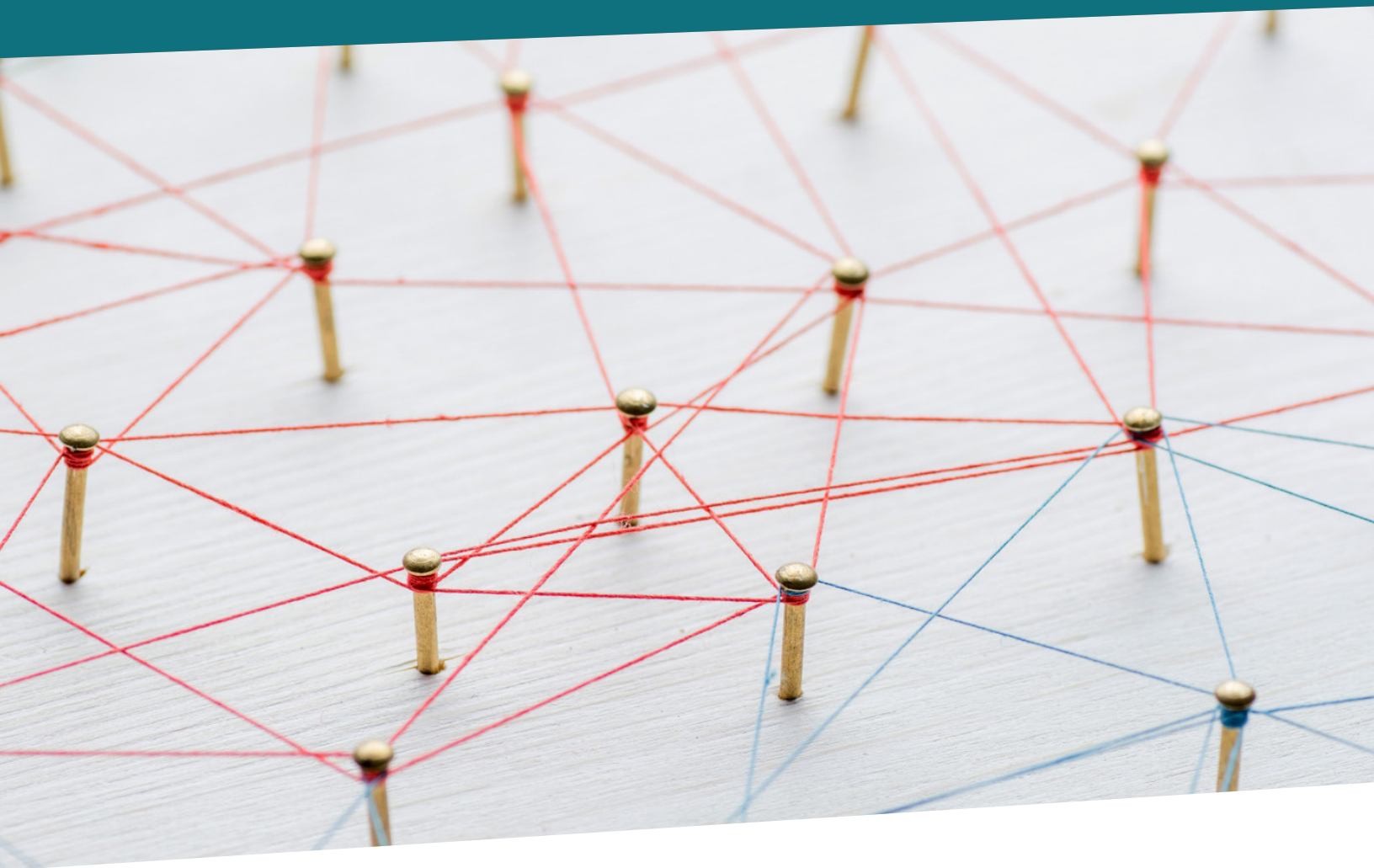


Strengthening Budget Credibility through External Audits

A Handbook for Auditors



**United
Nations**

Department of
Economic and
Social Affairs



**International
Budget
Partnership**

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Suggested citation: United Nations Department of Economic and Social Affairs and the International Budget Partnership, 2023. Strengthening Budget Credibility through External Audits: A Handbook for Auditors, available at: <https://internationalbudget.org/publications/strengthening-budget-credibility-through-external-audits-a-handbook-for-auditors/>

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Chapter 7: Strengthening budget credibility through audit reports and follow-up

For audit work to advance budget credibility, SAIs need to produce quality audit findings; solid and actionable recommendations; and have a system in place to monitor the response by government entities. To that end, this chapter (1) provides guidance on ways to improve the formulation of findings and recommendations; (2) reflects on how audit follow-up can monitor and spur the implementation of recommendations more effectively; and (3) highlights the importance of SAIs working with key stakeholders to enhance audit impact and improve citizens' lives.

As noted throughout this handbook, the auditor is well placed to report on cases where budgets lack credibility – that is, where the government has not raised or spent its resources according to the approved plan. Given SAIs' traditional mandate for oversight of budget execution, even if external audits do not present audit findings in terms of budget credibility explicitly, the information they provide can be used to assess and address the lack of it. On the other hand, as discussed in Chapter 3, because of SAIs' important role in the public financial management ecosystem, if audit work and follow-up are ineffective, the risk of inefficient budget execution increases and, ultimately, worsens budget credibility.

In the audit process, *follow-up* refers to the examination of corrective measures adopted by the audited entity to respond to the audit findings, as well as the implementation of the recommendations. (See Figure 1.1 in Chapter 1.) Follow-up is important for all types of audits (financial, compliance, and performance) and increases the value of an audit by strengthening its impact.¹⁵⁸

Still, audit impact is not something that SAIs can achieve on their own. For an SAI to be able to perform effectively and meaningfully, it needs to stay relevant to its stakeholders. Therefore, it is crucial for SAIs to identify and engage with key stakeholders during and after the audit process, from planning through follow-up on audit recommendations.¹⁵⁹

7.1. Towards a quality audit report: Formulating findings and recommendations

Centering audit work around the idea of budget credibility is meant to focus audit objectives more squarely on bettering public financial management

¹⁵⁸ See ISSAI 100, ISSAI 200 and ISSAI 300.

