



ASIAN JOURNAL

OF GOVERNMENT AUDIT

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Asian Organisation of Supreme
Audit Institutions



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of Government Audit - October 2021

The Asian Journal of Government Audit is a popular resource for the SAI community for promotion of sound and effective audit systems. This bi-annual Journal has been in circulation since 1983 and has provided a forum to ASOSAI members for discussion and dissemination of good practices. The Journal accepts articles, special reports, news items and other materials from member SAIs of ASOSAI.

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General Chanathap Indamra
President of State Audit Office of the Kingdom of Thailand and Chairman of ASOSAI

On behalf of the State Audit Office of the Kingdom of Thailand, it is an honor to assume the Chairmanship of the Asian Organization of Supreme Audit Institutions for the 2021 – 2024 term, an honorable and significant mission.

It gives me great pleasure to actively and closely collaborate with ASOSAI members and all regional Supreme Audit Institutions, including INTOSAI, EUROSAI, ARABOSAI, IDI, and others.

As we all know, we are in a challenging time. As a result, the State Audit Office of the Kingdom of Thailand intends to strengthen our cooperation in responding to the COVID-19 pandemic, promoting and developing public sector auditing, exchanging knowledge and experiences.

Based on the Bangkok Declaration 2021, I endeavor to enhance collaboration with Supreme Audit Institutions and other stakeholders of international organizations, educational institutions, and other bodies and entities. With great confidence, we, the members of ASOSAI, will work in solidarity to sustainably develop public auditing in the Next Normal.

Lastly, I would like to express my deep gratitude to all of you who have been supporting SAI Thailand. We hope you will continue to support and work closely with us to address challenges in the Next to Normal era under the concept of Leave No One Behind.

In response to the severe social and economic impacts of the Covid-19 pandemic, governments from across the world have introduced alleviation policies aimed at reactivating economy, stabilizing society, enhancing disaster response capabilities, restoring public confidence and accelerating the pace of development. We are pleased to see that, in return, global economy has been on the path from recession to recovery in this year. This also owes much to the joint efforts from SAls around the world, who dedicated to carry out audits related to pandemic prevention and control, aiming at enhancing the transparency of the allocation and utilization of budgetary resources. These audits have helped to increase revenue, cut government expenditure, gather strength for economic recovery and reinforce policy implementation. The autumn 2021 issue of our Journal highlights the role of audit in economic recovery, which is indeed a timely choice that addresses the common concern of ASOSAI members.

Public sector auditing oversees the development in economic and social spheres from a comprehensive and forward-looking perspective, with an aim to promote good governance. For example, when preparedness of public health systems and capacity of emergency risk management are put to test by the pandemic, audit institutions can play a constructive role by carrying out engagements on relevant authorities, and issuing opinions and recommendations from the perspectives of strategic layout, regulatory framework, contingency plan and coordination mechanism. Audit institutions must also pay high attention to safeguarding and improving the people's lives. According to the United Nations, for the first time in two decades, global extreme poverty was on the rise. Around 120 million people fell into poverty as the COVID-19 pandemic wreaked havoc last year, and 3 billion people cannot afford a healthy diet today. In this case, audit institutions can play a safeguarding role by conducting audits on major funds and projects for improving the people's well-being, so as to boost employment, ensure food security and improve income distribution.



Mr. HOU Kai
Secretary General Of ASOSAI And Auditor General Of The National Audit Office Of The People's Republic Of China

In addition, audit institutions can play the role as a strategic contributor to governance by strengthening oversight on the achievement of national priorities and SDGs, so as to facilitate the implementation of the 2030 Agenda for Sustainable Development in respective regions. Auditing SDGs can serve as an important approach to help improve eco-environment, upgrade industrial and energy structure, highlight public financing priorities, and direct investment first to the most needed sectors and then to all areas related to the SDGs. Of course, public sector auditing can do far more than these. We are delighted to see that auditors around the world have been working hard to expand coverage and enhance effectiveness through innovative ways based on their respective local conditions.

There is only one Earth and one shared future for humanity. As we cope with the current crisis and endeavor to make a better day for everyone, we need to stand united and work together. In the ASOSAI family, we must try our best to pool our wisdom for the development of public sector auditing in Asia, and unite in solidarity to overcome difficulties. ASOSAI will dedicate itself to serving as such a platform, for the continued knowledge sharing, experience exchanging and cooperating among all member SAls.

