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

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United Nations Department of Economic and Social Affairs (UNDESA)

and

International Budget Partnership (IBP)

The present document is the report of the expert group meeting on “Technical meeting for the development of a handbook on Supreme Audit Institutions’ contribution to strengthening budget credibility through external audits”, held from 26 to 28 May 2021. The meeting was organized by the Division for Public Institutions and Digital Government of the United Nations Department of Social and Economic Affairs and the International Budget Partnership.

For more information on the meeting, please consult:
<https://publicadministration.un.org/en/news-and-events/calendar/ModuleID/1146/ItemID/3082/mctl/EventDetails>

The opinions expressed in this report are those of the authors of the report and do not necessarily reflect the views of the United Nations.

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Context and objectives

The expert group meeting was organized in the context of the ongoing collaboration between 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) to develop a handbook on the contribution of Supreme Audit Institutions (SAIs) to strengthening budget credibility through external audits. The handbook is part of a three-year initiative on “Strengthening Budget Credibility for Service Delivery” launched by IBP in 2020.

The handbook aims to share 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 show how SAIs’ work can inform analyses of budget credibility; illustrate how audit work already conducted by SAIs provides insight on budget credibility; outline and illustrate key steps that SAIs can contemplate when aiming to assess and address budget credibility; and share existing SAI practices and experiences in this area.

The purpose of the meeting was 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.

Discussions fostered an exchange of knowledge, methodologies and experiences in the SAI community relevant to auditing issues related to budget credibility. Participants highlighted the importance of defining the concept of budget credibility from an SAI perspective, and suggested criteria and principles that may help operationalize the concept for SAIs. Discussions also provided valuable inputs to define the conceptual and analytical framework for the planned handbook. The meeting provided concrete suggestions for the way forward, including specific ideas to collaborate in the development of the handbook in order to ensure that it is relevant and supports SAIs in their work.

The detailed agenda of the meeting is included in Annex 1. Session 1 introduced the overall theme and laid out the context of the meeting, including a discussion on the concept of credibility and opportunities and challenges for SAIs to advance this work. Session 2 focused on existing standards that are relevant to analyzing credibility issues, and sought specific suggestions and recommendations on defining the scope and the main elements to examining budget credibility through external audits. Examples and experiences of auditing issues related to budget credibility in different countries were presented in Sessions 3 and 4, including a focus on follow-up to audit recommendations. Building on the previous discussions, Session 5 considered strategic opportunities for SAIs and focused on gathering specific suggestions for the process of collaboratively developing the handbook.

The meeting gathered 32 experts from supreme audit institutions and international organisations, together with UN and IBP staff. Several experts had prepared written inputs

for the meeting in advance at the request of the organizers. The list of participants is included in Annex 2.

The remainder of the report elaborates the issues discussed during the meeting and some of the key messages emerging from the discussions. It is organized by meeting session. Some themes and issues that were mentioned in more than one session are reflected only once to avoid repetition.

Dialogue 1. Setting the context. The contribution of SAIs to strengthening the credibility of government budgets

In many countries, the links between external auditing and other stages of the budget cycle are limited. For example, audits do not help inform the budget preparation process, and auditors often do not comment on the data used by governments to formulate the budget. However, experts highlighted that the current context opens opportunities for greater impact of SAIs in strengthening credibility, including by developing more timely observations through real-time audits. This would have positive effects in terms of effective delivery of services, trust in government institutions, and increased capacity to advance the implementation of long-term objectives such as the Sustainable Development Goals. But strengthening SAIs' contribution requires better understanding the notion of budget credibility and the context, both internal and external, in which SAIs operate.

Reflecting on the concept of credibility for SAIs

The starting point for the discussion was the definition of budget credibility used in the IBP project, which is based on available international standards and indicators. According to this definition, budgets are considered credible when governments collect and spend funds according to their approved budgets. A 5% deviation threshold is often used as a reference. 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.

Participants stressed the novelty of the concept of budget credibility for SAIs. As a result, there is a need to operationalize the concept from an SAI perspective, identifying specific dimensions that help delimitate the scope of what is a credible vs. a non-credible budget for an SAI, both at the aggregate and programme levels. Experts recommended that the handbook identify the relevant dimensions of the concept of credibility and what they mean for SAIs, considering the different types of analyses through which SAIs examine those credibility dimensions.

Experts emphasized that the budget must be seen as an instrument for the achievement of national objectives and the effective delivery of policies. This understanding implies that some budget flexibility is needed to respond to changes in the international and national contexts. There is a need to broaden the definition of budget credibility beyond the quantitative extent of deviations. A definition should consider aspects such as the impact on people's well-being and on the effective delivery of public services. The credibility of the government budget is related not only to the quantitative deviation from the authorized

budget, but to the deviation from the intended results or policy goals to be achieved with the execution of the budget.

The assessment of budget credibility, therefore, goes beyond the financial and compliance evaluation of the execution of approved budget resources, and involves dimensions of performance. In consequence, assessing budget credibility requires considering not just deviations, but also evaluating public policies and the delivery of public services.

Budget information should be transparent, and reasons for deviations should be disclosed and accessible to the public. Government should provide clear explanations for deviations, which can be understood by citizens. Some experts felt that there should be a system for tracking overspending and underspending, and for monitoring the reasons for such deviations.