¹⁵⁹ INTOSAI-IDI, 2021. Audit of Transparency, Accountability, and Inclusiveness of the use of emergency funding for COVID-19 (TAI Audits). A practical guide for Supreme Audit Institutions. <https://idi.no/elibrary/professional-sais/tai-audit/1212-tai-practical-guide/file>

(PFM) and service delivery. Regardless of the SAI mandate or type of audit conducted, the execution stage of the audit process involves obtaining appropriate and sufficient evidence to answer the audit objectives and questions. In turn, these audit findings will be the inputs for formulating the audit recommendations (if applicable).¹⁶⁰

Accordingly, the audit report should explain why (*causes*) and how (*effects*) the problems identified (*findings*) affect the performance of the auditee, and how addressing those causes through specific corrective actions (*recommendations*) can help improve governance and/or service

delivery. This requires not only focusing on the audit findings but, where applicable, also on the recommendations formulated to correct the deficient situations.¹⁶¹

Pinpointing the causes and effects of an audit finding is essential for an audit to ultimately generate impact. Findings can often be symptoms or manifestations of deeper, systemic issues. Delving into the underlying or “root cause” of a deficiency finding allows the auditor to develop more appropriate recommendations to correct it. (Box 7.1.)¹⁶²

Box. 7.1. Root cause analysis

Root cause analysis is not a single methodology, but rather a body of qualitative and quantitative tools and techniques to understand why something happened or how a situation developed. It allows audit offices to develop recommendations to correct the underlying causes of reported findings and deficiencies.¹⁶³

For example, key questions to probe include:

- Why do the deficiencies occur?
- Why are the entities not in compliance?
- Why are risks not being managed or intended results not being realized?
- Why are strategies not developed?
- Why is the information needed to support decisions not available?

The basic elements of findings and recommendations to be addressed in an audit report include:

- the observation – including the details of the irregularity or deviation,¹⁶⁴
- its fundamental cause,

- the justification, if any, by the auditee for the irregularity or deviation
- corrective measures that should be taken and by whom
- the likely effect¹⁶⁵ of the implementation of the recommendation

¹⁶⁰ Some SAIs, according to their mandate, cannot formulate audit recommendations.

¹⁶¹ INTOSAI P-12, 2019. The Value and Benefits of Supreme Audit Institutions - making a difference to the lives of citizens https://www.intosai.org/fileadmin/downloads/documents/open_access/INT_P_11_to_P_99/INTOSAI_P_12/INTOSAI_P_12_en_2019.pdf

¹⁶² CAAF, 2020. Better integrating root cause analysis into Public Sector Performance Auditing

¹⁶³ Ibid.

Table 7.1. Examples of audit findings related to budget credibility.

SAI	Budget credibility finding	Recommendation(s)	Impact
Indonesia	A large amount of carry-over and unused budget monies	Identify the affected program/project/ activities and provide a catch-up plan to resolve any adverse effects of unutilized funds. Provide sufficient information to the public on the large carry-over and unused amounts.	More projects are realized. Improvement in the budget execution performance indicator as well as the performance evaluation.
Zambia	Debt management policy is not aligned with the medium-term fiscal strategy	There should be a system to manage the contraction of debt by the Executive such as approval of new debts by the Legislature. The MoF debt management system should be interlinked with the Central Bank to ensure debt settlement is supported by the available resources in the Central Bank.	The linking of the debt management systems between the Ministry of Finance and the Central Bank will make it easier to establish a clear and comprehensive country debt position and help the MoF to make informed coordinated decisions on debt contracting and management.

Communicating findings and recommendations effectively

Recent surveys reveal that too many stakeholders – including audited entities – do not find audit reports understandable or accessible. Writing up findings and audit recommendations in a simple and straightforward manner is essential – but also not easy.

SAI manuals should encourage the writing of findings in plain language so that all stakeholders

can easily understand the main results of the audit work. Many auditors (including 79 percent of the 38 respondents to our SAI survey) rely on their SAI audit manual for guidelines on formulating recommendations, tips on writing style, the number of recommendations considered appropriate in an audit report, and other aspects of producing their audit report.¹⁶⁵ Some SAIs that have established stronger alliances with civil society enlist citizens to advise them on the readability of their report. (See Box 7.2.)

¹⁶⁴ Lakin and Herrera, 2019.

Box 7.2. Civil society can help to simplify audit reports for wider audiences

As part of an innovation drive, **the Philippines'** Commission on Audit (COA) set up the Citizen Participatory Audit (CPA) where citizens and the COA exchange aspirations, objectives, and more. Among other things, the COA and citizens partner in simplifying and communicating audit reports, designing data gathering instruments, formulating policy, developing courseware and learning material and facilitating training.

Source: <https://cpa.coa.gov.ph/> and INTOSAI Capacity Building Committee, 2021. "SAI, and Civil Society Engagement – Good Practices," p. 5 available on https://www.intosaicommunity.net/document/knowledgecenter/CSO_SAI_good_practices_V2.pdf

SAIs are more effective if their work is known, read, and understood outside the organization. Following the general principles of the SMART¹⁶⁶ model – drafting specific, measurable, attainable, relevant, and time-bound guidance – is the

best way to deliver accessible findings and recommendations to the auditees and to external actors, including the executive, the legislature, civil society, and the media.

Box 7.3. Guidelines for writing up SMART findings and recommendations relating to budget credibility

Ensure findings and recommendations are simple to read, clear, logical, and:

SPECIFIC: Focus on a specific finding in a specific context and point to the specific stakeholder(s) positioned to address the issue.