As I pen down this message, the world is again grappling with the surge in COVID -19 cases and I hope and wish good health for everyone. To begin with, I would like to extend my heartfelt gratitude to the ASOSAI fraternity for wholeheartedly welcoming the revamped ASOSAI Journal website, its redesigned pdf and for supporting the ASOSAI journal on social media. Your encouragement has renewed our commitment to continuously improve the journal to help the audit professionals, across ASOSAI, in their work.

To overcome the setbacks caused by the pandemic, the world is gearing up for an economic recovery and focusing on the dual task of increasing public spending on health as well as injecting funds to resuscitate the hitherto slowed down economic activities. Under these unprecedented circumstances, people expect SAIs to play a key role in strengthening and supporting economic recovery efforts and reviewing government preparedness for confronting future disasters.

Our October 2021 issue of ASOSAI Journal aims to explore ways in which SAIs can help in economic recovery, with integrity, during and after the covid-19 pandemic. While doing so, it is important that auditors understand and appreciate the constraints faced by the public sector agencies in implementing their responsibilities and engage the policy makers with constructive recommendations to enhance accountability.

This crisis has again pointed out the necessity to redouble our efforts to protect and preserve the diversity and richness of our planet. SAI India, with the initiative of Government Accounting Standards Advisory Board (GASAB), has taken a step forward in this direction by hand holding the government in implementing the initial stages of Natural Resource Accounting (NRA). This edition features the 'Concept Paper on NRA' prepared by SAI India, which envisages short, medium and long-term goals in consonance with the four-stage implementation strategy suggested by the System of Environmental and Economic Accounting (SEEA) Framework of the United Nations.



Mr. Amitabh Prasad
Principal Director (International Relations)
Office of the Comptroller and Auditor General of India

I am grateful to General Chanathap Indamra, Chairman of ASOSAI, and Mr Hou Kai, Secretary-General of ASOSAI, for their motivational messages. I thank SAIs of Australia, Azerbaijan, Ecuador, Egypt, Georgia, Hungary, IDI's SDG Audit Team India, Indonesia, Kazakhstan, New Zealand, Pakistan, Turkey, and Vietnam for contributing articles for this issue of the journal. These inspiring experiences of SAIs joining forces with the governments to tackle the economic crisis will be of immense value to the audit practitioners around the world. These experiences serve as a benchmark of what can be done to navigate the complex economic challenges. The benefits of knowledge sharing are worth the effort for both SAIs as well as policy makers.

As economies struggle to get back on their feet, I earnestly hope that this edition will make a difference in the efforts of the auditing fraternity in reviewing and strengthening response mechanisms to combat the damaging impact of the pandemic on the world economy.

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The background is a solid brown color. It features several white circular icons: a cell with organelles at the top center, a pie chart at the bottom left, an atom symbol on the left, and a laboratory flask on the right. A large white circle is centered on the page, containing the text 'Theme Articles'. There are also several small dark brown dots scattered across the background. At the bottom, there is a white, cloud-like decorative border.

Theme Articles



About the Author

Mr. Daniel Whyte is an Acting Executive Director in the Performance Audit Services Group at the Australian National Audit Office (ANAO). Mr. Whyte is a part of the COVID-19 performance audit team and his most recent work includes a performance audit on the Management of the Australian Public Service's Workforce Response to COVID-19.

Since joining the ANAO in 2016, Mr. Whyte has worked on a diverse range of audits, from assessing entities' management of personnel security to reviewing arrangements for monitoring and reporting on Closing the Gap in Indigenous Disadvantage.

Introduction

Since its emergence in late 2019, coronavirus disease 2019 (COVID-19) has become a global pandemic that is impacting on human health and national economies. As of late October 2021, Australia had recorded roughly 150,000 cases of COVID-19 and sadly over 1,500 deaths.¹

From January 2020 the Australian Government introduced a range of policy measures in response to COVID-19 that included:

- travel restrictions and international border controls;
- delivery of substantial economic stimulus, including financial support for affected individuals, businesses and communities;
- support for essential services; and
- procurement and deployment of critical medical supplies (including the national COVID-19 vaccine rollout).

With the release of the 2021–22 Budget on 11 May 2021, the Australian Government reported that it had committed \$20 billion to COVID-19 health support measures and \$291 billion to economic response measures.²

The purpose of the Australian National Audit Office (ANAO) is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance.³ This article discusses three ways in which the ANAO has adapted its audit approach during the COVID-19 pandemic to ensure it continues to achieve this purpose, with a focus on:

- targeting audit activity to key emerging risks;
- promptly communicating audit insights to the sector; and
- adapting audit practices to meet a dynamic environment.

