

Expert Group Meeting

Technical meeting for the development of a handbook on supreme audit institutions' contribution to strengthening budget credibility through external audits

Draft Concept Note

Background

Budgets are considered “credible” when governments collect and spend funds according to their approved budgets. The ability of a government to meet its revenue and expenditure targets during a financial year determines the credibility of the budget approved by the legislature.

Credible national budgets provide a roadmap to effective service delivery and to the achievement of long-term national objectives such as the Sustainable Development Goals (SDGs). Lack of credibility undermines public trust in institutions and jeopardizes the integrity of public funds, increasing corruption risks. The importance of budget credibility for effective, accountable and transparent institutions has been reflected in the inclusion of a dedicated indicator (indicator 16.6.1) in the global framework of indicators to monitor progress on the SDGs at the global level.

External audits have an important role in ensuring a country’s budget is credible. This is particularly relevant in the context of the COVID-19 pandemic, given the volume of public resources mobilized through relief packages and recovery plans. Given their mandates and essential roles in auditing government finances, Supreme Audit Institutions (SAIs) are uniquely placed to assess budget deviations and the justifications and consequences of such deviations. However, the literature on public finance management is sparse on how SAIs have contributed to understanding and assessing budget credibility. Although few SAIs are systematically auditing budget deviations or assessing trends in budget credibility, many are analyzing issues that relate to budget credibility and providing insights on existing challenges. Moreover, in many countries, SAIs are producing a variety of reports that help shine a light on the extent and causes of budget deviations and help understand budget credibility in specific government programs, as well as analyzing wider trends in public finance that impact budget deviations, including the provision of good quality performance information.

The International Budget Partnership (IBP) is implementing a three-year initiative on “Strengthening Budget Credibility for Service Delivery,” launched in 2020. The project builds on previous work on budget credibility and engagement with SAIs on this subject.

As part of this initiative, IBP has joined efforts with the Division for Public Institutions and Digital Government of the United Nations Department for Economic and Social Affairs (DPIDG/UNDESA) to develop a handbook on SAIs’ contribution to strengthening budget credibility through external audits. The handbook aims to share SAI audit practices relevant to assessing issues related to budget credibility and to

support SAIs in improving their analyses of the credibility of government budgets. More specifically, the handbook will (i) expose to SAIs how their work can inform analyses of budget credibility; (ii) illustrate how audit work already conducted by SAIs provides insight on budget credibility; (iii) outline and illustrate key steps that SAIs can contemplate when aiming to assess and address budget credibility; and (iv) share existing SAI practices and experiences in this area.

The handbook will be developed in close consultation with potential SAI users as well as relevant SAI groupings. A survey was sent in early 2021 to 40 SAIs from different regions to gather initial inputs and to assess their interest in the topic. In March 2021, over 300 participants attended a webinar where an initial stock take of current practices on auditing budget credibility was presented and five SAIs from different regions shared their experiences. As part of the efforts to develop the handbook, DPIDG and IBP will convene this Expert Group Meeting with interested SAIs to define the scope, analytical framework and expected contents of the handbook. Following the meeting, interested SAIs will contribute to the handbook with inputs and case studies during the second half of 2021. The handbook contents will be validated with SAI and other experts in the first half of 2022, and the handbook will be finalized and launched between late 2022 and March 2023.

See annex for indicative structure of the handbook.

Objective

The objective of the Expert Group Meeting is to convene selected staff from SAIs and other experts to discuss the proposed approach, analytical framework, methodology and relevant audit issues for the handbook and to provide technical inputs on the subject matter, including the identification of relevant practices and experiences from SAIs in order to ensure that the handbook is relevant and meets adequate quality standards.

Specifically, the meeting seeks to achieve the following objectives: (i) receive expert inputs and validation from subject matter experts to help refine and focus the analytical framework and outline of the handbook; (ii) identify and discuss existing approaches for auditing issues related to budget credibility considering the diversity of SAI contexts, mandates and capacities; (iii) discuss relevant technical issues, highlighting what is distinctive about auditing budget credibility and outlining key steps to assess budget credibility issues; (iv) identify relevant contributions to the handbook, including examples of practices, tools, audit reports, and follow up systems, among others; (v) identify SAIs that are willing to support and contribute to the development of the handbook; (vi) identify next steps and the way forward for the development of the handbook.

Participants

Participation will be by invitation only. The number of participants in addition to staff from IBP and DPIDG working on the budget credibility initiative will be limited to approximately 20 participants to facilitate an interactive workshop-type discussion, while ensuring balanced representation of different regions and country situations.