MEASURABLE: Describe the extent of the deviation from the approved plan and detail the parameters of the recommendation to redress it.

ATTAINABLE: Are the recommendations realistic? Present recommendations in order of the most important issue and progress to the least important and move from the corrective steps that are easiest to achieve to the most difficult ones, or to the sequence of steps needed for implementation. Convey to the Executive that implementation will enhance the administration's overall viability – and gain public trust.

¹⁶⁵ UNDESA/IBP SAI survey, 2022.

¹⁶⁶ Barbara Adams and Ann Winstead, 2008. Write SMART: Internal auditors can use a specific communication technique to create value-added audit reports, Institute of Internal Auditors, USA.

RELEVANT: Be aware of the benefits of the audit results to the user. This does not mean compromising findings that adhere to acceptable practices or standards, but it does mean stating findings in such a way that urgency in the tone of the writing elicits a constructive response to report results.

TIME-BOUND: Address benchmarks and deadlines for achieving measurable results. Organize the recommendations and corrective actions in a matrix that provides a timeline for completion; this will not only give attention to them but will give direction on how the results should be interpreted and used. Designate timeframes clearly so the user will know whether all areas of concern have been completely addressed within the specified period. Further, a timely report enables prompt and effective action.

Preparing the audit report

When completing the audit, the auditor will need to determine which recommendations to move forward, in what order, and when. Keeping the audit objectives top of mind, classifying recommendations according to certain criteria is a useful way to guide the auditee and will help focus the legislature and civil society on the aspects of the audit that the SAI considers most pressing – e.g., those items that will lead to more credible PFM and improved service delivery. Surprisingly, at this point only 34 percent of respondents to the handbook survey indicate they use any specific criteria to classify their audit recommendation.¹⁶⁷

Weigh priorities: Different criteria can be used to classify and prioritize audit recommendations, including, for example:

- risk (high, medium, low)
- significance associated with the universe of stakeholders affected (greater importance to those recommendations that have a greater impact on a larger universe of stakeholders),
- temporality (recommendations that can be implemented in the short, medium, or long term),
- the systemic or particular nature of the recommendations (if they can be implemented exclusively by the audited entity or require joint management with other entities).

Box 7.4. The concept of materiality is important when prioritizing audit findings and recommendations.

- Findings are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions taken, based on the auditor's report.
- Will the relative importance of the matter, in the context in which it's being considered, influence the decisions of users of the report, such as the legislature or executive?
- In addition to monetary value, materiality includes issues of social and political significance, compliance, transparency, governance, and accountability.

¹⁶⁷ UNDESA/IBP SAI survey, 2022.

- The auditor's consideration of materiality is a matter of professional judgment and is affected by the auditor's perception of the common information needs of the intended users.

Source: GUID 3910. Central Concepts for Performance Auditing, INTOSAI, 2019 <https://www.issai.org/wp-content/uploads/2019/08/GUID-3910-Central-Concepts-for-Performance-Auditing.pdf>

Box 7.5. Increasingly, SAIs and civil society are coming together to apprise each other of their priorities.

In **Peru**, public hearings held by the national audit agency, CGR, have made it possible to map significant problems that affect its citizens. During the period, 2018-2019, over 11,000 citizens spoke out in 128 public hearings on irregularities in the use of public goods and resources. Since 2019, new workshops have educated citizen participants on the mandate of the CGR and improved the quality of citizen input.

Kenya has a Citizen Engagement Framework to identify the CSOs and stakeholders for its Citizen Accountability Audit which in turn informs the SAI's Annual Audit Plan and can even lead to stand-alone audits.

In **Ghana**, the Audit Service launched the CITIZENEYE app in 2019, the first mobile application in Africa that allows citizens to report public service delivery issues to the Auditor General.

Sources: Marcos Mendiburu, 2020. La participación ciudadana en las entidades fiscalizadoras superiores en América Latina: ¿avance o impasse?, p. 33 <https://accountabilityresearch.org/wp-content/uploads/2020/08/2020-Mendiburu-PANORAMA-mayo2020.pdf> INTOSAI Capacity Building Committee, 2021. SAI, and Civil Society Engagement – Good Practices, p. 3, https://intosaibc.wpenline.com/wp-content/uploads/2021/06/20210629-Engagement-with-Civil-Society_A-Framework-for-SAIs_CBC_28-June-2021_fnl.pdf

Confer with the auditee: Ideally, the auditor will meet with the audited entities to discuss audit results before releasing their report to the

executive (and the public). (See Box 7.6 for an example.)

Box 7.6. Conferring with the auditee for best outcomes – an example

Prior to completing their audit report, **the Philippines'** Commission on Audit (COA) conducts an exit conference for dialogue and collaboration with their auditee. This is done to give both the auditee and auditor the opportunity to clarify areas of findings, to eliminate miscommunication, and to ensure the recommendations are (a) specific, measurable, achievable, relevant, and time-bound; (b) address the root cause(s) of the problem or deficiency; and (c) provide clear citation of measures to resolve identified deficiencies.

Further, the auditees are urged to prepare an "Implementation Plan" in consultation with the auditor to ensure they understand and agree to the workability of the audit recommendations.

Establish deadlines: Most of our survey respondents (67 percent) highlighted the need to establish deadlines for the audited entity to implement the recommendations. Some SAIs reported having deadlines set in advance. For example, for financial audits, the deadline is usually the following fiscal year. Others define it on a case-by-case basis according to the nature (materiality, urgency, and significance) of the recommendation and/or the type of audit. Some SAIs discuss and agree on the implementation period with the auditee; this dialogue contributes to the objective of achieving impact and adding value. Finally, even in those cases in which the SAI does not establish a deadline, they do require the auditee to provide a clear plan identifying the steps they will take to ensure implementation of the audit recommendations.

