

**SAI mandate to engage with stakeholders regarding the audit on the annual execution of the state budget and/or other audits on PFM/budget issues**

No	Yes, regarding both	Yes, only other audits related to PFM/budget issues
Croatia	Algeria	Greece
Dominican Republic	Argentina	South Africa
Egypt	Australia	
Eritrea	Azerbaijan	
Guatemala	Bosnia and Herzegovina	
Guinea-Bissau	Bulgaria	
Kuwait	Cuba	
New Zealand	Cyprus	
Puerto Rico U.S.A.	France	
Romania	Indonesia	
Venezuela	Ireland	
	Japan	
	Kingdom of Bahrain	
	Latvia	
	Madagascar	
	Myanmar	
	Paraguay	
	Philippines	
	Portugal	
	Republic of Mauritius	
	Republic of Yemen	
	South Sudan	
	The Netherlands	
	USA	
	Viet Nam	

## Section III: Auditing the Performance of the Public Financial Management System

### Key takeaways

- Most respondents reported to have audited the performance of the PFM system in the last ten years, but these audits seemed to focus on specific components (e.g., budget execution) rather than the overall PFM system.
- Some surveyed SAIs assess the performance of the PFM system for the purpose of forming an audit opinion on the government's financial statements, or conduct performance audits which focus on specific aspects of the PFM system.
- Most SAIs surveyed rely on INTOSAI and internal standards, but some reported using a combination of sources including standards in accordance with various laws and regulations specific to their country.
- SAIs reported illustrative examples of significant impacts of their audits of the performance of the PFM system.

### Auditing components of the public financial management system

Most of the survey respondents reported that their SAI has conducted audits to assess the performance of the PFM system in the last ten years (see Figure 8). Among SAIs having conducted audits to assess the performance of the PFM system, 74 percent reported having conducted audits on budget execution, followed by 66 percent on accounting and reporting aspects of the budget. 32 percent of respondents have conducted audits on policy design, 34 percent on budget preparation, 37 percent on budget approval, and 42 percent on budget evaluation. See Figure 9 for more information.

Figure 8

Number of respondents that reported their SAI conducted any audits to assess the performance of the PFM system in the last ten years

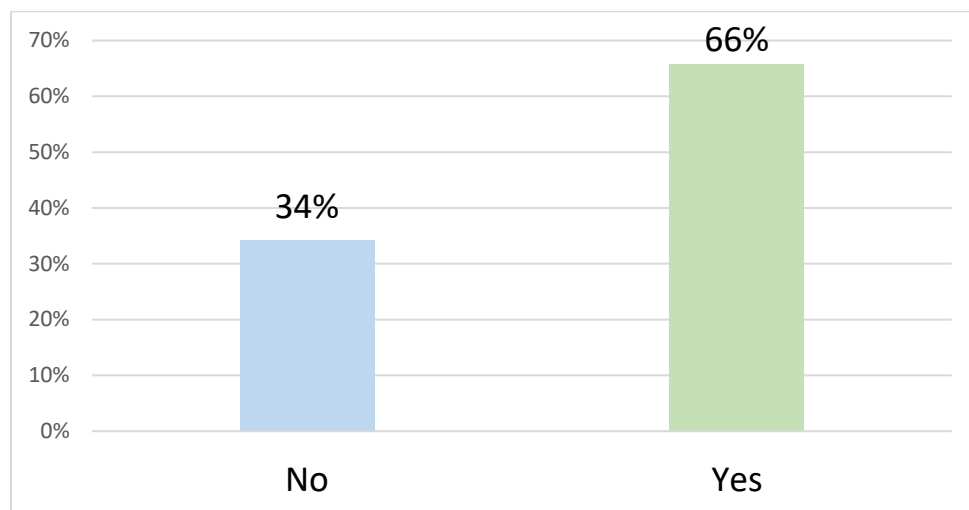
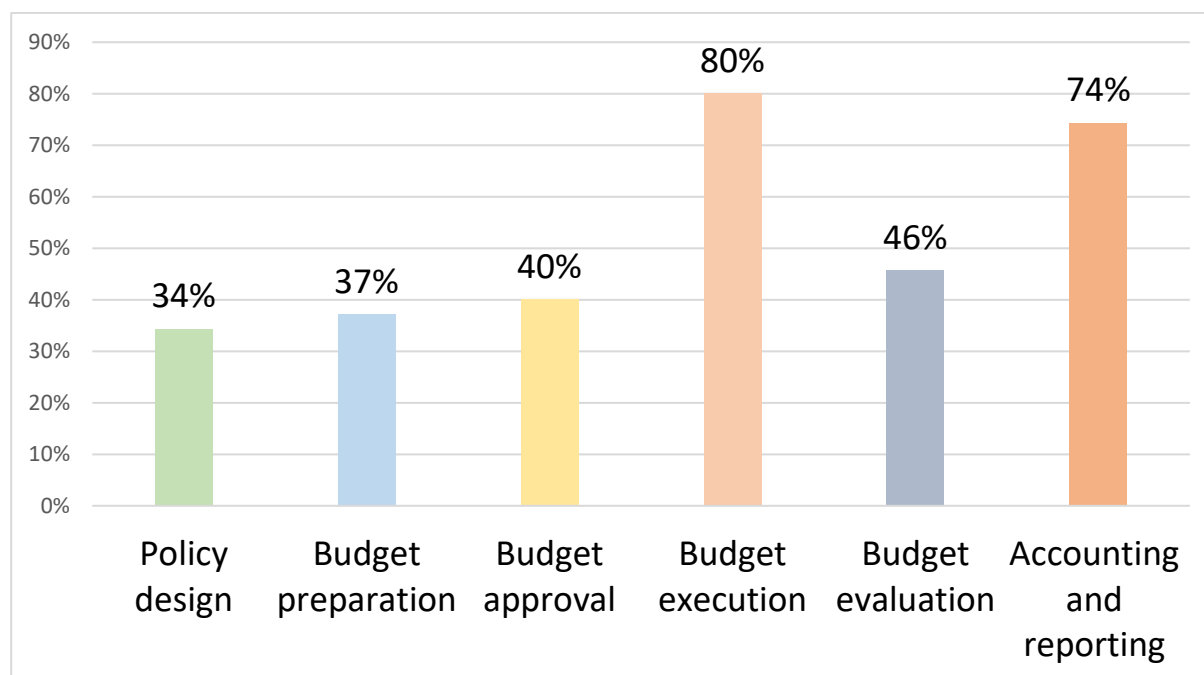


Figure 9

Percentage of respondents that perform audits on specific aspect(s) of the PFM system, by elements of the PFM/budget system



Note: some SAIs may perform audits on one or multiple of the above aspects.

According to the survey, SAIs that have not conducted audits to assess the PFM system include Argentina, the Dominican Republic, Eritrea, Greece, Guatemala, Guinea-Bissau, Kuwait,



Madagascar, New Zealand, Paraguay, Puerto Rico USA, Romania, and Venezuela. Among those, New Zealand noted that “the Auditor General does not assess the performance of the public finance management system itself other than for the purpose of forming an audit opinion on the financial statements of the Government of New Zealand or in the case of some performance audits where aspects of the PFM system are considered.”

Among SAIs that have conducted audits to assess the PFM system, the greatest percentage of respondents reported that the SAI follows INTOSAI standards and guidance (61 percent), 52 percent of respondents reported using internal SAI audit standards and guidelines, and 18 percent report using international best practices. Some respondents noted that their SAI uses a combination of standards, or other sources beyond INTOSAI or SAI internal standards, such as standards in accordance with various laws and regulations specific to their country. In the survey sample, the use of regional frameworks is much more limited, with only two respondents reporting on their use. See Figure 10 for the percentage of respondents that report on the use of audit standards, and Table 5 for an overview of audit standards used by country.

**Figure 10**  
**Percentage of respondents that reported using at least one of the following audit standards in their audits of the performance of the PFM system**

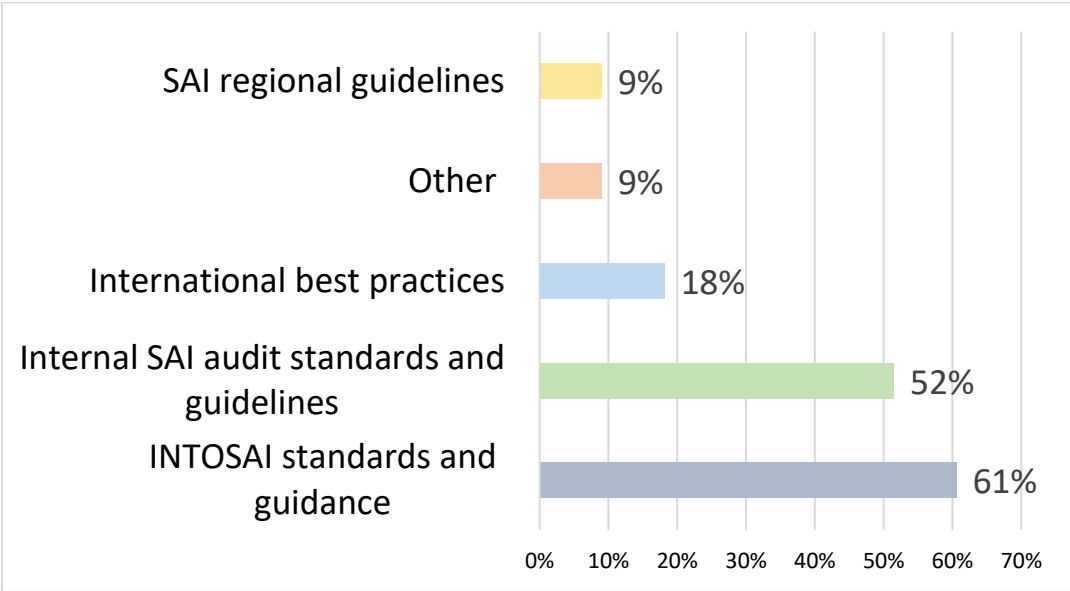


Table 5

**Audit standards/best practices/assessment framework have been used in the audits of the performance of the PFM system, by country**