The article also reflects on lessons from the ANAO's pandemic response for auditing in a post-pandemic environment.

Targeting audit activity to key emerging risks

The COVID-19 pandemic and the Australian Government's response to it has significantly impacted the risk environment faced by the Australian public sector. Noting this change in the risk environment, the ANAO developed a COVID-19 multi-year performance audit strategy that focuses on the Australian Government's response to the COVID-19 pandemic.⁴

Phase one of the strategy was completed in 2020–21 and involved five performance audits related to:

- social services and tax entities' management of risks related to the rapid implementation of economic response measures;⁵
- movement of public sector staff to priority COVID-19 work;⁶ and
- management of the National Medical Stockpile.⁷

The findings from the audits conducted under phase one were generally positive, providing assurance to the Australian Parliament that early response measures were underpinned by largely effective administration.

Phase two of the strategy is currently underway and is examining the design, implementation and governance of key COVID-19 response measures, including:

- international travel restrictions, human biosecurity practices for air travel and the return of overseas Australians;
- key economic response measures (such as wage subsidy payments and support to the aviation sector); and
- Australia's COVID-19 vaccine rollout.⁸

Phase three will review the outcomes of Australian Government's COVID-19 response. It is intended that this will include a post-pandemic assessment of: the achievement of outcomes through the COVID-19 response measures, recovery plans and programs; the identification and dissemination of lessons learned; and the readiness of government systems and processes to respond to future crises.

In addition to performance audits, from April 2020 to October 2020 the ANAO conducted monthly assurance reviews of the Advance to the Finance Minister (AFM). The AFM is a provision in the annual Appropriation Acts that enables the Minister for Finance to provide additional urgently needed appropriation to agencies for expenditure in the current year. In 2020 the Minister for Finance was advanced in excess of \$50 billion to support urgent COVID activity, such as the purchase of personal protective equipment and medical equipment. The ANAO's assurance reviews provided the Australian Parliament with timely assurance and transparency of the Australian Government's pandemic response.⁹

In transitioning to post-pandemic economic recovery, the risk environment faced by the Australian public sector will continue to change. Consequently, the ANAO is closely monitoring the sector to ensure its performance audit program and other assurance activities continue to be targeted to key emerging risks.

Promptly communicating audit insights to the sector

In the early stages of the COVID-19 pandemic, the ANAO recognised the need to promptly communicate key insights from its audit work program to the Australian public sector.



On 16 April 2020 the ANAO published an edition of audit insights on Rapid Implementation of Australian Government Initiatives, focussing on lessons learned from past performance audits that examined the rapid implementation of Australian Government initiatives. This edition of audit insights outlines the following key learnings, which were identified as having wider applicability to the national COVID-19 pandemic response:

- identify challenges and risks to rapid implementation;
- engage with stakeholders;
- establish fit for purpose governance and planning arrangements;
- identify and mobilise necessary skills, resources and systems to support rapid implementation;
- document and apply approved assessment process and requirements;
- maintain focus on objectives;
- maintain appropriate records;
- maintain active budget oversight and financial management; and
- adopt an active management posture.¹⁰

The *Rapid Implementation of Australian Government Initiatives* audit insights edition was the ANAO's most downloaded product during the pandemic and assisted Australian public sector entities in their initial response to COVID-19.

After completing phase one of the COVID-19 multi-year audit strategy in May 2021, the ANAO published an audit insights edition on Emergency Management – Insights from the Australian Government's COVID-19 Response. This edition of audit insights provides key messages for all Australian Government entities from the five performance audits conducted under phase one of the strategy, discussing the importance of planning, good governance and sound risk management in managing an emergency such as the COVID-19 pandemic.¹¹

As the ANAO progresses its multi-year audit strategy, it will continue to publish lessons learned from COVID-19 audits. Lessons identified in audit insights editions are future oriented with the intention of informing post-pandemic economic recovery activities and preparedness for future crises.

Adapting audit practices to meet a dynamic environment

Transformation of IT has been a key focus for the ANAO in recent years, with the aims of:

- enabling access to, and analysis of, audit information securely from anywhere; and
- simplifying business processes by automating where appropriate.

In early 2019 the ANAO rolled out new laptops and wireless peripherals to staff to facilitate a mobile and collaborative workforce and provide flexible, modern equipment that better supports the changing audit environment and workplace demands.

These new IT capabilities enabled the ANAO to respond quickly to the COVID-19 pandemic and support most staff to work from home from late March 2020 in line with public health requirements. While ANAO staff have been restricted in their ability to physically access entities' premises due to travel restrictions and lock downs, remote access has allowed audit teams to undertake their audit work without the need to be onsite.