7.2. Following up on audit recommendations

While issuing robust recommendations during the audit process is very important, monitoring to follow-up on the remedial actions taken to restore credibility is crucial. The extent to which the recommendations are implemented by government entities is a key indicator of the impact of an audit. Yet, this remains the weakest link in the work cycle of SAIs. According to the latest INTOSAI Global Stocktaking Report (2020), SAIs self-report that only half of their recommendations are mostly or fully implemented.¹⁶⁸

SAIs need to systematically keep track of how their findings are being used and their

¹⁶⁸ INTOSAI Development Initiative (IDI), 2020. Global SAI Stocktaking report, Oslo, IDI at <https://www.idi.no/elibrary/global-sai-stocktaking-reports-and-research/global-sai-stocktaking-report-2020/1476-idi-global-sai-stocktaking-report-2020-v0104/file>

recommendations implemented. A follow-up process not only facilitates the effective implementation of corrective action but also provides valuable feedback to both the audited

entity and other stakeholders (e.g., civil society). (See Figure 7.1 for an example from SAI South Africa.)

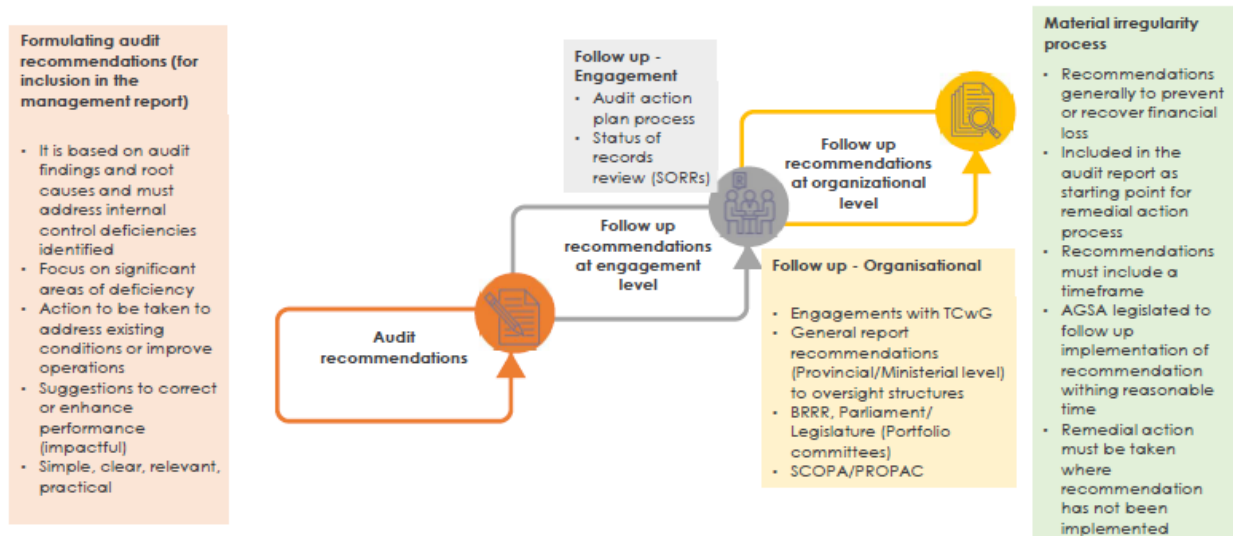


Figure 7.1. Monitoring and follow-up to audit recommendations in South Africa

Source: Auditor General of South Africa

Process: Many SAIs (including 92 percent of the respondents to the 2022 UNDESA/IBP SAI survey) report they have some sort of procedure(s) in place to follow up on audit recommendations. These systems could be leveraged to follow up on recommendations related to budget credibility. Already 76 percent of survey respondents follow up on recommendations concerning some aspect of the annual execution of the state budget.¹⁶⁹

For audits that are carried out regularly, the monitoring processes can become inputs for risk

assessment and decision-making in planning future audits (ISSAI 400).¹⁷⁰ For example, the SAI of South Sudan uses the recommendations of one audit as the starting point for the next. The audit recommendations not implemented by the audited entity are transferred to the results of the next audit.

Frequency: In terms of the timing of the follow-up on audit recommendations, some SAIs have established a regular frequency (quarterly, semi-annual, or annual monitoring), while others

¹⁶⁹ UNDESA/IBP SAI survey, 2022, p. 43.

¹⁷⁰ INTOSAI, 2019. ISSAI 400. Compliance Audit Principles, <https://www.issai.org/wp-content/uploads/2019/08/ISSAI-400.pdf>

monitor the implementation of recommendations according to the nature of the audited matter and/or the type of audit (financial, compliance, or performance). Rather than pursuing a specific interval for follow-up, Japan's SAI monitors the implementation of its audit recommendations on an ongoing, continuous basis until the auditors consider that the corrective measures have been correctly implemented.

Reporting: The follow-up actions to audit recommendations can be reported on individually or in a consolidated report, which includes the analysis of different topics and/or different audits. It may, in turn, form part of the audit report or be presented as a separate document (as was the case for 57 percent of our survey respondents). A separate document on follow-up is preferred for performance audits. Further, an insufficient or unsatisfactory performance by an audited entity may require an additional report from the SAI.¹⁷¹ The assessment of this responsibility is generally based on whether the SAI or the legislature publishes a report to the public that monitors the actions of the executive to address the audit recommendations. In either case, it is important that the SAI and the legislature publish all monitoring reports in accessible formats.

Action plans: Some SAIs, per their mandate, have the legal authority to require the government, ministry, and audited entities to prepare a plan of action to implement the recommendations of the audit reports. In general, an action plan should always describe (1) the actions to be implemented, (2) the stakeholder who is responsible for carrying them out, (3) the resources to be committed, and (4) the deadline for compliance.