Country	INTOSAI standards & guidance	Internal SAI audit standards & guidelines	International best practices	SAI regional guidelines/reporting frameworks	Country-specific laws, rules & regulations
Argentina	X	X			
Algeria	X	X			X
Australia		X			
Azerbaijan	X	X	X		
Bosnia and Herzegovina	X	X			
Bulgaria	X				
Croatia		X			
Cuba	X	X			
Cyprus	X	X			
Dominican Republic		X	X		
Egypt		X			
Eritrea	X				
France					X
Greece		X			
Guatemala		X			
Guinea-Bissau	X				
Indonesia	X	X	X		
Ireland	X				
Japan					X
Kuwait		X			
Kingdom of Bahrain	X				
Latvia	X				
Madagascar	X				

Myanmar	X	X			
New Zealand		X			
Paraguay	X	X			
Portugal		X			
Philippines	X	X			
Puerto Rico U.S.A.					X
Republic of Mauritius	X		X	X	
Republic of Yemen	X	X			
Romania			X		X
South Africa	X				
South Sudan	X		X	X	
The Netherlands	X		X		
Venezuela			X		
Viet Nam	X	X			

Real examples of the impact of auditing the Public Financial Management system

Many respondents that reported their SAI has conducted an audit on the performance of the PFM system within the last ten years highlighted examples of significant impacts of the audit(s) had on government and/or civil society. See Box 2 for selected examples.

## Box 2

### Examples of positive impacts from SAIs auditing the performance of the PFM system

#### Positive impacts of audits on the performance of the PFM system

- ✓ **Latvia** reported that the audits resulted in a clearer and more equal procedures for reviewing the base expenditures of institutions.
- ✓ **Egypt** noted that the audits had resulted in the proper utilization of public funds and enhanced the performance of the PFM system to achieve the Sustainable Development Goals (SDGs).
- ✓ **Ireland** highlighted that the audits had an impact on the modernization of central government accounting, and assisted in bringing fiscal documentation in line with international standards.

# Section IV: Recurring assessment of the state budget or end-year accounts

## Key takeaways

- Most SAIs in the survey operate under a legal framework that requires the government to regularly publish consolidated reports on budget execution
- Most respondents report performing recurring audits of the budget when auditing the end-year accounts.
- Most surveyed SAIs focus on budget execution as well as accounting and reporting in both their audits of the end-year accounts and other regular audits of the budget. However, very few SAIs audit budget policy design.
- Most surveyed SAIs audit budget deviations when auditing the end-year accounts, and some carry out this work when auditing the end-year accounts as well as other recurring audits of the budget.
- While most SAIs in the survey indicate that data on budget execution is regularly published in the government’s end-year accounts, this information is sometimes considered to be insufficient by the SAI.

## Frequency of recurring audits of the budget

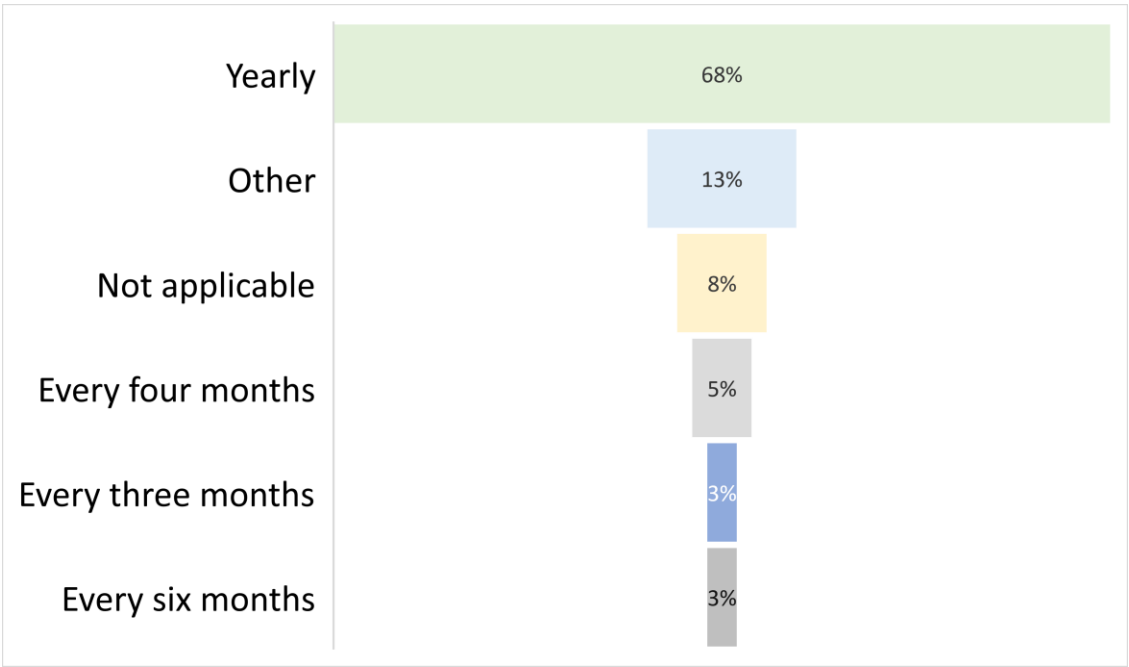
Most SAIs report performing periodic audits of the budget. 53 percent of surveyed SAIs do it when auditing the end-year accounts, with an additional 29 percent regularly conducting audits of the end-year accounts as well as other recurring audits of the budget. Overall, 13 percent of SAIs do not perform periodic audits of the budget (see Table 6).

For most SAIs in the survey, the periodic audits of the budget are mostly conducted yearly (68 percent). See Figure 11 for more information.

**Table 6**  
**SAI performs/does not perform recurring audits of the budget**

Response	Percentage
Yes, when auditing the end-year accounts	53%
Yes, when auditing the end-year accounts and in other recurring audits of the budget	29%
No	13%
Yes, in other recurring audits of the budget	5%
<b>Total</b>	<b>100%</b>

Figure 11  
**Frequency of SAIs' recurring audits of the budget**



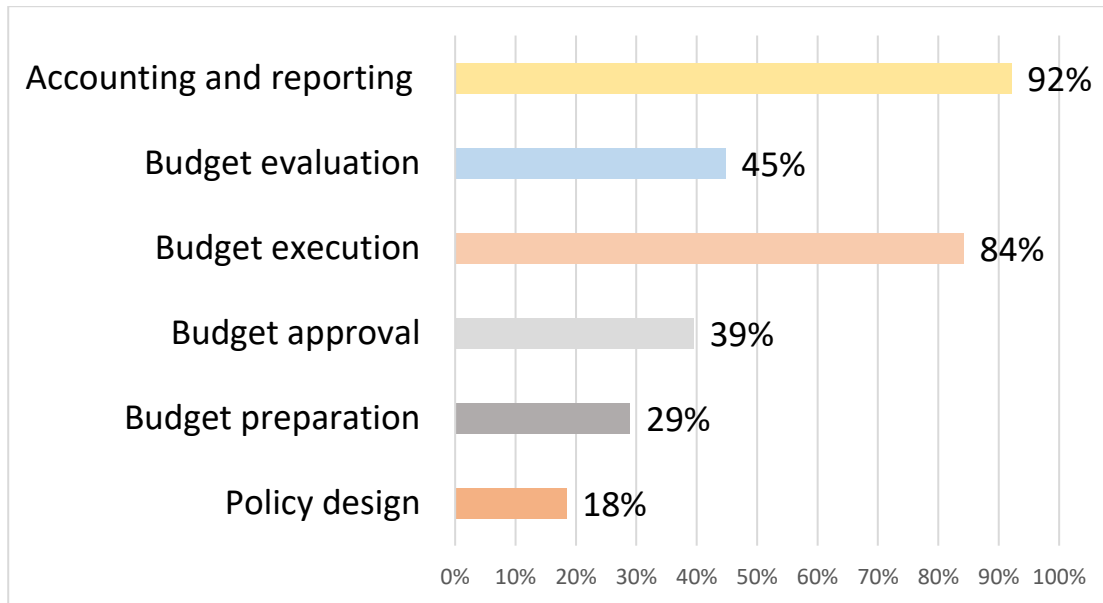
Aspects of the budget audited in end-year accounts and in recurring audits

Accounting and reporting are the most common aspects of the budget that SAIs audit in end-year accounts (92 percent), followed by budget execution (84 percent), budget evaluation (45 percent), and budget approval (39 percent). See Figure 12 and 13 for more details.

In other recurring audits of the budget, most SAIs report auditing budget execution (71 percent), followed by accounting and reporting (60 percent). Relatively few SAIs audit policy design in the end-year accounts (18 percent) and other periodic audits of the budget (14 percent).