Adequate and reliable revenue forecasts are critical to avoid credibility problems, and help manage allocations in case of higher or unexpected revenue. There is also a need to understand prioritization of budget allocations by identifying key sectors. Strengthening the ability of governments to adjust and reallocate the budget is also key to strengthening credibility. SAIs can play a critical role in assessing whether national budget planning is aligned with the objectives of the government (e.g., long-term national outcomes) and needs of citizens.

It was also highlighted that SAIs could look at the concept of credibility from a risk-based approach or perspective, identifying how different issues that SAIs examine in relation to the budget (either the aggregate state budget or sector or programme budgets) relate to creating or mitigating credibility risks. SAIs commonly use risk-based approaches to define their audit plans, which could facilitate their understanding of the concept.

Finally, experts also highlighted the need to consider the national context and its effects on the credibility of government budgets. For example, the debt and fiscal situation in some countries may lead to setting fiscal targets that require systematic underspending (e.g., Costa Rica). Also, in some countries, the de facto prevalence of the executive branch over the legislature in the approval and amendment of the budget may undermine credibility and citizens' trust in the budget process.

Challenges and opportunities for SAIs – external and internal

Some external opportunities may help SAIs contribute to strengthening budget credibility. There is increasing attention (e.g., by international actors) to budget deviations, and awareness of the significant consequences they may have on service delivery and trust. In some countries, ongoing state budget reforms may provide windows of opportunity for SAI engagement (e.g., Georgia). Collaboration with other stakeholders, and particularly with Parliaments in some countries (e.g., Costa Rica), is another key asset for SAIs. Also, SAIs are generally perceived as credible and legitimate accountability actors in most countries, which in turn facilitates their work and amplifies the impact of the audit reports they produce.

Nonetheless, SAIs also face limitations. In some countries, transparency and access to budget information is a challenge, and there is lack of or limited public engagement in the budget process. Also, SAIs are engaged in the budget process at a late stage, making it difficult for SAIs to make recommendations in real time and for these recommendations to lead to timely responses by governments. The economic context in some countries has an impact on SAIs' own resources and therefore, on their capacity to undertake certain types of analyses.

Internally, several constraints may affect SAIs' work on this topic. Some SAIs have limitations in their mandate to analyse budget credibility issues. Moreover, there is no systematic approach or audit standards to assess budget credibility. Some SAIs also identified the lack of information and communication technology (ICT) infrastructure, conflicting auditing priorities within SAIs, inadequate human capacity, and limited ability to influence the structural causes of budget deviations as other significant barriers. Moreover, in the context of the COVID-19 pandemic, the social distancing measures in public administration have significantly affected SAIs' operations and working methods.

However, SAIs can leverage several internal strengths, including SAIs' independence, mandate and legitimacy, and the wide range of staff capacities many SAIs have to examine various aspects of the budget (not just financial) and to use different analytical tools. In many SAIs, an organizational culture that promotes learning and innovation also creates opportunities for advancing this work. Moreover, many SAIs have robust internal information systems and are increasingly leveraging ICTs and data-based approaches to analyse budget-related information. In addition, many SAIs have policy evaluation competences that can help support this work.

Dialogue 2. Principles, concepts, elements, and methodology to evaluate budget credibility through audits

Standards and guidance are important to support SAIs' work, ensuring consistency and providing quality assurance. The novelty of assessing budget credibility through external audits makes standards particularly important. According to experts, SAIs have limited experience in assessing budgets at the aggregate level compared to deviations at the programme level or to auditing issues at the aggregate level that relate with credibility risks in a more indirect way.

International budget and audit standards to audit credibility

The Public Expenditure and Financial Accountability (PEFA) has developed a framework for assessing public financial management, which provides an integrated assessment of the Public Financial Management (PFM) system against seven performance pillars, namely: 1. Budget reliability, 2. Transparency of public finances, 3. Management of assets and liabilities, 4. Policy-based fiscal strategy and budgeting, 5. Predictability and control of budget execution, 6. Accounting and reporting, and 7. External scrutiny audit. Within the seven broad areas, PEFA defines 31 specific indicators, disaggregated into 94 dimensions, that

focus on key measurable aspects. It then assesses the likely impact of PFM performance levels on three desired budgetary outcomes: aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

The definition of credibility needs to consider what is included in the budget, and what is not. The latter may have a significant impact on budget credibility. For example, in many countries the resources mobilized to respond to the COVID-19 pandemic are out-of-budget funds. This means that there is less information on the allocation and execution of these funds, which undermines oversight. Therefore, from a PEFA perspective, the notion of budget credibility should consider the different levels of government, extra-budgetary funds, and social security funds. In a strict sense, public corporations do not need to be considered, but their implications for the credibility of government budgets should be independently assessed. One area where audits could add value is the analysis of the fragmentation of budgets (e.g., different sources of revenue, donors using parallel systems).

For PEFA, talking about budget credibility goes beyond deviations and requires considering the seven dimensions of PFM performance more broadly. Building on the seven PEFA pillars, evaluating the credibility of budgets means looking at how reliable and transparent budgets are, how assets and liabilities are managed, whether the budget is based on an assessment of fiscal trends or just ad hoc information, whether there is predictability in budget execution and reasons for underspending or overspending are provided, and whether accounting and reporting are effectively informing and supporting the other pillars, among other aspects. Auditors should play a role regarding all seven areas, and the handbook could provide guidance for each these different dimensions.

Underlying weaknesses of PFM systems (as indicated by global data) and political incentives create opportunities for budget deviations. Therefore, auditing the performance of PFM systems and making recommendations for strengthening them is critical for enhancing budget credibility.