Encouraging auditees to draw up an action plan is more likely to lead to the successful implementation of corrective measures. At a minimum, as described in the example in Box 7.6, an action plan provides a useful means for the auditee and the auditor to communicate with each other and to ensure the auditee correctly understands the recommendations.

Incentives: SAIs grapple with how to create incentives for audited entities to follow up on their recommendations. The Philippine government offers a performance-based bonus to agencies that achieve or exceed their performance targets;¹⁷² compliance with the audit recommendations is only one criterion but the SAI is the validating agency providing the government the information on this aspect. By contrast, in the countries where the SAI is of the jurisdictional model, an entity may face fines or other sanctions for noncompliance (e.g., in Brazil). Other SAIs have learned that the timely accessible publication of audit findings and recommendations results in more public and legislative pressure on the audited entities to address their shortcomings.

Communication: Again, it is important that SAIs communicate their work in a way that makes it easy for legislators (and for all other stakeholders) to act on the audit findings. In most cases, SAIs present the results of their audits to Parliament and request the lawmakers' feedback. SAIs can also seek feedback from the public on the outcomes of their audits through surveys, the monitoring of media coverage of audits, and the enabling of all stakeholders to share their comments via the SAI's website.

¹⁷¹ INTOSAI, 2019. ISSAI 100. Fundamental Principles of Public-Sector Auditing. <https://www.issai.org/wp-content/uploads/2019/08/ISSAI-100-Fundamental-Principles-of-Public-Sector-Auditing.pdf>

¹⁷² Jose Ramon Albert, Ronald Mendoza, Janet Cuenca, Gina Opiniano, Jennifer Decena-Monje, Michael Pastor, and Mika Muñoz, 2019. Process Evaluation of the Performance-Based Bonus (PBB) Scheme, Philippine Institute for Development Studies. <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps1915.pdf>

Box 7.7. On communications and engaging with civil society – an example from Sierra Leone

In **Sierra Leone**, the Audit Service and civil society collaborate to simplify and communicate audit findings, jointly visit auditees with parliamentarians, and follow up on audit recommendations in critical areas, including water, sanitation and hygiene in schools.

“[W]e set up a communications unit to deal directly with civil society organizations through town hall meetings, radio programs, and a variety of other venues. Our goal is to train them on how the audit process works and how to use our reports to monitor the public services important to them,” explains Adama Renner, (former) deputy auditor general for the Audit Service. “Without public engagement with our audit findings, they are just reports packed up and stuck on a shelf.”

Source: <https://internationalbudget.org/stories/sierra-leone-civil-society-teams-with-auditor-to-assure-children-study-in-safe-healthy-schools/>

Ensuring the results of the audits are available to the public is key. Countries with publicly available audit reports are more likely to follow up on audit recommendations, and subsequently, more likely to steer towards a better performance on credibility. Moreover, it is good practice to prepare

and publish periodic reports for the state and the public on the progress and impact of audit recommendations, including information on financial and other benefits resulting from the SAI's audit activity.¹⁷³

Box 7.8. Civil society using audit reports to affect change – an example from Sri Lanka

In **Sri Lanka**, the civil society organization, Verité Research, relies on audit reports to better understand the government's spending and uses the evidence to hold the government to account. Underspensing of the national budget has been prevalent and across critical sectors including health, education, social welfare, and agriculture. During the period 2011-2017, the government's tendency to spend significantly less than what it allocated was particularly pronounced in agriculture, (except in 2015, an election

¹⁷³ IBP, 2021. Open Budget Survey 2021.

year when many sectors were overspent). Absolute deviations ranged from 10 to 40 percent and compromised services that a significant proportion of Sri Lankans depend on.

The CSO continues to review audit reports and make use of the audit findings in their advocacy, including when writing briefs and press releases or in meetings with officials. Most notable is their “budget promises” dashboard which directly highlights lapses in budget credibility.

Sources: IBP, 2019. Explaining Budget Deviation: A Budget Credibility Snapshot – Sri Lanka at <https://internationalbudget.org/wp-content/uploads/sri-lanka-budget-credibility-snapshot-ibp-2019.pdf>; Verité Research’s “Budget Promises” website: <https://www.veriteresearch.org/tag/budget-promises/>

Measuring impact: When possible, the best way to measure the impact of audit recommendations is both quantitatively and qualitatively. A purely quantitative approach generally details the number or percentage of recommendations implemented but does not give more weight to more important recommendations and vice versa, and thus may overstate (or understate)

the overall audit impact. On the other hand, a purely qualitative description of impact would be more useful if it included more granular and quantitative data.¹⁷⁴ In all cases, for more efficient monitoring, SAIs should create a database to track the implementation – and impact – of their recommendations.

Box 7.9. Examples of positive impacts from SAIs auditing the performance of the PFM system

SAI Latvia reported the audits resulted in clearer and more equal procedures for reviewing the base expenditures of institutions.

SAI Egypt noted 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).

SAI Ireland highlighted the audits had an impact on the modernization of central government accounting and assisted in bringing fiscal documentation in line with international standards.

Source: UNDESA/IBP, 2022. Assessing the credibility of government budgets through external audits: Results of a survey to INTOSAI members at https://internationalbudget.org/wp-content/uploads/Report-survey-results-budget-credibility_updated_9May2023.pdf, p. 20

¹⁷⁴ EUROSAI, 2021. Follow-up of the implementation of audit recommendations. Best practices guide, issued by the project group <https://www.eurosai.org/handle/404?exporturi=/export/sites/eurosai/content/documents/2021-02-03-Final-report-for-EUROSAI.pdf>

Electronic monitoring: Only 29 percent of the respondents in our SAI survey indicated they use an electronic system to monitor the implementation of audit recommendations. Some SAIs use ICT-based systems also for internal monitoring and/or to provide information publicly. As mentioned earlier, the transparent disclosure

of the audit report in a timely manner can provide further impetus for entities to implement the audit recommendations as their status will now be publicly available. Three examples – from Georgia, Indonesia, and the U.S. (in Box 7.10) – suggest electronic systems can significantly improve follow-up on implementation.