Figure 12

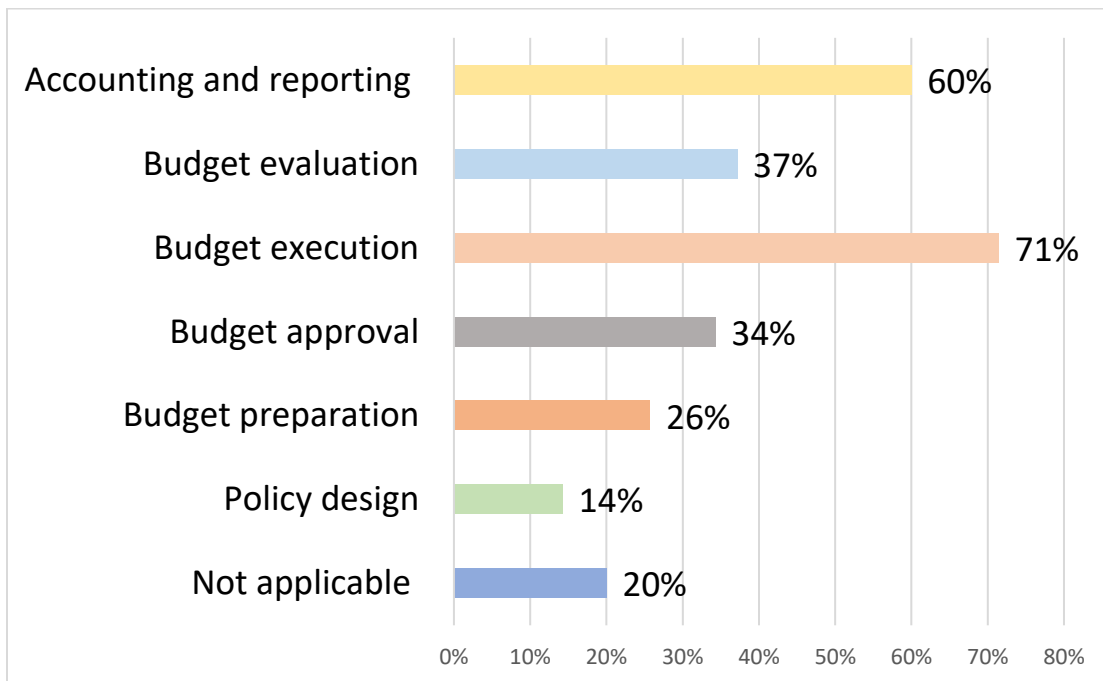
Aspects of the budget audited by SAIs in end-year accounts



Note: some SAIs may perform audits on several of the above aspects.

Figure 13

Aspects of the budget audited by SAIs in other recurring audits of the budget



Note: some SAIs may perform audits on several of the above aspects.

Legal frameworks and information sharing

Most SAIs operate under a legal framework that requires the government to regularly publish consolidated reports on budget execution at the end of the fiscal year (39 percent), during and after the fiscal year (26 percent), or during the fiscal year (18 percent). See Figure 14 for more details. Overall, only 16 percent of surveyed SAIs do not operate under a legal framework that requires the government to regularly publish consolidated reports on budget execution.

Most SAIs in the sample report that data on budget execution is regularly published in the government’s end-year accounts (66 percent). However, 18 percent report that information is insufficient and 3 percent report that such information is not available (see Figures 15 and 16).

**Figure 14**  
**Whether the legal framework in respective country requires the government to regularly publish consolidated reports on budget execution**

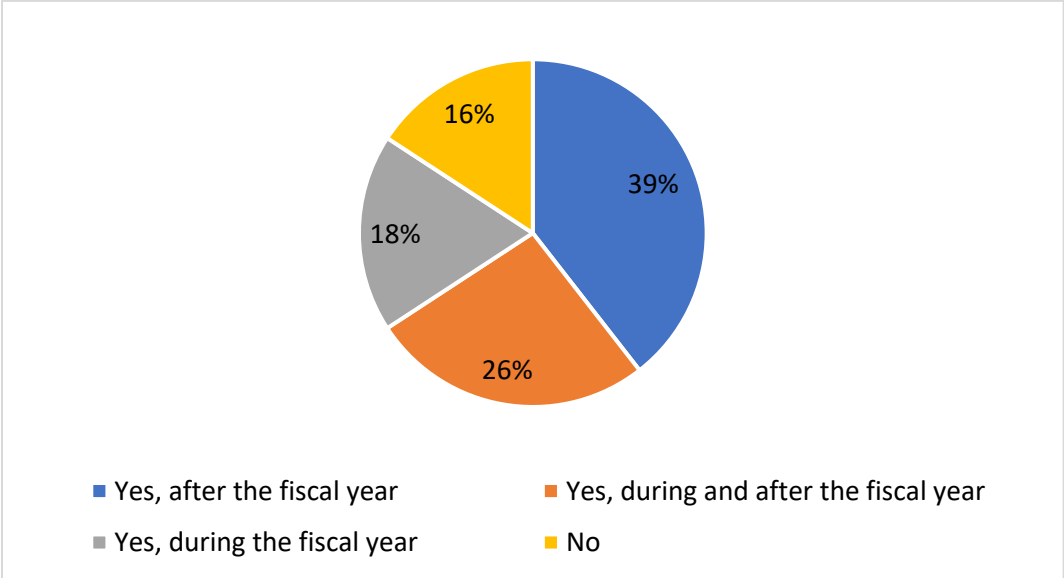




Figure 15

**Data on budget execution published regularly in the government's general end-year accounts**

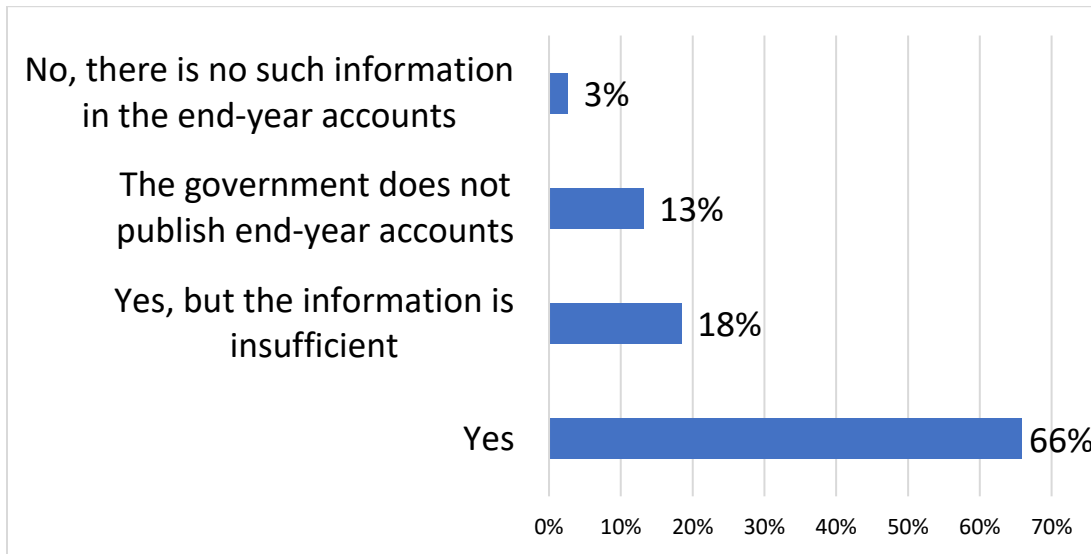
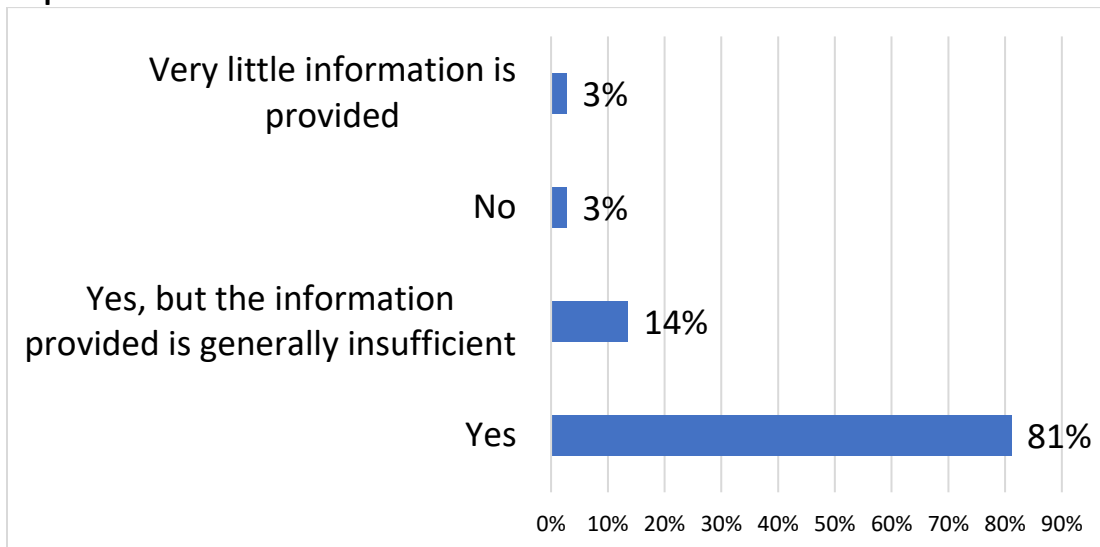


Figure 16

**Sufficiency of government-provided information regarding budget execution upon SAI request**



Budget deviations in recurring audits and end-year audit reports

Most SAIs in the survey (57 percent) audit budget deviations when auditing the end-year accounts, and 27 percent carry out this work when auditing end-year accounts as well as other audits of the budget that are conducting regularly during the fiscal year. Only 11 percent of respondents do not assess budget deviations in recurring or end-year audits (see Table 7).