Some SAIs shared their experience in using international budget and audit standards to conduct evaluations of government budgets. SAI Jamaica, for example, has used the International Standard on Assurance Engagements (ISAE) 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Information¹ issued by the International Auditing and Assurance Standard Board (IAASB). Jamaica also uses INTOSAI GOV 9100: Guidelines for Internal Control Standards for the Public Sector² as well as the IMF's Government Finance Statistics Manual (GFSM) (2014)³ and Fiscal Transparency Handbook (2018)⁴. The INTOSAI GOV 9100 defines a recommended framework for internal control in the public sector and provides a basis against which internal control can be evaluated. The GFSM provides a comprehensive conceptual and reporting framework suitable for analysing

¹ <https://www.iaasb.org/publications/international-standard-assurance-engagements-isae-3000-revised-assurance-engagements-other-audits-or-0>

² See <https://ms.hmb.gov.tr/uploads/sites/2/2019/09/INTOSAI.pdf>

³ See <https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf>

⁴ See <https://www.imf.org/en/Topics/fiscal-policies/fiscal-transparency#Fiscal%20Transparency%20Handbook>

and evaluating fiscal policy, especially the performance of the general government sector and the broader public sector of any economy, providing guidelines for presenting fiscal statistics within an analytical framework. The Fiscal Transparency Handbook (2018) covers Pillars I to III of the 2014 Fiscal Transparency Code and provides detailed guidance on the implementation of the Code's principles and practices, with many examples from countries around the globe.

In its performance audits of the budget process, SAI Indonesia has also used the IMF Fiscal Transparency Code as a source of audit criteria, in addition to applicable laws and regulations, and relevant good practices. In the United States, the Government Accountability Office (GAO) also uses OECD and IMF practices as reference. SAI Brazil emphasized the use of national sources to identify audit criteria, including the fiscal rules established in the Constitution and the Fiscal Responsibility Law.

Shaping the handbook's framework of analysis

The handbook should recognize the diverse mandates and contexts in which SAIs operate, and build on existing practices and experiences. It should reflect diverse factors that affect SAIs' work, including the SAI's mandates, variation in analytical capacities, as well as contextual issues related to the nature of the budget system, ongoing/planned budget reforms, and strength of the PFM system, among others. It should also consider relevant aspects of public administration such as the links between planning and budgeting, the soundness of monitoring and evaluation systems, and the strength of internal control functions, among others. The role of Parliaments as well as the relationships between SAIs and Parliaments are critical, including whether parliament has powers to amend the budget, the existence of a parliamentary budget office, the legislative capacities for effective budget oversight, and the role of independent fiscal institutions, among others.

Deviations per se do not always indicate problems. The assessment of credibility depends on the reasonability and transparency of the reasons that explain those deviations as well as the impact of deviations. Ultimately, those reasons and impacts are dependent on contextual factors. The need to assess the reasons underlying deviations was stressed by SAI experts, as this is something that is often missing in audits (e.g., compliance). Some SAIs, like Sweden, noted that the reasons provided by government to explain deviations have improved over the years, including as a result of the SAI's audits.

Most SAIs have limited real-time involvement in the budget process and engage in auditing at a later stage. However, in the context of the pandemic, many SAIs are experimenting with more agile approaches to auditing government responses to COVID-19. The use of similar approaches would allow SAIs to inform and assess the budget process more regularly and continuously throughout the budget cycle.

There is a need to have a comprehensive perspective considering the different stages of the budget process and elements of PFM systems, rather than a strict focus on budget execution. Budget preparation, planning and formulation are key stages. SAIs could assess the performance of the budget formulation systems and processes to help strengthen budget

credibility, but cannot get involved in the budget formulation itself as this is the responsibility of the government and will be later audited by the SAI.

Data analysis could be a primary consideration for auditors as part of the planning process of a performance audit on the budget, or it could be the focus of a dedicated audit. Auditing could start by looking at how data has been collected and used for budget planning. If the data used for budget planning is unsound, this will affect the results of any posterior audit of the budget execution. For example, the pandemic required governments to urgently develop programmes for national economic recovery and for the provision of basic services such as healthcare, but the availability of the data used for planning may be insufficient and could help explain budget deviations at the execution stage.

SAIs are aware that the analysis of budget credibility cuts across different types of audit practices. However, the integration of different kinds of audit information to assess budget execution at the aggregate or programme level is difficult. SAI Brazil has made significant strides in the last years to issue an integrated audit opinion on the end-of-year state accounts, including financial, compliance and performance information. However, the challenges are multiple. First, the cycles and timing for financial and performance audits are different, and it is not easy to align and synchronize them. This aspect was also highlighted by SAI Jamaica as one of the main causes that explain why different types of audit practices operate in silos.

Second, there are internal organizational challenges. SAIs are usually organized in departments that reflect the compartmentalized structure of public administration in line ministries. Performance information for different sectors and programmes is scattered across multiple specialized audit units. In SAI Brazil, issuing an integrated opinion requires not only the work of the auditors in the budget department, who specialize in financial and compliance audits, but the coordination of over 30 auditors working across 15 departments who can provide the performance information. Finally, another challenge relates to the quality (or lack thereof) of the performance information and data that is available from government entities. Despite these challenges, there has been an ongoing effort to strengthen the methods and coordination required to go beyond a strict focus on compliance with budget targets and guidelines in order to consider how the budget execution actually contributes to the effective and efficient delivery of goods and services.