Box 7.10. Three SAIs on how they are using electronic monitoring for follow-up

SAI Georgia deploys an electronic system that integrates its audit reports, the audit results, the corresponding recommendations, and the action plans for the implementation of the recommendations. SAIs, auditees, and Parliament have access to the system. As a result of its use, the implementation rate of audit recommendations increased from 43 percent in 2015 – 2017 to 60 percent in 2018 – 2019. Although this system is not available to civil society, the data collected is presented in reports to Parliament.

Source: IBP-IDI, 2020 All hands on deck: Harnessing accountability through external public audits, <https://www.idi.no/elibrary/reports/1096-all-hands-on-deck-harnessing-accountability-through-external-public-audits/file>

SAI Indonesia formally requires the auditee to take appropriate action to follow up on the audit recommendations and reports on the consequences of lack of appropriate actions in subsequent audit reports. Every semester, the SAI also reports to the parliament and the president on the progress of the implementation of recommendations. Not fulfilling the obligation to follow up on the audit recommendations is considered a criminal action.

The SAI has developed two electronic systems for monitoring the implementation of audit recommendations, including those related to budget credibility:

- a. The SIPTL (follow up monitoring information system) is used by the auditee to provide information and supporting documentation on the follow-up actions they have undertaken. It is also used by auditors to analyze the information and documents provided and to determine the progress and status of the audit recommendations.
- b. The SMP (audit management system) is used internally by auditors to monitor and report on the progress of implementation of audit recommendations.

US GAO has established an action tracker, an online public control dashboard that is used to monitor the progress or regression of federal agencies based on the recommendations made by the oversight body. It is an interactive tracker in which users can filter by state area and track the actions carried out by the audited entities. Within each observation, the tool shows the year of its identification and its status based on the last update.

Every year, GAO identifies opportunities to reduce fragmentation, overlap, and duplication across the government as well as reduce costs and increase revenue for the federal government. In its 2022 annual report, the actions they wanted Congress and federal agencies to take to address their findings were listed. For further information, check www.gao.gov.

7.3. Engaging stakeholders for maximum impact

Communication with stakeholders is an essential aspect of SAI work, both towards furthering the understanding of the SAI's findings and recommendations and fostering collaboration on action to heighten the impact of the audit.¹⁷⁵ Beyond the audited entities, SAI stakeholders also include:

- The legislature
- The executive
- Civil society
- The public
- The judiciary
- The media
- Development partners, academics, and professional bodies

Establishing and maintaining good working relationships with these stakeholders will generally improve the likelihood of a successful audit impact and, most importantly, progress toward the SDGs. We elaborate here on the first few.

The legislature is one of the most important external stakeholders for an SAI, both in general and in terms of furthering credibility, as it has the power to hold the executive accountable for the use of public funds. The ability of the legislature to engage and make use of SAI products is critical to an SAI's effectiveness.

Legislative scrutiny and follow-up on audit recommendations vary 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 by using the percentage of implemented audit recommendations as one of the bases for the review and approval of the proposed budget (e.g., the Philippines). In other cases, 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.¹⁷⁶ And yet in other countries, parliaments/legislatures cannot or do not act sufficiently (or at all) on the SAI's

¹⁷⁵ INTOSAI, 2016. Supreme Audit Institutions Performance Measurement Framework. <https://www.idi.no/elibrary/well-governed-sais/sai-pmf/426-sai-pmf-2016-english/file>

¹⁷⁶ UNDESA/IBP SAI survey, 2022, p. 41.

¹⁷⁷ INTOSAI-IDJ, 2020. Global SAI. Stocktaking report 2020.

recommendations due to political discord or stalemate, or because of other characteristics of or inefficiencies with their processes.

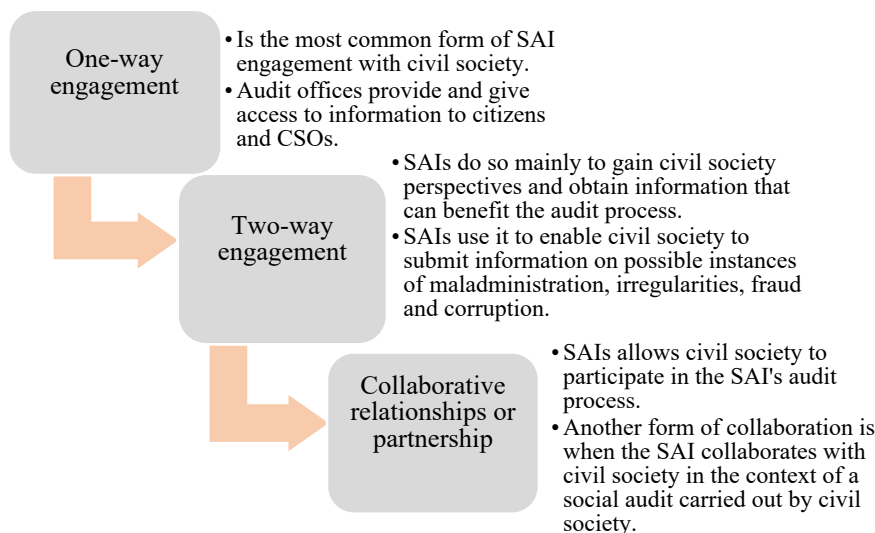
Executive response, or rather lack of it, is the most frequently reported impediment to the implementation of audit recommendations, according to a recent INTOSAI global survey.¹⁷⁷ In many cases, this is due to a weak relationship with the executive or stems from the SAI not approaching the Executive for feedback on the status of audit recommendations or for evidence of implementation. However, in other countries (e.g., Brazil) sending a recommendation to the Executive, and asking them to submit a proposal to their legislature, is an effective way to get the legislature’s attention on an issue.