**Table 7**  
**SAIs auditing budget deviations in recurring audits or end-year audits.**

<b>Response</b>	<b>Percentage</b>
No, the SAI does not audit budget deviations	11%
Yes, in other recurring audits of the budget	5%
Yes, when auditing the end-year accounts	57%
Yes, when auditing the end-year accounts and in other recurring audits of the budget	27%
<b>Total</b>	<b>100%</b>

## Section V: Auditing Budget Credibility Risks at the Whole of Government and Program or Entity Level

### Key takeaways

- Most surveyed SAIs do not assess economic modeling nor macroeconomic forecasting assumptions, but some SAIs do.
- Most respondents conduct regular audits at the budget program and entity level. The selection of entities to be audited usually follows a specific methodology, which is not always public.
- In these audits, surveyed SAIs would identify the eventual differences between originally approved and actual revenues and expenditures, but very few investigate the difference between the intended and actual goods and services provided.

### SAI assessment of economic modeling and forecasting

Most of the respondents noted that their SAI does not assess economic modeling nor macroeconomic forecast assumptions, largely because it is the responsibility of an office other than the SAI. However, some SAIs such as Azerbaijan, Kingdom of Bahrain, and Indonesia noted that they assess macroeconomic forecasting.

For example, the respondent from Azerbaijan indicated that the SAI makes assumptions based on the previous years' trends and alternative calculations. The SAI of the Kingdom of Bahrain reported that assessing economic modeling is generally done as part of the regularity audit on the consolidated final account of the state by comparing the current year's GDP with the previous year, and the fluctuation and the percentage change of GDP in relation to the public debt, based on both current and constant prices. SAI Indonesia reported that the SAI assesses the quality and realism of macroeconomic modeling assumptions by the government in preparing the annual state budget. These assumptions are assessed based on the availability of clear references, valid data, and sufficient documentation.

### Profile of respondents on conducting audits at budget program and entity levels

Overall, most respondents (46 percent) reported that their SAI performs audits at the budget program and/or budget entity level. Most of these SAIs—61 percent— highlight that such audits are conducted regularly as opposed to ad-hoc audits. Conversely, the respondents from Greece, Japan, Latvia, New Zealand, Puerto Rico USA, South Africa, and Venezuela reported that their SAI does not conduct audits at the budget program or entity level. See Figure 17 for overall results and Table 8 for details on the specific countries conducting this type of work. See Figure 18 for information on the regularity of budget program and/or entity audits.

Figure 17

Percentage of surveyed SAI that perform audits at budget program and/or budget entity level

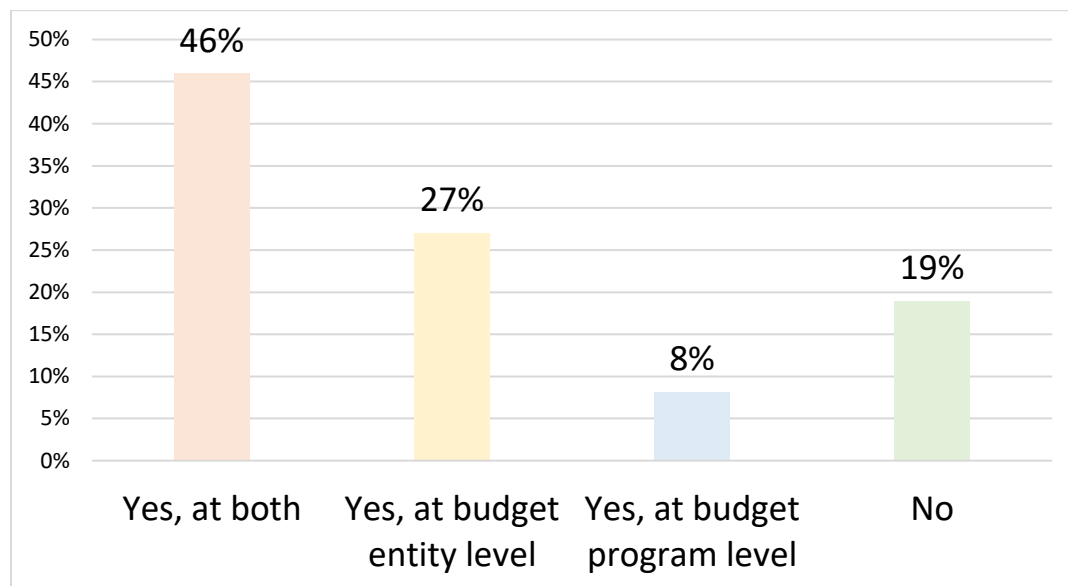


Table 8

SAI specific audits performed at budget program and/or entity level, by country

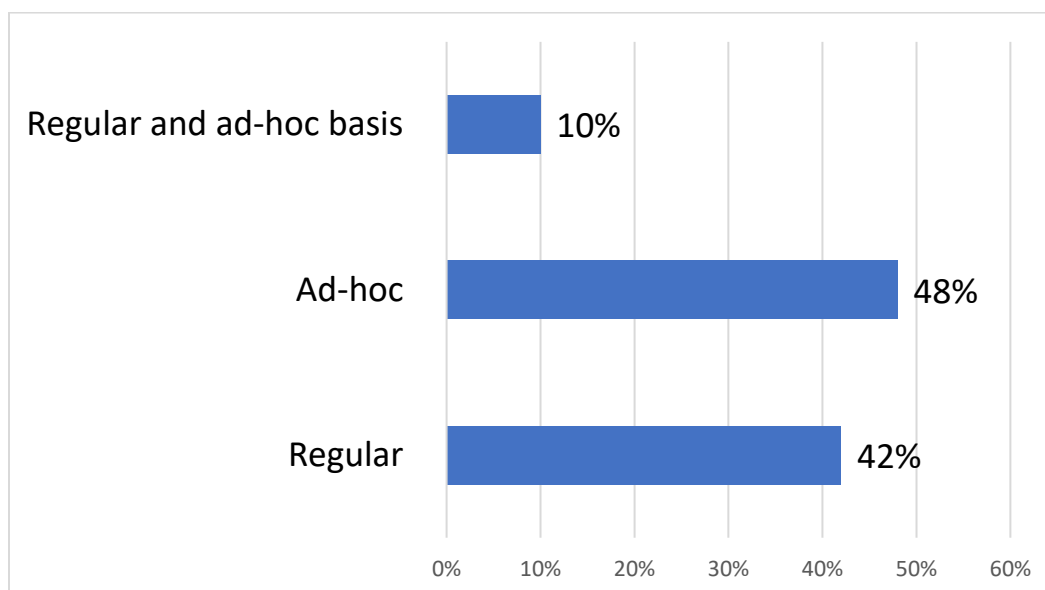
No audit at program/entity level	Audit at budget program and entity level	Audit at budget entity level	Audit at budget program level
Greece	Algeria	Bulgaria	Azerbaijan
Japan	Argentina	Croatia	Bosnia and Herzegovina
Latvia	Australia	Dominican Republic	Kingdom of Bahrain
New Zealand	Cuba	Egypt	
Puerto Rico, U.S.A.	France	Eritrea	
South Africa	Guatemala	Guinea-Bissau	
Venezuela	Indonesia	Ireland	
	Madagascar	Kuwait	
	Myanmar	Portugal	
	Paraguay	Viet Nam	
	Philippines		
	Republic of Mauritius		
	Republic of Yemen		

	Romania		
	South Sudan		
	The Netherlands		
	USA		

Note: Number of respondents is 36.

Figure 18

Percentage of SAIs that perform audits at budget program and/or entity regularly, ad-hoc, or both



#### Methodologies and standards in conducting budget program and entity-level audits

For those SAIs that regularly conduct audits at the budget program and/or entity level, 45 percent reported using a specific public methodology in selecting the entities /programs to be audited, while 32 percent referred to relying on a specific but not public methodology, and 23 percent use a method unique to their country and context. For example:

- Croatia selects the entities/programs to be audited according to the Annual Plan and Programme and based on criteria given by the law.
- Ireland selects the entities/programs to be audited based on the annual financial audits assigned under legislation and conducted under the International Standards of Auditing.
- Madagascar's SAI selects the entities/programs to be audited according to the country's laws and regulations.
- Paraguay selects the entities/programs to be audited based on its own General Audit Plan.
- Romania reported that the Romanian Court of Accounts has the power to set minimum limits on the execution of accounts for its control in each financial year, so that all

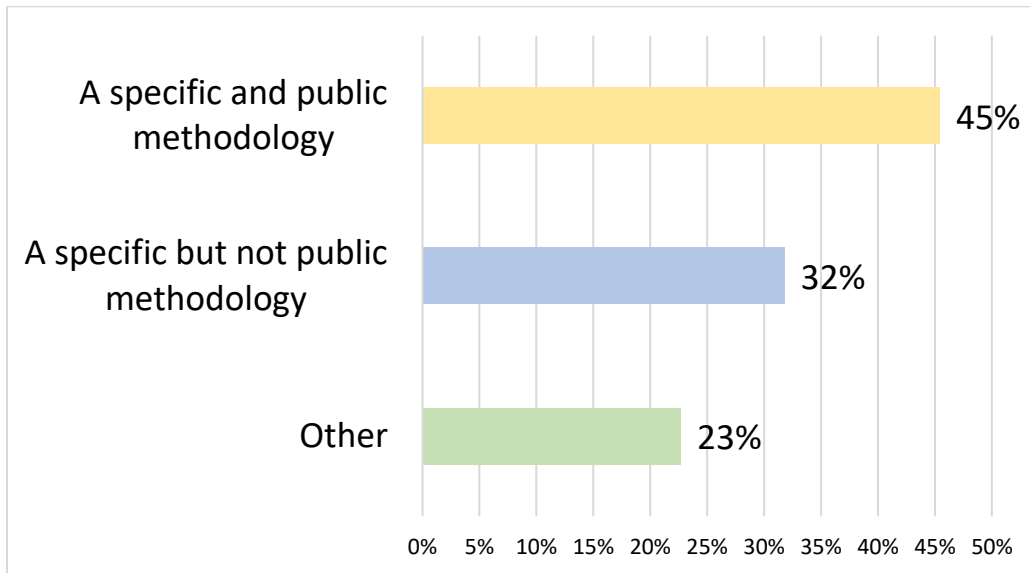
accounts may be audited within the statutory limitation period. (art. 27 of Law no. 94/1992 on the organization and functioning of the Court of Accounts).