The ANAO's adaptive response to the pandemic and investment in IT transformation has set it up well to transition to auditing in the post-pandemic environment. It is expected that the benefits of remote access and mobile, collaborative and flexible IT platforms will continue to be realised through more efficient and effective audit practices.

Conclusion

The COVID-19 pandemic continues to impact on human health and national economies and has significantly increased the risk environment faced by the Australian public sector. This change in risk environment has directly impacted on the work undertaken by the ANAO across its performance and financial audit program, as well as other assurance activities. By flexibly adjusting its performance audit program, communicating key insights to the sector and adapting to new modes of audit delivery, the ANAO has maintained its focus on reporting on the interests and priorities of Parliament and contributing to improvements in public administration. The ANAO intends to leverage off this adaptive, responsive and risk-based auditing approach as the Australia public sector's focus shifts from pandemic response to post-pandemic economic recovery.

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3 ANAO, ANAO Corporate Plan 2021–22, 6 July 2021, available from <https://www.anao.gov.au/work/corporate/anao-corporate-plan-2021-22> [accessed 21 October 2021].

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5 Auditor-General Report No. 23 of 2020-21 Services Australia COVID-19 Measures and Enterprise Risk Management, available at: <https://www.anao.gov.au/work/performance-audit/services-australia-covid-19-measures-and-enterprise-risk-management>; and Auditor General Report No. 24 of 2020-21

The Australian Taxation Office's Management of Risks Related to the Rapid Implementation of COVID-19 Economic Response Measures, available at: <https://www.anao.gov.au/work/performance-audit/the-australian-taxation-office-management-risks-related-to-the-rapid-implementation-covid-19>

6 Auditor-General Report No. 20 of 2020-21 Management of the Australian Public Service's Workforce Response to COVID-19, available at:

<https://www.anao.gov.au/work/performance-audit/management-the-australian-public-service-workforce-response-to-covid-19>

7 Auditor-General Report No. 22 of 2020-21 Planning and Governance of COVID-19 Procurements to Increase the National Medical Stockpile, available at:

<https://www.anao.gov.au/work/performance-audit/planning-and-governance-covid-19-procurements-to-increase-the-national-medical-stockpile>;

and Auditor-General Report No. 39 of 2020-21 COVID-19 Procurements and Deployments of the National Medical Stockpile, available at:

<https://www.anao.gov.au/work/performance-audit/covid-19-procurements-and-deployments-the-national-medical-stockpile>

8 Links to phase two audits in progress and potential audits are on ANAO's COVID-19 website, available from <https://www.anao.gov.au/work-program/covid-19> [accessed 21 October 2021].

9 Links to the assurance reviews of the AFM are on ANAO's COVID-19 website, available from <https://www.anao.gov.au/work-program/covid-19> [accessed 21 October 2021].

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11 ANAO, Emergency Management – Insights from the Australian Government's COVID-19 Response, Audit Insights, 28 May 2021, available from

<https://www.anao.gov.au/work/audit-insights/emergency-management-insights-the-australian-government-covid-19-response> [accessed 21 October 2021].



About the Author

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After qualifying the elite Indian Civil Service Examination (ICS), he joined in September 1991, the Indian Audit & Accounts Service (IA&AS) in the Office of CAG of India after undergoing 2 years rigorous professional training course in the areas of auditing and accounting at the National Academy of Audit and Accounts (NAAA), Shimla. Ever since joining this service, he has held several executive level posts within the organization and holds more than 15 years experience in the areas of auditing & accounting, finance and administration. Audit experience pertains to 3 areas of audit viz. compliance audit, financial attest audit and performance audit of the government departments and public sector undertakings. At the international level, the author has supervised the audit team conducting the audit of Indian mission in countries viz. Algeria, Libya, Nigeria (Abuja & Lagos) and Saudi Arabia where significant audit observations were raised and reported to the concerned ministry for further improvement and corrective action. In the year 2021, he conducted Compliance Audit of FAO's (UN Food and Agriculture Organisation, Rome) Sub-regional office, Zimbabwe and Country offices of Cameroon, Malawi and Zimbabwe. The audit was successfully conducted remotely due to travel restriction of Coronavirus pandemic.

The officer, in order to enhance his professional qualification, has done MBA (Finance) from the Amity University through distance learning during the Academic Year 2013-15.

1. About Pandemic

A message to mankind to end Pandemic:

" Helping one another is the only wayforward"

- A quote from the President of European Commission.