Civil society is an increasingly important and largely underutilized stakeholder for an SAI. While formerly mostly excluded from deliberations on public financial management, in recent decades,

many governments have begun to recognize that civil society can and should be included in budget discussions and can be a source of great support during the audit process.

Public participation in the follow-up to audit recommendations is often critical as civil society can exert pressure on the executive and the legislative body for the implementation of audit recommendations.¹⁷⁸ (See Boxes 7.11 – 7.14 for examples.) Nonetheless, the handbook survey results confirm what has already been identified in OBS 2021: opportunities for public collaboration with the work of SAIs are still most common during the planning phase of an audit. The involvement of CSOs decreases as the phases of the audit process advance – with only 10 percent of the respondents indicating that it takes place in the follow-up to recommendations.

Figure 7.2. Progressively richer forms of SAI engagement with civil society



Source: Own elaboration based on documents of INTOSAI-CBC¹⁷⁹ (2021) and CAAF¹⁸⁰ (2020).

¹⁷⁷ INTOSAI-IDI, 2020. Global SAI. Stocktaking report 2020.

¹⁷⁸ OCDE, 2001. Participación ciudadana. Manual de la OCDE sobre información, consulta y participación en la elaboración de políticas públicas. https://www.socioeco.org/bdf_fiche-outil-88_en.html; Vivek Ramkumar and Warren Krafczik, 2005. The Role of Civil Society Organizations in Auditing and Public Finance Management, IBP. <https://internationalbudget.org/wp-content/uploads/The-Role-of-Civil-Society-Organizations-in-Auditing-and-Public-Finance-Management1.pdf>

¹⁷⁹ INTOSAI-CBC, 2021. Engagement with civil society. A framework for SAIs. https://www.intosaicbc.org/wp-content/uploads/2021/06/20210629-Engagement-with-Civil-Society_A-Framework-for-SAIs_CBC_28-June-2021_fnl.pdf

¹⁸⁰ CAAF, 2020.

When asked about the participation of CSOs in audits related to budgetary aspects, 61 percent of the respondents in the recent handbook survey indicated that it does not occur. When it does, civil society participation mostly occurs in performance audits (37 percent of respondents)

but remains very limited in financial audits (only 8 percent of the respondents). Nonetheless, in some countries, close SAI-CSO collaboration in the audit process, and particularly on follow-up, has made impressive gains in improving budget credibility. (See examples in Boxes 7.11 – 7.14).

Box 7.11. SAI – CSO collaboration in Argentina improved health sector outcomes

In 2012 and again in 2018, the Auditor General of the Nation (AGN) conducted performance audits on the government's program to prevent and control Chagas (a parasite-driven infection that affects 1.5 million people, mostly of modest means). In 2018, the AGN found that allocated funds were both insufficient and not spent as planned. Moreover, staff was limited and there was little coordination with the provinces. The AGN called for the implementation of the Chagas Prevention and Control Law and sufficient state investment to address Chagas.

In June 2019, the civil society organization, Asociación Civil por la Igualdad y la Justicia (ACIJ), met with the AGN to discuss the 2018 report. ACIJ recommended more substantial input from civil society to help raise awareness about Chagas. The meeting encouraged the AGN to continue monitoring the program's finances. As part of their strategy, the SAI sent its report to the Mixed Review and Children's Commission while ACIJ cultivated individual members on the Commission to encourage them to review spending on Chagas, developed alliances with medical professionals and affected families, and engaged with relevant ministries.

As a result, in August 2020, the Ministry of Health began an ongoing process to regulate the Chagas Prevention and Control Law. In October 2020, the annual budget proposal included the highest planned funding related to Chagas in 10 years. The government also initiated the opening of 18 regional offices for Chagas control. In addition, the government collaborated with ACIJ in a trans-disciplinary working group for communication and education about Chagas. ACIJ and its allies developed sensitization materials for distribution through national TV channels and continue to monitor spending and results to prevent, diagnose, and treat Chagas. The Ministry of Health and the Ministry of Education are now legally responsible for producing Chagas education materials to distribute from preschool to university level.

As a consequence of ACIJ and allies' work, during 2022, the President of Argentina enacted a new regulation to facilitate the implementation of the Law and the Ministry of Health created the National Chagas Program. All of these important developments were recommendations of the AGN's 2018 report.

Sources: Chagas. A current problem, an outstanding debt. State responsibility in neglected endemic diseases. <https://acij.org.ar/chagas-una-problemativa-vigente-una-deuda-pendiente-la-responsabilidad-estatal-en-las-enfermedades-endemicas-desatendidas/> and <https://proyecto-chagas.acij.org.ar/>

Box 7.12. SAI Ghana works with civil society to enhance audit impact

In Ghana, the Audit Service has long adhered to the value of working with stakeholders, including civil society, to enhance audit impact.

A couple of examples:

1. In 2017, civil society went to court and won a verdict allowing the SAI to recover approximately \$12 million of misappropriated funds.
2. More recently, the civil society organization, SEND GHANA, and the Audit Service have collaborated on tackling gross financial irregularities and mismanagement in the country's flagship "School Feeding Program" (SFP), a critical service affecting 3.3 million pupils. SEND Ghana amplified the audit report's findings and recommendations by broadcasting them across radio, newspapers, and social media and conducted complementary research on the SFP catering contracts to assess compliance with procurement standards. Moreover, they convened various stakeholders at the national, regional, and district levels, including the Ghana School Feeding Program Secretariat, the Ministry of Food and Agriculture, representatives of the Ghana Education Service, district assembly officials, caterers, school management committees, school health education program coordinators, and more.