- The Philippines selects the entities/programs to be audited based on risk assessment.

See Figure 19 for more information.

Figure 19

**Percentage of respondents that conduct regular audits, according to the methodology used to select the entities or programs to be audited**



In the context of a performance or mixed audit at budget program and/or entity level, 30 respondents noted their SAI conducts some analysis based on either one or multiple of the following elements outlined in Table 9.

Table 9

**Percentage of SAIs analyzing the following aspects during a performance and/or mixed audit (including performance elements) at budget program and/or entity level**

Method	Number of SAIs out of 38	Percentage of SAIs
Not applicable	1	n/a
No response	3	8%
Other method	3	8%
An explanation on the eventual differences between original and actual public goods and services at program level	18	49%
An explanation on the eventual differences between original and actual programs at entity level	18	49%
An explanation on the eventual differences between original and actual revenues and expenditures at program level	21	57%
An explanation on the eventual differences between original and actual revenues and expenditures at entity level	26	70%

Regarding the standards used for conducting performance and/or mixed audits at the program and/or entity level, 62 percent of respondents report using INTOSAI standards and guidance. See Figure 20 for the prevalence of the standards used and Table 10 for a breakdown of the standards used by country.

Figure 20

**Audit standards/best practices/frameworks used in audits of budget programs and/or entities**

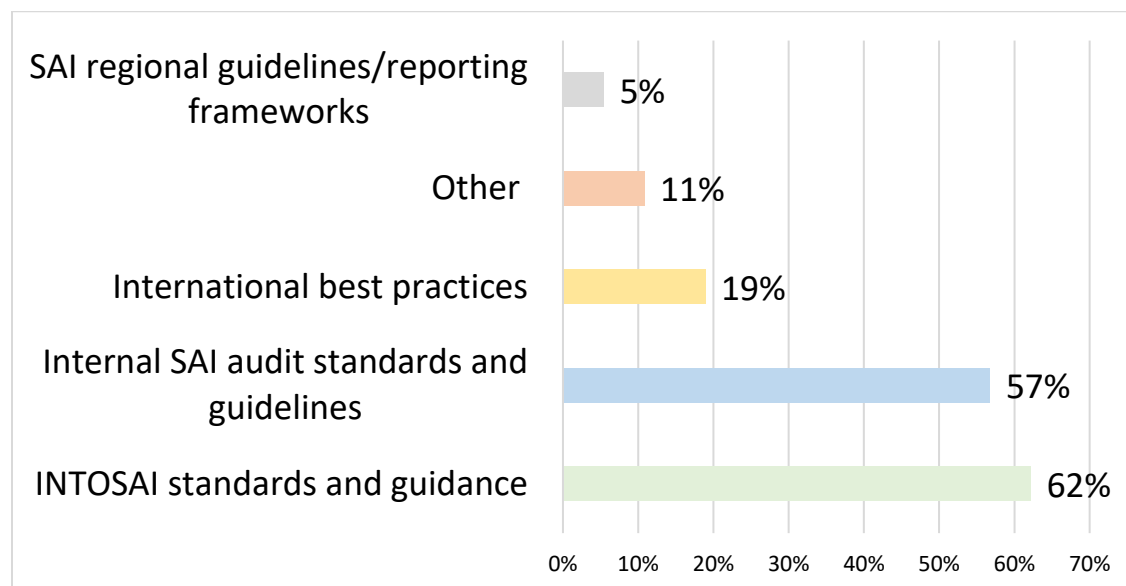


Table 10

**Audit standards/best practices/frameworks used in the audits of budget programs and/or entities, by country**

Country	INTOSAI standards and guidance	Internal SAI audit standards and guidelines	International best practices	Other	SAI regional guidelines/reporting frameworks
Algeria	X	X			
Argentina	X	X			
Australia		X			
Azerbaijan	X	X	X		
Bosnia and Herzegovina	X	X			
Bulgaria	X				
Croatia		X			
Cuba	X	X			
Cyprus	X	X			
Dominican Republic		X	X		
Egypt		X			
Eritrea	X				
France				X	
Greece		X			



Guatemala		X			
Guinea-Bissau	X				
Indonesia	X	X	X		
Ireland	X				
Japan				X	
Kingdom of Bahrain	X				
Kuwait		X			
Latvia	X				
Madagascar	X				
Myanmar	X	X			
New Zealand		X			
Paraguay	X	X			
Philippines	X	X			
Portugal		X			
Puerto Rico, U.S.A.				X	
Republic of Mauritius	X		X		X
Republic of Yemen	X	X			
Romania				X	
South Africa	X				
South Sudan	X		X		X
The Netherlands	X		X		
USA	-	-	-	-	-
Venezuela			X		
Viet Nam	X	X			

### Identifying budget credibility risks at the budget program and entity levels

Respondents from the SAIs of Algeria, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Cuba, Guatemala, Indonesia, Myanmar, Paraguay, Philippines, Portugal, Puerto Rico USA, Romania, the Republic of Yemen, South Sudan and South Africa reported that their SAI has identified relevant audit findings and associated budget credibility risks at the budget program and/or entity level. Case Studies 1 and 2 highlight some of these findings.

## Case Study 1

### Identifying credibility risks at the budget program level through auditing

#### Q&A with Indonesia's SAI

**Q:** *Tell us about an example of a relevant audit finding and associated budget credibility risks identified?*

**A:** The distribution of some government assistance programs is not fully carried out in a timely manner, in the right amount, and to the eligible beneficiaries. Deviations from the intended plan as stated in the budget documents undermines the effectiveness of the programs to meet the expected targets and purpose of the budget. Budgeting of some government assistance programs is not fully supported by reliable and valid beneficiaries' data. Unsound budgeting processes distort the planned budget for the programs and make it more likely for deviations to happen during the execution, which would lead to underspending

**Q:** *What were the causes of this audit finding?*

**A:** Lack of reliable and valid data on eligible beneficiaries; lack of regulations, facilities, infrastructure as well as distribution mechanism for government assistance programs; information system has not been fully optimized to support the planning, budgeting and execution of government assistance programs.

**Q:** *What were the effects of these causes?*

**A:** The target and the intended purpose of the programs would not be fully achieved; inefficient use and/or underspending of the government budget; and the effectiveness of the program would be undermined.

**Q:** *What are some of your recommendations to address these problems?*

**A:** (1) The government to improve the quality of the data used in the planning and budgeting process by integrating the data owned by each government agency and by other related entities involved in the execution of the programs. (2) The government to strengthen planning and budgeting processes by improving the systems and mechanisms used in those processes.

## Case Study 2

### Identifying credibility risks at the budget program level through auditing

#### Q&A with Portugal's SAI

**Q:** *Tell us about an example of a relevant audit finding and associated budget credibility risks identified?*

**A:** [...] one example of a relevant audit finding at the budget program level are the deficiencies in the budgeting of Basic and Secondary Education and Health programmes, whose limits are not complied with. This recurring situation reveals structural problems in the budget forecasting process, which need to be more realistic, and represents a risk to budget credibility.

**Q:** *What were the causes of this audit finding?*

**A:** The causes included the centralized appropriations within the Ministry of Finance, which increase budget control by the Ministry. Underbudgeting is mainly an attempt to control overall expenditures in Basic and Secondary Education, with inadequate provisions for career progressions. In Health programmes, underbudgeting is mainly the result of accumulated arrears.

**Q:** *What were the effects of these causes?*

**A:** Budget includes not all expected expenditures and categorizes some expenditure items in inadequate ministerial areas, reducing budget's credibility. As a result, budget execution is hindered by a larger volume of reallocations, increasing red tape, and not all [expenditures are] paid in due time, not solving the arrears problem.

**Q:** *What are some of your recommendations to address these problems?*

**A:** (1) Ensure the participation of all relevant entities in conceiving a strategy to integrate data in accounting systems, encompassing both operations and stocks and defining individual responsibilities.  
(2) Ensure that budget programming documents contain objective and complete information on the revisions made to the expenditure limits set in the medium-term budgetary framework, including its justification, quantification and compatibility with budgetary objectives.  
(3) Ensure that the implementation of performance budgeting, to be carried out in 2024, includes the articulation with the medium-term budgetary framework, materializing the necessary connection between the budgetary and public policy dimensions in an effective instrument for the multiannual management of public expenses.

## Section VI: Challenges

### Key takeaways

- Limited resources and expertise and the siloed organization of SAIs are identified as the main internal challenges to advancing SAI work on budget credibility.
- Weak internal controls in public administration and the lack of synergies between PFM stakeholders are perceived as critical external challenges to advancing SAI work on budget credibility.
- Survey respondents suggested potential remedies for mitigating internal and external challenges such as: enhancing staff professional development; increasing resources, including staff; improving coordination across levels of government, including through data and information exchanges; strengthening internal control mechanisms; and investing in new and updated technology.

### Internal and external challenges and possible solutions

Respondents were asked about the internal and external challenges SAIs face in carrying out audits related to budget credibility. Among the internal challenges, the most commonly identified was the scarcity of SAI resources (23 SAIs cited this as a concern), followed by the lack of expertise of auditors regarding PFM issues (21 respondents), as well as the organizational structure and working methods of the SAI—e.g. “silos” within the SAI organization that hinder the capacity of auditors to assess the PFM system with a whole-of-government approach—and a lack of customized regional assessment frameworks (8 respondents). Some respondents identified more than one of these challenges or all.