The handbook should be practical and aim to help guide SAIs' work on this topic. A list of relevant questions, developed according to standards, could be a resource that SAIs could use to assess different aspects related to budget credibility at aggregate and programme levels, and in different stages of the budget process.

The handbook could collect and systematize examples of practices from different countries and regions where SAIs use different approaches and methods to assess issues related to the credibility of budgets. These examples would illustrate at a practical and operational level the different dimensions of budget credibility, and the diverse audit approaches and methods that can be used to assess them. Specific templates could be developed to support SAIs' work in this area. In addition, the handbook should also reflect on the challenges SAIs

face in conducting these assessments. Dialogue 3 delved deeper into the different SAI experiences.

Dialogue 3. Mapping experiences and practices in auditing budget credibility

SAIs do not audit budget credibility as such, but they conduct audits that examine issues related to the credibility of government budgets in their national contexts. Presentations from SAIs in Argentina, Brazil, Costa Rica, Indonesia, Sweden, UAE, USA, and Zambia, and comments from other SAI experts (including from Jamaica, Morocco, Philippines, and Georgia) showed the diversity of approaches used by SAIs. The handbook should draw on these rich experiences.

SAI Zambia is currently in the process of auditing the entire country's PFM system. The audit uses an Excel based tool comprising questions posed to government entities to identify performance issues and root causes for those in the PFM process.

Other SAIs are also looking at the performance of some elements of the PFM system or the budget process. For example, in the last six years SAI Indonesia has conducted three performance audits that focus on the effectiveness of the state budget preparation (2015), the effectiveness of quality expenditure management using the performance-based budgeting framework (2018) and, in the context of the pandemic, the effectiveness of planning and budgeting of COVID-19 management and national economic recovery programmes (2020).

In Brazil's Court of Accounts, a dedicated department specializes in auditing the federal budget and public finances. The SAI monitors the entire budget cycle, and conducts both recurring and ad-hoc audits of the federal budget. The recurring audits are conducted throughout the budget cycle instead of only at the end. The SAI audits the proposed budget guidelines bill, the budget proposal bill and the bimonthly statements on budget execution issued by the Ministry of Finance. Audit criteria are based on international experiences and national legislation and regulation. Auditors compare the budget guidelines and budget appropriations. They do not assess the guidelines, unless there are violations of the fiscal responsibility law. Recurring findings in those audits have included significant underspending in some programmes since 2019 (e.g., federal prison fund). In a federal country like Brazil, budget credibility problems often relate to the weak implementation capacity of local governments. However, the SAI's mandate is limited to the federal level and it can only make recommendations regarding federal transfers to subnational governments.

Brazil's SAI also issues an opinion on the consolidated public accounts every year. These analyses have evolved into more integrated assessments in the last years (see above). Both in 2014 and 2015, the SAI recommended to reject the public accounts. In addition, the ad-hoc or non-recurring audits are selected based on requests (e.g., from Congress) or using a risk-based approach. Sweden also highlighted the use of a risk-based approach to select performance audits related to credibility issues.

Costa Rica, UAE and Sweden build on their audit practices - compliance and financial audits in Costa Rica and UAE, and financial and performance audits in Sweden. In Costa Rica, they identify causes of deviations and possible effects, but the challenge is how to establish the link with impacts on performance. In Sweden, in addition to examining the annual consolidated state budget report at the national level, there is a wide variety of performance audits that touch upon subjects that relate to budget credibility. The findings provide a fragmented assessment of credibility and do not necessarily identify deviations and their causes and impacts, but can be very helpful to illustrate specific aspects that relate to credibility risks and their causes, such as long-term planning issues.

Another subject related to credibility is fiscal sustainability and debt management. The US Government Accountability Office (GAO) has monitored the fiscal rules and targets, using OECD and IMF standards, that contribute to fiscal health in the last years. GAO issues an annual report ('Nation's Fiscal Health') that assesses the government's fiscal condition and how it has changed over the past year, and includes GAO's projections for the federal government's long-term fiscal outlook. The projections consider risks to future fiscal conditions such as emergencies and climate change. GAO has also developed an interactive model where people can enter different assumptions and simulate scenarios in terms of the changes needed in spending and revenues to keep the debt-to-GDP ratio at certain levels. In addition, GAO conducted studies of selected countries to identify successful uses of fiscal rules and targets to manage long-term fiscal challenges and suggested that the US Congress consider the key findings in designing a fiscal rule.

The transparency of budget information has a critical impact on SAIs' work in this area. Some SAIs have identified limited transparency as a source of budget credibility risks and a constraint for SAIs to enhance their audit work in this area. Several SAIs have undertaken initiatives to improve the availability and quality of budget information. In Costa Rica, for example, the website "*Monitoreo CGR*" – developed in the context of improving oversight of COVID-19 responses - provides a centralized entry point to information related to the budget.⁵

SAIs are conducting more comprehensive and ongoing audits, have diversified their sources of information, and in some cases are taking advantage of data analytics and ICTs to better monitor and assess budget processes.

Dialogue 4. Communicating audit recommendations and strengthening follow-up to findings on budget credibility

Addressing budget credibility problems depends on a robust follow-up to audit findings and the implementation of audit recommendations. This has been challenging in many countries, as it depends not only on the quality of audit reports but also on actions taken by government entities. Moreover, take-up of audit recommendations by the auditees also

⁵ Available at <https://sites.google.com/cgr.go.cr/monitoreocgr>

depends on other actors of the accountability system leveraging the information included in audit reports. Significant efforts in this regard have been made in the last years.