The responsible stakeholders agreed to implement measures to address the major challenges in the SFP, including the procurement and allocation processes, timely payment of caterers, and the provision of higher quality food to pupils. In early December 2021, the Minister of Gender, Children, and Social Protection reassured that the remaining arrears owed to SFP caterers would be settled soon and an information management system would be established to ensure effective and efficient service delivery to all beneficiary schools as well as the caterers.

Civil society-led consultations – with more than 400 representatives from traditional authorities, women and adolescent girls, people with disabilities, and opinion leaders on their social sector priorities – led to the inclusion of the School Feeding Program as a priority (budget credibility) issue in the citizen manifestos presented to political parties ahead of the national elections.

Ghana's civil society continues to defend the independence of the Audit Service, to engage with them to identify audit topics and to advocate for the timely publication and uptake of audit reports.

Sources: <https://internationalbudget.org/sai-cso-collaboration/>; <https://newsghana.com.gh/lets-de-politicise-recruitment-of-gsfp-caterers/>; <https://allafrica.com/stories/202112170205.html>; <https://thebftonline.com/2021/12/16/school-feeding-grant-still-gh%C2%A21-per-plate/>

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

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

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

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

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

Box 7.14. SAI Nepal formalizes a process to work with CSOs

In Nepal, the Office of the Auditor General began organizing roundtable discussions with CSOs in 2013 and formalized the process by developing a CSO Engagement Guideline and aligning it to the SAI's five-year strategic plan. The SAI has identified several areas where CSOs can make meaningful inputs. The audit planning phase is one of the key areas. It provides an opportunity to solicit inputs from CSOs on important areas for performance audits and risk areas related to the financial audits. The SAI also uses the opportunity of their relationship with CSOs to collect feedback and evidence on budget credibility, i.e., the use of resources, the impact of programs, and service delivery.

Source: INTOSAI Capacity Building Committee, 2021. SAI and Civil Society Engagement – Good Practices, p. 4 https://www.intosaicbc.org/wp-content/uploads/2021/06/20210629-Engagement-with-Civil-Society_A-Framework-for-SAIs_CBC_28-June-2021_fnl.pdf

Increasingly fruitful collaboration emerging between SAIs and civil society in various earlier phases of the budget process (examples of which are sprinkled throughout this handbook) hold promise for stronger constructive interaction during the follow-up and monitoring stages of the auditing process, too.

7.4. Summing up

Successful follow-up is integral to ensuring audit recommendations are implemented and will improve budget credibility. This depends on many factors, including:

- **Quality recommendations:** are they well-determined, clear, specific, and attainable?
- **Productive collaboration between the SAI and the auditee** – the more exchange between the two, the more likely implementation will be successful. Meeting with the auditee before the release of the audit report, ensuring the auditee writes up an action plan so that both the SAI and the auditee can keep track of

achievements, and/or setting deadlines for implementation are essential to propelling progress forward.

- **Engagement with the legislature, the executive, civil society, and other stakeholders** for support on monitoring and incentivizing action is key. Achieving maximum impact requires teaming up with others. Annex 7.1 presents a sample list of the kinds of actions that the SAI can take, most of them with other stakeholders, not only in the monitoring stage but also in earlier stages of the audit process, to put the focus on and ultimately to strengthen budget credibility.

Good audit work will be reflected in the improvement of governance and service delivery. The quality and conscientious communication of findings and recommendations, productive follow-up with auditees, and thoughtful engagement with relevant stakeholders will make it happen.

Annexes

ANNEX 7.1. Opportunities to integrate budget credibility in the audit process with stakeholders

Stage of the audit process	Recommended actions/resources	Examples
Audit topic selection and planning	<p>Discuss topics, root cause analysis, and risks with stakeholders who analyze budget credibility, e.g., with authors of SDG budget credibility briefs/reports; budget credibility in COVID fiscal management analysis; sector and program budget credibility analysis; PEFA assessments.</p> <p>SAI online tools/apps.</p>	<p>Stakeholder workshops including expert panels, and focus group discussions.</p> <p>Online platforms for citizen inputs, e.g., CITIZENEYE in Ghana (Box 7.5), Republic of Korea, and Georgia platforms.</p>
Audit execution	<p>Review/include evidence from budget credibility analyses. From authors of SDG budget credibility briefs/reports; budget credibility in COVID fiscal management; sector and program budget credibility; PEFA assessments.</p> <p>Review/include data from social audits indicating significant budget deviations.</p> <p>Review/include data from SAI online tools and apps.</p> <p>Citizen participatory audits on budget credibility issues. Analyze the extent to which auditees provide reasonable justification for budget deviations.</p>	<p>Citizen-led social audits in Indonesia, Senegal, and South Africa.</p> <p>Citizen participatory audits in the Philippines.</p>
Audit reporting	<p>Publish findings and provide recommendations to address budget credibility issues, e.g.: the root causes of budget deviations such as poor coordination, inadequate forecasting and procurement, and delayed donor funds.</p> <p>Report the extent to which auditees provide reasonable justification for budget deviations.</p> <p>Report in a timely manner to help rectify budget credibility issues.</p>	
Audit follow-up	<p>Develop and implement strategies with stakeholders to address budget credibility issues, e.g.:</p> <ul style="list-style-type: none"> w/those affected by underspending in critical sectors, with CSO partnership. w/the executive/auditees. w/ the legislature: organize hearings or simple oral presentations for legislators and the public. w/budget credibility analysts and development partners. w/media: prepare accurate and online press releases; publish the same date that the report is tabled in the legislature for maximum impact. 	<p>Joint follow-up, e.g., Argentina: SAI/ACIJ on Chagas containment (Box 7.11) and Colombia's Articulated Audits (AA) (Box 7.13).</p> <p>Multi-stakeholder COVID committee in Senegal.</p>

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Published by the United Nations Department of Economic and Social Affairs and the International Budget Partnership

July 2023



**United
Nations**

Department of
Economic and
Social Affairs



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Budget
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