Regarding external challenges faced by SAIs, the most common challenges identified by respondents were inadequate internal controls in public administration (21 SAIs highlighted this as a concern), followed by a lack of synergies and collaboration among the key stakeholders of the PFM system (18 respondents), limited access to information (8 SAIs), and multiple (potentially conflicting) objectives of the PFM system, which makes it difficult for auditors to determine audit objectives (13 SAIs). Some respondents also highlighted concerns related to the wider institutional context. See Box 3 for one such example.

### Box 3

#### Institutional challenges to conduct audits of budget credibility

##### Institutional Challenges

- ✓ In Bosnia and Herzegovina, the 2021 budget law was not passed due to political deadlocks, and the 2022 one had not been adopted yet as of March. In these circumstances, it is a challenge for an SAI to address the issue of credibility in an appropriate manner since it does not relate to the responsibility of individual auditees, but to wider institutional factors. [Although] the budget needs to be politically approved, it is a document without which public administration cannot function.

Survey respondents were also asked for possible solutions to address both the internal and external challenges SAIs face. See Table 11 for examples of some possible solutions.

Table 11

#### Possible solutions to internal and external SAI challenges

Solutions	Examples provided by respondents
<b>Enhance staff professional development</b>	<ul style="list-style-type: none"><li>• Enable the professionalization and specialization of SAI staff to have an optimal human talent to perform effective audits.</li><li>• Increase the involvement of current employees in various types of local and international training to improve the professionalism of staff.</li><li>• Develop programs for the incorporation of trained human resources to the Mission Units in charge of auditing the PFM system.</li><li>• Engage in vocational training e.g., on critical thinking, remote auditing techniques, information systems for auditors from all regions of the country.</li><li>• Increase budget literacy among auditors.</li><li>• Increase specialization of external public auditors in the field of PFM.</li></ul>
<b>Increase resources, including staff</b>	<ul style="list-style-type: none"><li>• Provide adequate financial resources.</li><li>• Increase the number of SAI staff.</li></ul>
<b>Work with political entities to change policy to enhance</b>	<ul style="list-style-type: none"><li>• Promote PFM reforms at the national level.</li><li>• Update current legislation in line with latest international requirements.</li><li>• Having precise legal accountability measures in place to address failures to timely approve budget laws from which the SAI could derive audit criteria.</li></ul>

<b>effectiveness and accountability</b>	
<b>Improve coordination across levels of government, including through data/information exchange</b>	<ul style="list-style-type: none"> <li>• Have regular organizational meetings and discussions between participants in the budget preparation and implementation process at different levels.</li> <li>• Increase responsiveness of auditees to the outputs/recommendations of the SAI.</li> <li>• Increase interoperability and/ or interface with the SAI’s Integrated Financial Management Information System (IFMIS) as well as with IFMIS of auditees/ general government entities or entities controlled by the state.</li> <li>• Reinforce synergies and collaboration among all key stakeholders of the PFM system.</li> <li>• Improve availability and quality of public information by government.</li> </ul>
<b>Strengthen internal control mechanisms</b>	<ul style="list-style-type: none"> <li>• Design internal controls that could be used generally for all audit subjects.</li> <li>• Influence auditees to strengthen internal control through audits.</li> <li>• Strengthen the standards of minimum requirements for internal control systems in public administration.</li> <li>• Increase coordination of internal control, development of legal framework, increased interrelation between control levels (operational, sectorial and strategic).</li> <li>• Perform monitoring of entities compliance with internal controls policies.</li> </ul>
<b>Invest in new and updated technology</b>	<ul style="list-style-type: none"> <li>• Update technological equipment and infrastructure.</li> <li>• Increased licenses for special audit software and big data analysis software, and increased use of artificial intelligence and machine learning applications.</li> <li>• Improve SAI resources so that the staff has sufficient technological equipment to improve the capacity of audits.</li> </ul>
<b>Adjusting frameworks and approaches</b>	<ul style="list-style-type: none"> <li>• Customize regional assessment frameworks.</li> <li>• Encourage thematic or collaborative audits involving several units in SAI organization or several SAIs that relate to budget credibility on specific audit themes, for example: audit on education budget.</li> <li>• Elaborate a specific methodology related to the evaluation of PFM system for SAIs.</li> <li>• Harmonization and development of audit methodologies, professional standards and reporting models.</li> </ul>

## Section VII: Follow-up to Audit Recommendations

### Key takeaways

- Most SAIs follow guidance or manuals to formulate audit recommendations. However, most SAIs do not use any specific criteria to classify or prioritize recommendations.
- In most countries surveyed, the legal framework does not require auditees to prepare a specific plan to redress findings and implement audit recommendations.
- Most SAIs do not leverage ICTs to monitor the implementation of audit recommendations.
- Most surveyed SAIs follow up on the recommendations included in the audit report on the annual state budget execution.
- Most SAIs do not engage with civil society during the audit process in audits related to the budget and the level of collaboration with Parliaments on the report of the annual state budget execution varies.

### Legal and administrative frameworks

Of those SAIs surveyed, 79 percent of respondents said their SAI follows some manual or guidelines for formulating audit recommendations. For example,

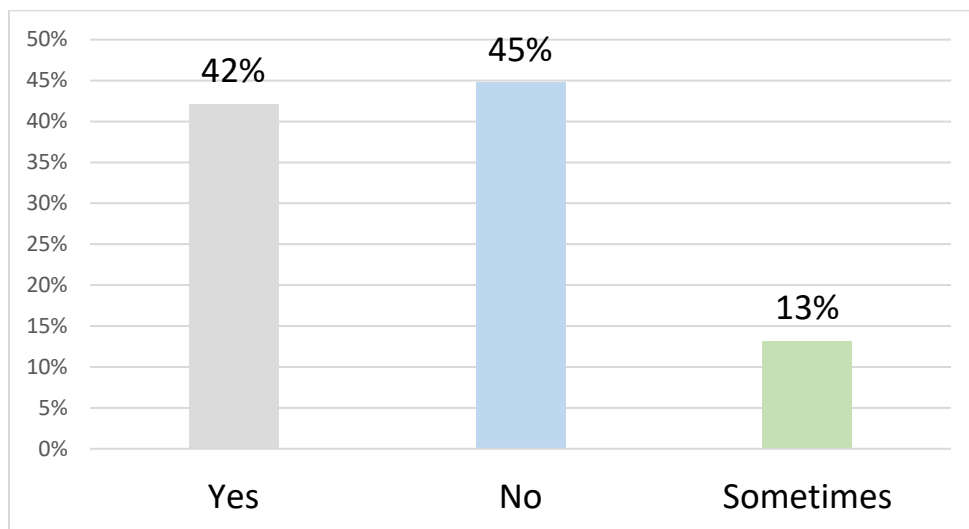
- The Kingdom of Bahrain's SAI uses an audit manual prepared internally based on INTOSAI standards.
- Japan's SAI has developed its own internal guidelines.
- Madagascar's SAI uses CREFIAF guidelines and good practices from other SAIs.
- Greece's SAI staff follows manuals based on the legal framework, type of audit, audit scope, and INTOSAI best practices.

Most respondents noted their SAI does not use any specific criteria (e.g., based on priority or time horizon) to classify audit recommendations. Overall, only 34 percent of respondents reported using specific criteria to classify recommendations. For example, the Comptroller General of Guatemala classifies them by priority level and SAI Venezuela and SAI Madagascar classify them by short/medium/long term. Algeria's SAI classifies audit recommendations based on their significance.

Almost half of the SAIs in the sample (45 percent) operate in a country where a legal act requires the government to prepare an action plan to implement audit recommendations (see Figure 21).

Figure 21

**Percentage of countries where a legal act requires the government to prepare an action plan to implement audit recommendations**



Most respondents (44 percent) indicated that government entities in their respective countries are subject to deadlines for the implementation of audit recommendations, while 33 percent reported the lack of specific deadlines. 17 percent of respondents noted that government entities are sometimes but not always subject to deadlines for implementing audit recommendations (see Figure 22).

In those countries where deadlines for the implementation of audit recommendations exist, the establishment of deadlines differs across countries. While in some countries they are set by the SAI, in other countries they are determined by regulation or jointly determined by the SAI and the auditee. See Table 12 for more details.