Examples from the US GAO, SAI Georgia, SAI Philippines, SAI Argentina and SAI Indonesia were presented. They illustrate different approaches to strengthening audit recommendations, improving communication of audit findings, and setting strong systems to monitor and follow-up on the implementation of audit recommendations. SAIs are relying on different types of incentives to stimulate government action to implement audit recommendations.

The importance of communicating audit findings and recommendations in an accessible way was highlighted by the US GAO. All GAO reports are published online and include a short summary, a brief description of findings and recommendations, infographics, links to supporting audiovisual resources and to the full audit report, and an online tool that allows users to check the status of implementation of the audit recommendations.

It was highlighted that it takes time to address some of the recommendations related to the budget because many of them refer to core weaknesses of national PFM systems, and also as a result of the national budget cycles (e.g., Georgia, Indonesia). Sound and more actionable recommendations are easier to implement. In that regard, SAI Philippines highlighted the importance of formulating audit recommendations using the 'SMART' (Specific, Measurable, Achievable, Relevant, and Time-based) approach.

SAI monitoring of whether and how government entities undertake corrective measures in response to audit findings and recommendations is critical. There is increasing attention to setting up strong systems to monitor and follow up on audit findings, often using ICTs. Setting action plans to implement corrective measures, transparency and information on the status of implementation of recommendations, engagement with civil society and even specific incentives linked to entities' performance were mentioned as ways to strengthen follow up.

In Georgia, the State Audit Office (SAO) assesses medium-term budget framework and programme budgeting at the level of individual ministries, and issues corresponding recommendations. In monitoring follow-up actions to the recommendations, SAO is piloting an electronic monitoring system called Audit Recommendation Implementation System (ARIS),⁶ which improves transparency and accessibility of the information. The system limits paperwork and allows the entity to submit the documentation electronically to show how the recommendations have been taken into account. SAO plans to fully integrate all audit reports in the system and make information on implementation of recommendations increasingly available in the next years.

The Philippines' Commission on Audit (COA) relies on several systems and tools to strengthen the follow-up to audit recommendations. Each government entity needs to submit an action plan for the implementation of audit recommendations called Agency Action Plan and Status of Implementation (AAPSI) within 60 days from the receipt of the audit

⁶ ARIS is available at <https://sao.ge/en/state-audit-office-report-on-t202003111106en.html>

report. In the audit exit conference, COA and the auditee agree on a timeline to implement the recommendations, which are also monitored by Congress.

The COA has a system in place to facilitate reporting and monitoring of government programs, projects and activities as well as keeping track of appropriations, allotments and expenditures of government agencies. There is a centralized system for monitoring and follow-up on the audit recommendations called Audit Results Monitoring System (ARMS). The ARMS facilitates monitoring of audit observations, issues notices of suspension/disallowance/charges to government agencies, and monitors actions taken in response to the audit recommendations by the auditees. Audit reports capture the status of implementation of prior recommendations related to the subject of the audit in a dedicated section. All these systems have contributed to more effective implementation of recommendations over time in the Philippines.

In addition to monitoring government responses to audit recommendations, SAIs have also reflected on the incentives needed for government entities to act. SAI use different approaches. In Indonesia, the legal framework establishes the obligation of government entities to report on follow-up actions within 60 calendar days of receiving the audit report. Some SAIs rely on the power of transparency and information, while others have strengthened collaboration with other accountability actors to put pressure on governments to act. The publication of audit reports and online tracking systems that allow the public to check on the status of recommendations is one approach (e.g., US GAO, Georgia).

In addition to the publication of reports, SAI Argentina has a dedicated Office for Citizen Engagement which has helped strengthen collaboration with civil society throughout the audit process, including in the follow-up to recommendations. For instance, audit reports identifying budget credibility problems in programmes to combat Chagas disease were shared with CSOs working on this issue, which then used the audit information to undertake complementary actions (e.g., advocacy, judicial actions) in order to trigger a response from the Ministry of Health.

A different approach has been adopted in the Philippines' public administration. It relies on annual incentives - called 'performance-based bonus' - provided to government agencies based on certain criteria and conditions. In the COA, for example, a key performance indicator is linked to the implementation of audit recommendations in all agencies subject of the annual audits. For example, in fiscal year 2020, all entities should have fully implemented 30% of their prior years' audit recommendations, while audit findings closed since FY 2018 should not recur.⁷

The implementation of recommendations from performance audit reports related to the budget has been effective in Indonesia. SAI Indonesia engages early on with the auditees regarding the audit findings, has improved the analysis of the causes underlying the findings to make audit recommendations more actionable and specific, and leverages ICTs to monitor their implementation.

⁷ <https://www.officialgazette.gov.ph/downloads/2020/09sep/20200602-MC-2020-1.pdf>

The discussion on recommendations and follow up should be considered in the context of a recurring issue addressed during the meeting: the timing of audit reports. As most SAIs' mandate refers to ex-post oversight, audit reports are sometimes issued too late to redress problems in a timely fashion. In this regard, SAIs have been innovating to address issues of timing. In the context of the COVID-19 pandemic, SAI Jamaica has conducted real time audits of government responses to the pandemic (e.g., cash transfer programmes). SAI Costa Rica has also adopted a new agile audit approach, based on micro-cycles and reports, that allows auditors to provide rapid and more continuous feedback to government entities and Parliament.