Participants will be drawn from the following pool: supreme audit institutions interested in or working on audits related to budget credibility; INTOSAI regions / working groups prioritizing or working on issues

related to budget credibility; experts from the United Nations and other organization working on themes relevant for the planned handbook.

Date and venue

The Expert Group Meeting will be held virtually on 26-28 May 2021.

Structure and format

The Expert Group Meeting will be organized around thematic sessions held over three days (see tentative agenda). A detailed description for each session and guiding questions will be developed. The three-day meeting will include the following features:

- Brief introduction/icebreaker/presentations.
- Interactive sessions, including experts framing statements/pitches, polls, chat, and discussion.
- Plenary discussions and dialogues.
- Breakout sessions, to bring out insights and learnings in a different format each day; small groups will be organized, each with about 5-7 participants.
- Mapping of specific practices, examples, tools, etc. that can be used in the handbook.
- Identification of specific suggestions and recommendations for developing the handbook.

For continuity, experts are asked to commit to participating in all sessions, as they are interconnected and build on each other. In preparation for the sessions, participants will be asked to undertake a limited number of offline tasks (e.g., readings, written inputs, preparation of presentations) individually and/or in teams.

Discussions are tentatively planned to be conducted in English, French and Spanish, with simultaneous interpretation provided for plenary sessions (TBC). Other arrangements could be also explored to accommodate discussions in different languages in the breakout sessions.

All sessions will be conducted using the Zoom platform. Technical tests will be held with all participants in advance to test connections and the platform and to provide a short briefing on the meeting logistics.

Written inputs, presentations and remarks will be made available online.

Outputs

Outputs from the meeting will comprise draft materials (e.g., outline, scope, framework) for the handbook developed by resource experts and the IBP/DPIDG team as well as a collection of inputs prepared by experts before the meeting and summarizing the main components, methodologies and tools of existing experiences as well as their views on the subject matter and critical technical issues for auditing issues related to budget credibility.

A report of the expert group meeting will document the discussions and serve as input for developing the handbook.

Tentative agenda

This provides a preliminary overview of the sessions. The focus of each session and detailed description and methodology will be developed in a separate document.

Day 1
Opening
Setting the context: SAIs' contributions to analyzing and strengthening budget credibility <ul style="list-style-type: none"> • Discussing the importance of SAIs' role to enhance credibility and challenges and opportunities to strengthen the contribution of external audits
Principles, concepts, elements, methodology and practical steps to evaluate credibility through external audits <ul style="list-style-type: none"> • Following an overview of the handbook's draft outline, analytical framework and methodology, discuss and collect specific inputs on what is missing, how to improve the framework, identification of steps for credibility assessments, etc.
Day 2
Mapping experiences and practices in auditing budget credibility to illustrate and develop the handbook <ul style="list-style-type: none"> • Presentation and discussion of SAIs' practices, experiences and tools to assess budget credibility that can be used/replicated by other SAIs
Improving recommendations and follow-up to audit findings related to budget credibility <ul style="list-style-type: none"> • Presentation and discussion of SAIs' practices and experiences regarding formulation of recommendations and operation of follow-up systems
Day 3
Collaborating on the handbook. Process, way forward and next steps <ul style="list-style-type: none"> • Discuss the process for the development of the handbook including methods of collaboration and working, development of case studies, support to SAIs, coordination, communication, etc.
Recommendations and conclusions
Closing

Annex: Potential Content of the Handbook

The structure below is indicative. The structure and content of the handbook will be refined following consultations with SAIs.

Chapter 1 will begin to define budget credibility, explain its importance to national development and the promotion by SAIs of the public interest, and describe the various causes of lack of budget credibility that SAI audits have already uncovered.

Chapter 2 will provide a methodological framework for the rest of the handbook, mapping how different types of audits and reviews conducted by SAIs can inform various aspects of budget credibility, and illustrating how the conclusions from different types of audits conducted within a SAI can be combined to produce comprehensive analyses of budget credibility.

Chapter 3 will provide five to six practical case studies examining the budget credibility assessments that have already been conducted by SAIs and that can be replicated by others. These may be organized under various themes, such as the following:

- Assessing the extent of budget deviations by programmatic sectors and budget codes and the reasons for deviations;
- Analyzing justifications for budget deviations and the adequacy of such explanations;
- Investigating the impact of budget deviations on the provision of essential services;
- Evaluating transparency and reporting of financial and performance data by governments
- Strategically communicating audit findings and following up on audits to ensure action is taken