Figure 22

**Percentage of SAIs that reported audited government entities are subject/not subject to deadlines for the implementation of SAI recommendations**

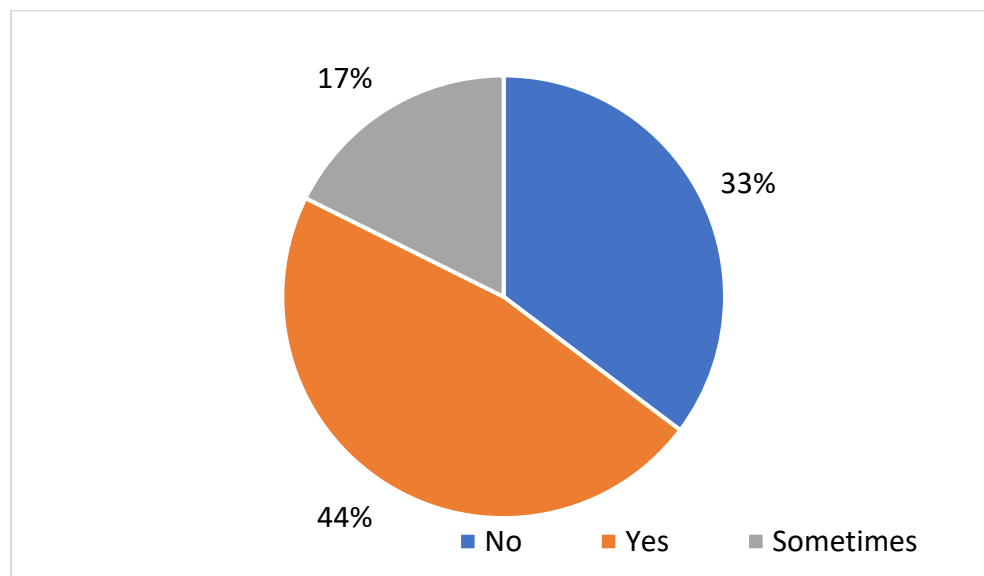


Table 12

**Determination of deadlines for the implementation of audit recommendations by country**

Determined by the SAI	Determined by the SAI and the auditee	Determined by regulation
Egypt, France, Ireland, Myanmar, Portugal, Romania	Algeria, Bulgaria, Croatia, Cuba, Dominican Republic, Guinea-Bissau, Latvia	Azerbaijan, Indonesia, Puerto Rico USA, South Sudan

Working with legislative bodies

61 percent of respondents reported that their country’s legislative body scrutinizes the audit findings and recommendations included in the audit report on the annual state budget execution, as well as other audits. Legislative scrutiny and follow-up on audit recommendations varies across countries. In some cases, the legislative body takes an active role to promote redress measures, including by requesting improvement plans (e.g., the Netherlands) or even reducing the allocated budget (e.g., the Philippines). In other countries, the SAI and the legislative body liaise with other accountability institutions with enforcement powers (e.g., South Sudan). In New Zealand, the SAI performs an informal advisory role to the parliament in the legislative review of the performance of public entities. See Table 13 for some examples of this process in selected countries.

Table 13

**Actions taken by legislative bodies after scrutiny of SAI recommendations**

Country	Description
Argentina	The National Congress approves or rejects the annual investment accounts presented by the Executive, considering the reports of the SAI. The SAI reports are sent to the executive for explanations on the audit findings.
Bosnia and Herzegovina	The management of each institution/entity that has received a qualified audit opinion in their financial audit reports is required to attend a public hearing before the Parliament (performance audit reports are not subject to public hearing).
Ireland	Published audit recommendations are scrutinized by the Public Accounts Committee on behalf of Parliament.
Latvia	The State Audit Office regularly reports to the parliamentary committee responsible - Public Expenditure and Audit Committee - on the performed audits, the implementation of the audit recommendations and their results.
New Zealand	<p>The findings and recommendations from each annual financial statement audit are reported to the governance of the respective entity. However, the committees of Parliament perform annual review processes of the performance of most central government entities. The Office of the Auditor-General assists the parliamentary committees by providing advice in these review processes. This includes providing a written briefing that includes summarized coverage of recommendations reported to the entity governors and providing verbal advice in a private session with the parliamentary committee prior to the entity being called to answer questions from the committee on its performance.</p> <p>The legislative body may adopt SAI recommendations for lines of questioning in its examination of the budget. These are suggested lines of questioning for committees to use in their scrutiny of the budget. The SAI provides these recommendations in confidence in its advisory role (i.e., they are not recommendations to the executive, and they do not result from audit work.) The actions taken by the parliamentary committee following the scrutiny of the entity performance depend on the issues identified in the session. In most cases, the committee will rely on the entity to address the issues without further follow-up. Only significant issues will be covered at parliamentary committee level. The committee may require an entity to report back on an issue within a particular timeframe. The auditors will also follow up in the following year and report in their briefing to the committee each year any significant outstanding issues.</p>
Philippines	The legislative body requires the audited agency to explain the adverse audit observations on utilization of funds and may reduce the budget of the agency concerned, if necessary.

Portugal	The Parliament receives the Opinion on the General State Account (GSA) from the Court of Auditors before voting the GSA approval, and the President of the Court is invited to a public hearing in a multi-partisan committee specialized in financial matters. The Parliament and this committee also received all Court reports on the implementation of the Public Finances Reform. The Court reports were taken into consideration during the discussions to postpone the implementation schedule of the reform and to support the need for a phased implementation.
South Sudan	The Public Accounts Committee (PAC) conducts public hearings with the Ministries, Departments and Agencies and then produces its own report on the report of the Auditor General. The PAC either submit its recommendation/report to the Anti-Corruption Commission or the Prosecutor General, who has enforcement powers.
The Netherlands	The Parliament often uses audit findings and recommendations to demand action on the part of the responsible ministers, such as requests to report additional information or set up and implement improvement plans.

Information, technology, and documentation

Almost all the respondents (92 percent) reported their SAI follows up on audit recommendations except for Guinea-Bissau, Kuwait, and New Zealand. The respondent from Guinea-Bissau noted that “the Court sometimes makes follow-up recommendations on some entities previously audited.” Most respondents reported that all recommendations of an audit report are followed-up on by the SAI, except for the SAIs of Cyprus, Madagascar, Puerto Rico USA, and Viet Nam, which reported that follow-up on audit recommendations happens on a case-by-case basis

Specifically regarding budget issues, 76 percent of respondents reported that their SAI follows up on the recommendations included in the audit report on the annual state budget execution. SAIs that do not follow up on this matter are Eritrea and Guinea-Bissau. The SAIs of Australia, Japan, Kuwait, New Zealand, Puerto Rico USA, and Venezuela noted that this matter was not applicable to their SAI. 65 percent of respondents highlighted that their SAI has a formal policy or procedure in place for conducting the follow-up to audit recommendations.

61 percent of respondents reported that their SAI does not use any electronic system for monitoring the implementation of audit recommendations. Additionally, 43 percent of the respondents reported that their SAI uses follow-up audits as the main source of information regarding the implementation of recommendations included in audit reports. 41 percent reported that they rely on the notice of response sent by the auditee (for example, through an action plan or reply to a questionnaire). See Figure 23 and Figure 24 for more information.

Figure 23

**SAI's usage of electronic systems for monitoring the implementation of audit recommendations**

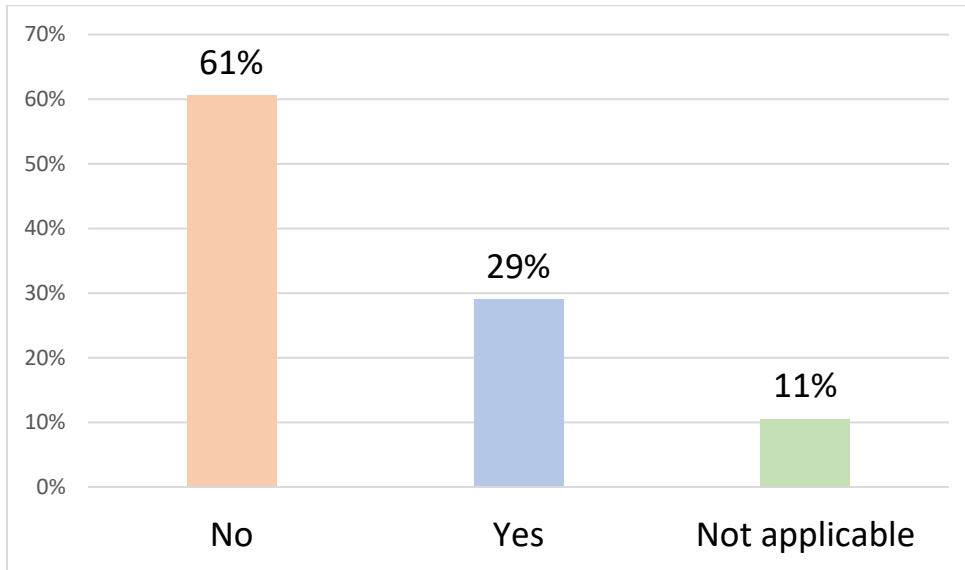
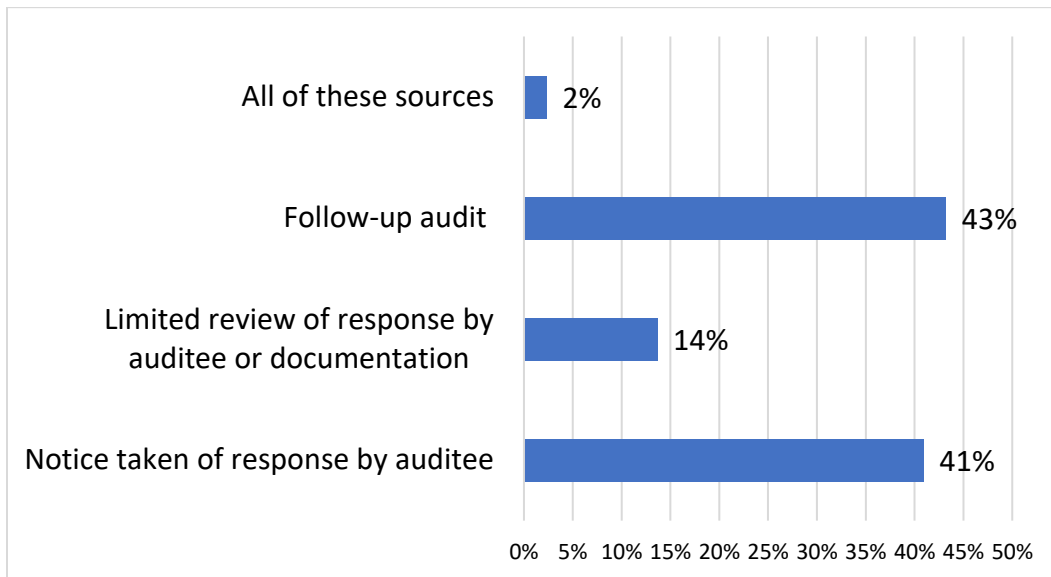


Figure 24

**SAI's sources of information about the implementation of recommendations in audit reports.**



58 percent of respondents noted that their SAI acts if audit recommendations have not been implemented. Some respondents (including Australia, Bosnia and Herzegovina, France, Latvia, The Netherlands, Portugal and Viet Nam) indicated that their SAIs act on a case-by-case basis (see Figure 25). Most respondents (55 percent) reported that their SAI makes a separate report on the follow-up to audit recommendations (see Figure 26).