Dialogue 5. Next steps and way forward

The development of the handbook takes place within the wider context in which SAIs operate as members of the International Organization of SAIs (INTOSAI). INTOSAI is currently developing its next strategic plan, which will include cross-cutting priorities such as those related to SAIs' contributions to the SDGs and SAI independence. Some of the needs identified by INTOSAI members and stakeholders, including capacity-building and knowledge sharing, the development and application of professional standards, and strengthening the contributions of regions and working groups, are relevant for the handbook.

The handbook should reflect the diversity of the INTOSAI community in terms of capacities, mandates, and experiences. SAIs have opportunities to build on their collective experience, their mutual strengths, knowledge-sharing and learning, and to leverage audit standards and technologies to contribute to budget oversight and credibility.

The handbook could be seen as the first step in a wider process of strengthening the capacity of SAIs to contribute to enhancing budget credibility in their countries. The project could consider options in terms of supporting SAIs beyond developing guidance. In addition to developing a manual or handbook on the subject matter as well as providing guidance for trainers, it is important to consider additional elements such as how to deliver the training and the development of the contents themselves. In the current context, there is increasing attention to e-learning and blended solutions. It is also critical to build a hybrid team that includes mentors and specialists, as they provide critical support to SAIs. Capacity building activities should be practical, and include case studies, templates, and activities. Pilot projects to explore parts of the methodology or scope could be considered. In the final stage, a compendium of findings and lessons learned would make it possible to assess the strengths and limitations of the methodology, and to identify the main findings. Ensuring quality throughout the process is also important. It was suggested that the project should take an incremental approach, considering cumulative complementary actions that will allow the process to grow.

The discussions about the way forward were articulated around key questions, including: How to make the handbook relevant and useful? Which key points of the discussions and examples could be incorporated into the handbook? How could the contents be organized

and structured in a way that is meaningful and useful for an SAI? What are key steps in the roadmap for developing the handbook? What support would SAIs need in order to contribute to the handbook? And how can the process contribute to creating ownership of the handbook and promote its use?

An overview of the process and timeline for developing the handbook was presented to inform the group and plenary discussions. A flexible and tailored approach will contribute to enhance ownership of the process and the resulting handbook. SAIs may contribute to the development of the handbook in different ways according to their preference and availability (e.g., staff, time). The handbook team will also consider how to provide support to SAIs in order to get their inputs and develop the materials and case studies.

The envisioned timeline for launching the handbook is March 2023. After this expert meeting, the next months will be focused on developing the handbook's outline and analytical framework, finalizing the identification of relevant experiences, and securing the commitment of contributors. Guidelines for contributors will be developed to provide a common approach. A workshop to review the draft materials is planned for March 2022. The final draft will be submitted to peer review. Ongoing engagement with SAI leadership and other stakeholders will contribute to make the handbook relevant and facilitate its adoption and use. Details on the proposed roadmap are presented in the figures below.

HANDBOOK JOURNEY



Inputs from the small discussion groups highlighted relevant aspects, including the definition of the concept, the identification of criteria to assess credibility risks, and the need to consider the root causes of credibility problems. The handbook should take advantage of SAIs' existing experience in developing this type of products (e.g., guidance, handbooks, training materials). It should consider a tailored incremental approach that reflects the diversity of SAIs' mandates and capacities regarding budget oversight and evaluation. In addition to case studies, conducting pilots where the tools and approaches are applied by SAIs could provide an interesting way to test and refine the methodology.

TIMELINE



In terms of process, participants highlighted the need to define a clear plan with roles, responsibilities, deliverables and timelines. This will provide clarity to SAIs in terms of what is expected and allow them to identify more specifically the different ways in which they can contribute, considering their workload. It is important to ensure continuity of the audit teams involved in the development of the handbook. If possible, producing some intermediate outputs before the final product would help ensure visibility for the initiative within the INTOSAI community and with other stakeholders. Making the handbook available in different languages would also support its dissemination and use.

Participants highlighted that the initiative would benefit from engaging other SAIs and from being mainstreamed into INTOSAI's institutional structure (e.g., INTOSAI regions, working groups, etc.). Having the buy-in of SAI leadership is critical to ensure ownership of the handbook and to secure the contributions of audit teams. Finally, participants emphasized the importance of engaging with other stakeholders as part of this work and raising awareness of governments and other actors regarding the importance of strengthening budget credibility.

Annex 1. Agenda

Annotated Agenda

Day 1: Wednesday, 26 May 2021	
09:00 - 09:15 (EDT)	<p>Opening of the meeting</p> <p><i>Welcome and introductions</i></p> <p><i>Opening remarks</i></p> <ul style="list-style-type: none">• Mr. Juwang Zhu, Director, Division for Public Institutions and Digital Government (DPIDG), United Nations Department of Economic and Social Affairs (UNDESA)• Mr. Vivek Ramkumar, Senior Director of Policy, International Budget Partnership (IBP) <p><i>Moderator: David le Blanc, Chief, Institutions for Sustainable Development Goals Branch (ISDGB), DPIDG</i></p>
<p>Expert Dialogue 1: Setting the context. The contribution of SAIs to strengthening the credibility of government budgets</p> <p><i>Moderator: David le Blanc, Chief, ISDGB, DPIDG</i></p> <p>This session will provide an introduction to the overall theme of how SAIs contribute to strengthening the credibility of government budgets through external audits. The session aims to clarify what makes a budget credible from an SAI perspective and discuss the internal and external contexts in which SAIs are analysing credibility issues in order to identify opportunities to take this work forward.</p> <p><u>Guiding questions:</u></p> <ul style="list-style-type: none">• <i>What makes a budget credible / non-credible from an SAI perspective? What are relevant criteria and elements for SAIs to use and incorporate in defining the concept of credibility?</i>• <i>What is the status of budget credibility in your country /region at the aggregate and programmatic levels?</i>• <i>What are SAIs'/your SAI's internal strengths that can be applied to improving and leveraging work related to budget credibility? What are the constraints to doing so?</i>• <i>What are the external opportunities and challenges for SAIs/your SAI to contribute to strengthening budget credibility?</i>	