Figure 25

Percentage of respondents reporting their SAI takes any action if audit recommendations have not been implemented, by response

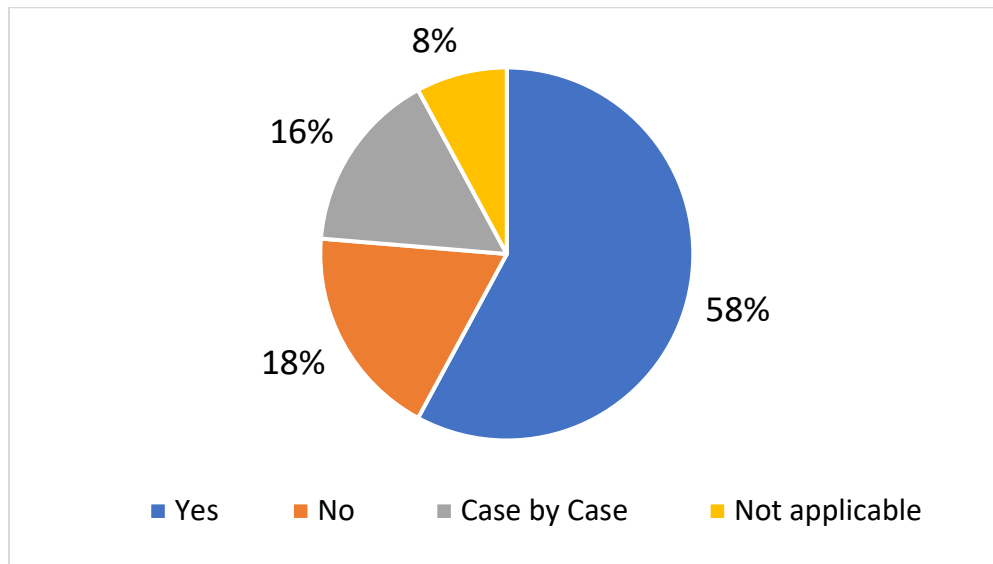
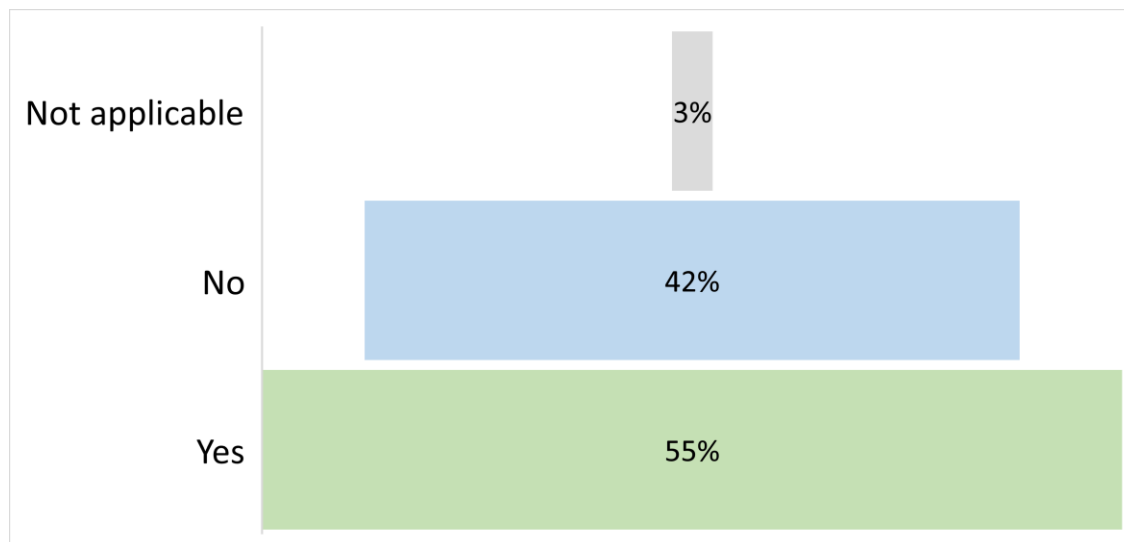


Figure 26

Percentage of respondents reporting their country's SAI makes a separate report on the follow-up to audit recommendations/reports



Note: N=38

## Engagement with civil society

Most respondents – 61 percent – do not engage with civil society during the audit process in audits related to the budget. See Table 14 for more details. Overall, the most common phases of the audit process in which civil society participates, according to the survey responses, are the planning and execution phases. See Figure 27 for more information.

For those SAIs that engage with civil society, several reported engaging with civil society in different ways, depending on the type of audit conducted. For example, some SAIs (e.g., Bulgaria, Cuba) engage with civil society in all types of audits (financial, compliance and performance), while others only engage with civil society when conducting specific types of audits. For example, compliance and performance audits (e.g., the Philippines); financial, compliance and performance audits (e.g., Azerbaijan); compliance, performance, and mixed audits (Greece); financial and compliance audits (Argentina); and performance audits (Latvia, Australia, Indonesia, and Portugal).

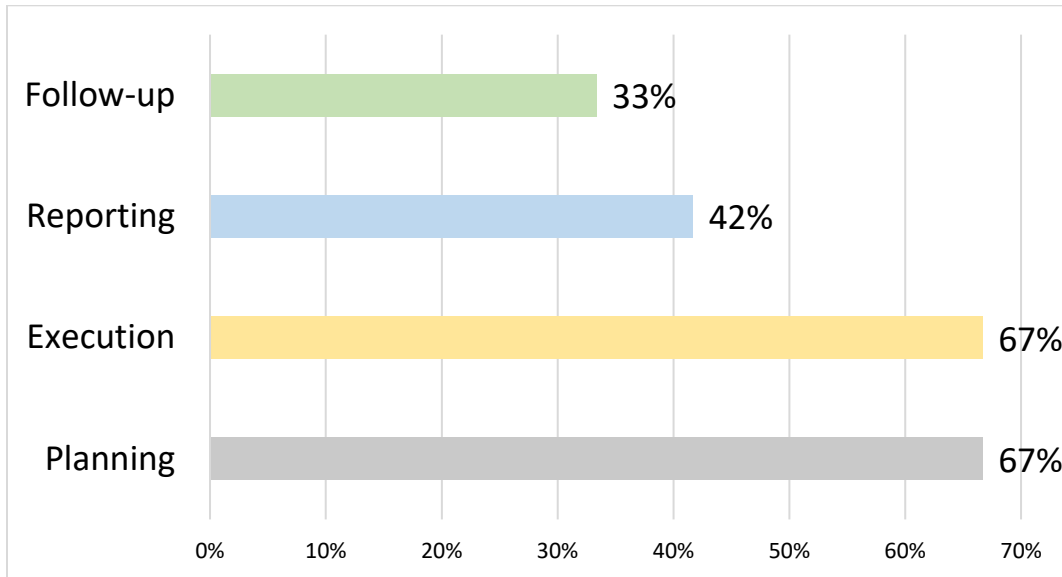
Table 14

### SAIs engagement with civil society during the audit process in audits related to the budget

Do not engage	Engage
Bosnia and Herzegovina	Algeria
Croatia	Argentina
Cyprus	Australia
Dominican Republic	Azerbaijan
Egypt	Bulgaria
Eritrea	Cuba
France	Greece
Guatemala	Indonesia
Guinea-Bissau	Latvia
Ireland	Paraguay
Japan	Philippines
Kingdom of Bahrain	Portugal
Kuwait	The Netherlands
Madagascar	USA
Myanmar	Viet Nam
New Zealand	
Puerto Rico U.S.A.	
Republic of Mauritius	
Republic of Yemen	
Romania	
South Africa	
South Sudan	

Figure 27

Percentage of respondents that reported their SAI engages with civil society according to the phase of the audit process



Note: SAIs can engage with civil society in several of these phases

## Section VIII: Conclusion

The results of the survey show that SAIs are interested in strengthening their contribution to the credibility of government budgets. In general, SAIs are not constrained by their mandates to undertake audits related to budget credibility. SAIs across regions have diverse experiences in auditing public finance management and budget-related issues. They do not audit budget credibility as such but rely on different audit practices to examine various aspects related to the budget or the wider public financial management system. Examples of these audits, however, show their value to understand budget deviations and their causes, and other factors that may affect budget credibility. Externally, a major challenge identified by some respondents relates to the performance of the public financial management system, which makes it difficult for the SAI to audit the budget in a timely manner in some countries.

Overall, SAIs identify the need to have further guidance and enhance their expertise on budget issues, and to leverage technologies to strengthen their capacities in this area. Externally, they highlight the importance of strengthening internal control in public administration and improving coordination across levels of government. While SAIs have improved monitoring and follow-up to audit recommendations in the last few years, these gains have not always been reflected in audits related to government budgets. There are opportunities for SAIs to leverage technologies and engage external stakeholders around audits related to budget credibility. Some good practices of engagement with parliaments and civil society on budget discussions also provide promising opportunities to strengthen this work going forward.