09:15 - 09:45 (EDT)	Introductory presentation Short statements	Intro presentation by DPIDG Short statements/pitches: <ul style="list-style-type: none"> • Sally Torbert, IBP • Gail Lue-Lim, SAI Jamaica • Srinivas Gurazada, Head of PEFA Secretariat • Adil Ababou, Gates Foundation
09:45 - 10:15 (EDT)	Breakout group discussions – moderator introduces the breakout groups and provides instructions	Small group discussions (4 groups with 1 moderator and 1 rapporteur each)
10:15 - 10:45 (EDT)	Plenary discussion	Groups briefly report back to plenary, followed by discussion
10:45 - 11:00 (EDT)	Break	
<p>Expert Dialogue 2: Principles, concepts, elements, and methodology to evaluate budget credibility through audits</p> <p><i>Moderator: Vivek Ramkumar, Senior Director of Policy, IBP</i></p> <p>This dialogue aims to discuss the conceptual and analytical frameworks of the handbook. It will seek experts' inputs to, and specific suggestions and recommendations on, defining the handbook's scope and tentative outline, and defining and identifying the main elements of the proposed approach to examining budget credibility issues through external audits.</p> <p><u>Guiding questions:</u></p> <ul style="list-style-type: none"> • Which international budget and audit standards and good practices could provide SAIs with relevant audit criteria for evaluating issues related to budget credibility? • What gaps can be identified regarding how SAIs currently assess issues related to budget credibility (both in terms of issues not examined and/or types of assessments not conducted)? How could they be addressed? • What are the key steps or elements to be considered in assessing budget credibility through audits: at the aggregate and programme levels? • How can different types of audit information be integrated or used together to provide more comprehensive understanding of budget credibility risks and challenges from an SAI perspective? Principles to guide integration; potential tools; experiences. 		
11:00 - 11:30 (EDT)	Presentation by resource expert Q&A	Presentation: <ul style="list-style-type: none"> • International budget standards to audit

		credibility, Srinivas Gurazada, PEFA Questions related to the presentation
11:30-11:45 (EDT)	Presentation on draft conceptual and analytical frameworks	Presentation on elements to develop the handbook's conceptual and analytical frameworks by IBP/DPIDG
11:45-12:45 (EDT)	Plenary discussion – issues to be considered for developing a sound framework for the handbook	Plenary discussion
Day 2: Thursday, 27 May 2021		
Expert Dialogue 3: Mapping experiences and practices in auditing budget credibility		
<i>Moderator: Sally Torbert, Senior Programme Officer, IBP</i>		
This dialogue will review examples and experiences of auditing issues related to budget credibility in different countries and regions in order to identify gaps, understand existing approaches and tools used, and distil relevant guidance and recommendations to support SAIs in conducting external audits related to budget credibility.		
<u>Guiding questions:</u>		
<ul style="list-style-type: none"> • <i>What are good examples of audit practices to assess different issues related to budget credibility?</i> • <i>How well do these examples illustrate different approaches, steps or tools to conduct budget credibility assessments?</i> • <i>What specific guidance can be distilled from these examples to help SAIs enhance their analysis of budget credibility through external audits?</i> 		
09:00 – 09:30 (EDT)	Presentations on practices and experiences by participating SAIs	<ul style="list-style-type: none"> • Nancy Campos Jimenez, SAI Costa Rica • Karin Holmerin, SAI Sweden • William Chibesa, SAI Zambia
09:30 – 09:45 (EDT)	Q&A on presentations	Group discussion
09:45 – 10:15 (EDT)	Presentations on practices and experiences by participating SAIs	<ul style="list-style-type: none"> • Sumaya Abdulla Al Marzooqi, SAI UAE • Jeffrey Arkin, US GAO • Neemias Albert de Souza, SAI Brazil

10:15-11:00 (EDT)	Discussant highlights key points Q&A and plenary discussion	Discussant comments on the experiences presented <ul style="list-style-type: none"> • Bill Fraser, Team leader, InS Q&A on presentations and plenary discussion
11:00 – 11:15 (EDT)	Break	
<p>Expert Dialogue 4: Communicating audit recommendations and strengthening follow-up to findings on budget credibility</p> <p><i>Moderator: Claire Schouten, Senior programme officer, IBP</i></p> <p>This session aims to provide inputs for the development of guidance on improving the formulation of audit recommendations related to credibility issues. The session will also reflect on how existing follow-up systems to audit findings and recommendations can be used to monitor the implementation of recommendations related to credibility, the challenges and constraints these systems face, and how they could be improved and leveraged to strengthen budget credibility.</p> <p><u>Guiding questions:</u></p> <ul style="list-style-type: none"> • <i>How can audit recommendations regarding budget credibility be made more granular and specific? What are good examples of sound and well-articulated recommendations?</i> • <i>What are good examples of systems and tools for monitoring the follow-up to audit recommendations and findings regarding budget credibility?</i> • <i>What are good examples of practices to leverage the findings of audit recommendations through dialogue and collaboration?</i> • <i>What specific guidance can be distilled from these examples to help SAIs enhance recommendations and follow-up to budget credibility findings?</i> 		
11:15- 11:45 (EDT)	Presentations on practices and experiences by participating SAIs	<ul style="list-style-type: none"> • Lasha Kelikhashvili, SAI Georgia • Anibal Kohlhuber, SAI Argentina • Cora'Lea Dela Cruz, SAI Philippines
11:45- 12:30 (EDT)	Plenary discussion	Q&A on presentations and plenary discussion
Day 3: Friday, 28 May 2021		

Expert dialogue 5: Collaborating on the handbook. Process, way forward and next steps

Moderator: Aránzazu Guillán Montero, Senior Governance Officer, ISDGB, DPIDG

This session will focus on the process and way forward for the development of the handbook. It will take stock of the previous discussions and their implications for the handbook. It will discuss the roadmap for the development of the handbook, including the development of case studies and SAI inputs, the support SAIs need for the development of inputs, as well as a timeline, working methods and coordination.

Guiding questions:

- *What has changed in our understanding of the topic as a result of the discussions?*
- *What are the main points of the discussions that should be incorporated into the handbook?*
- *What guidance can be provided regarding the combination of different kinds of audit information to assess issues related to budget credibility?*
- *What are the next steps for the development of the handbook (timeline, inputs, coordination, responsibilities, support, etc.)?*
- *How can we reach out and engage with other (SAI and non-SAI experts) going forward?*

09:00 – 09:10 (EDT)	Intro to the session and Recap from previous two days	Recap on results of previous discussions
09:10-09:45 (EDT)	Presentations	<p>One last SAI experience</p> <ul style="list-style-type: none"> • The experience of SAI Indonesia, Mr. Winarmo, SAI Indonesia <p>Looking at the bigger picture</p> <ul style="list-style-type: none"> • INTOSAI strategic context, Mike Hix, US GAO • Guidance and support to SAIs - lessons learned, Anibal Kohlhuber, SAI Argentina
09:45-10:00 (EDT)	Presentation on proposed approach and working methods for developing the handbook	Presentation on tentative roadmap and approach by IBP/DPIDG
10:00 – 10:45 (EDT)	Breakout group discussions –moderator introduces the breakout groups and provides instructions	Small group discussions (4 groups with 1 moderator and 1 rapporteur each)
10:45 -11:00 (EDT)	Break	

11:00 – 11:30 <i>(EDT)</i>	<i>Plenary discussion</i>	Groups briefly report back to plenary, followed by discussion
11:30 – 12:00 <i>(EDT)</i>	<i>Conclusions, recommendations, next steps</i> <i>Closing</i>	IBP and UNDESA

Annex 2. List of participants

Last name	First name	Country	Organisation
Ababou	Adil	USA	Melinda & Bill Gates Foundation
Abdulla Al Marzooki	Sumaya	UAE	Supreme Audit Institution of the United Arab Emirates
Abdulrahman	Husain	South Africa	Auditor-General of South Africa
Albert de Souza	Neemias	Brazil	Federal Court of Accounts (TCU-Brazil)
Aloryito	Godson	Ghana	International Budget Partnership
	Anisa	Indonesia	The Audit Board of the Republic of Indonesia
Arkin	Jeff	USA	US Government Accountability Office
Asiatou Diop	Sokhna	Senegal	International Budget Partnership
Botes	Cobus	South Africa	Auditor-General of South Africa
Campos Jimenez	Nancy	Costa Rica	General Comptroller of the Republic of Costa Rica
Castillo Carrillo	Maximiliano	Argentina	General Audit Office of the Nation (AGN-Argentina)
Chibesa	William	Zambia	Office of the Auditor General
Dela Cruz	Cora Lea	Philippines	Commission on Audit
Fraser	Bill	UK	GIZ International Services (InS)
Frentz	Rémi	France	Cour des Comptes
Frugoli	Ernesto	Argentina	General Audit Office of the Nation (AGN-Argentina)

Gurazada	Srinivas	India	Public Expenditure and Financial Accountability Initiative (PEFA)
Hanoune	Mouhcine	Morocco	Cour des Comptes
Heidrich de Oliveira	Fábio	Brazil	Federal Court of Accounts (TCU-Brazil)
Hix	Michael	USA	US Government Accountability Office
Holmerin	Karin	Sweden	Swedish National Audit Office (Riksrevisionen)
Kayemba	Keto	Uganda	Office of the Auditor General
Kelikhashvili	Lasha	Georgia	State Audit Office
Kohlhuber	Anibal	Argentina	General Audit Office of the Nation (AGN-Argentina)
Laubscher	Tini	South Africa	Auditor-General of South Africa
Lue-Lim	Gail	Jamaica	Auditor General's Department
Magnier	Helene	France	Public Expenditure and Financial Accountability Initiative (PEFA)
Ndaba	Vukani	South Africa	Auditor-General of South Africa
Nugraha Putra	Ramadhan	Indonesia	The Audit Board of the Republic of Indonesia
Pratama	Thopan Aji	Indonesia	The Audit Board of the Republic of Indonesia
Santos Victor	Roberto	Brazil	Federal Court of Accounts (TCU-Brazil)
Winarno		Indonesia	The Audit Board of the Republic of Indonesia