Covid-19 is the curse to mankind by nature and is the second biggest global crisis after Second World War. It has affected all major economies in the world including US which is the worst affected country in the world. Currently, the virus has affected 223 countries and territories and have infected 239 million people globally with death toll of nearly 5 million people worldwide. Following the fast spread of disease like wildfire, countries after countries have announced national emergency, curfew measures, lockdown, strict enforcement of covid protocol etc. to contain the virus spread as initially no vaccine was in sight. According to WHO, only cure for this disease is testing, frequent handwashing and social distancing. The leading manufacturing drug firms and research institutes like Moderna and NovavaxInc (US), Astra Zeneca (UK) and Serum Institute of India among a lot others have developed vaccines to contain the disease as drugs like HCQ, Plasma Therapy and antibodies do not show any promising impact on virus.

Now almost two dozen vaccines have been authorized by various countries and approved by WHO for emergency uses for treating covid-19 patients around the world. Moderna, Vaxzebria also known Covishield, Sputnik V, Janssen and Sinovac are some of the major vaccines which are being used to vaccinate the global population against this deadly virus. A few more are under various stages of development/trials.

2. Economy

2.1 Global economic scenario: The coronavirus recession also known as the Great Lockdown or the Great shutdown is a severe global recession since Great Depression 1929-30. It has resulted in shutdown of many businesses like aviation, automobile, hospitality, rail transport etc. causing massive job losses worldwide. The Government response to the pandemic in many countries are focused primarily on the health emergency and its economic effects, thus seeking to safeguard the provision of healthcare and support for individuals, households and businesses. The economic impact in India has been largely disruptive. This prompted immediate Government response to economic crisis caused by the pandemic.

2.2 Government's Stimulus Packages: To help recovery of badly battered economy, various Governments across the world announced stimulus packages constituting a sizeable chunk of the country's Gross Domestic Product (GDP). Both governments and central bank worldwide enacted sweeping and sizable stimulus measures to counteract the disruption caused by the coronavirus and provide relief to those suffering from the pandemic.

2.3 State sponsored Vaccination Programme: "COVID-19 must be beaten everywhere, or it comes back to haunt us again. COVID-19 knows no borders. The more people we vaccinate—everywhere—the sooner the pandemic will end." -US President, Mr. Joe Biden.

The massive and effective deployment of vaccination programme for the entire population in fair and equitable manner needs proactive intervention by the Governments across the globe. With COVID-19 vaccines being approved for use in different parts of the globe, the scale and complexity of their manufacture, allocation and distribution globally will be unprecedented. The successful implementation of COVID-19 vaccination programmes will require robust supply systems. Such systems will need to ensure effective vaccine storage, handling and stock management; rigorous temperature controls in the supply chain; and the maintenance of adequate logistics management information systems. This is vital to safeguard the COVID-19 vaccine supply and prevent any interruptions from the point of manufacturing to service delivery. We believe, these five basic tenets should be followed in any global vaccination approach:

1. Vaccinate the most vulnerable people first. Frontline health workers, elderly people, other essential workers, and those with underlying health conditions should be first to receive vaccines in every country. Across these categories, countries must closely examine age structure and other factors to determine actual vulnerability to COVID-19. We know through our close partnerships with frontline health workers that they play an essential role in ensuring health, saving lives, and curbing the pandemic. More than 70 percent are women, often serving as the primary caregivers in their families and communities. They need to be protected so that they can continue to play these essential roles and limit transmission to those for whom they care.

2. Distribute safe, effective vaccines that are backed by science. Several vaccines are proven safe and effective, and multiple other vaccine candidates are currently going through clinical trials. All countries need access to vaccines that are proven by science, irrespective of their cost.

3. Exercise global cooperation and generosity. Fair and equitable access to vaccines and a smart pandemic-control strategy also means ensuring wealthy countries are not first in line, but that vaccines are distributed globally based on need. More than 170 nations participated in COVAX, a partnership led by Gavi, the Coalition for Epidemic Preparedness Innovations, and WHO, which aims to accelerate the development and manufacture of COVID-19 vaccines, and to guarantee fair and equitable access for every country in the world.

4. Cooperate with ministries of health, civil society partners, community and religious leaders to encourage voluntary vaccinations and behaviors that mitigate the transmission of COVID-19.

Ending the pandemic depends on people willingly being vaccinated. Myths and misconceptions around vaccination must be combated through comprehensive public health campaigns reaching people with evidence and messages that resonate in their societies and communities. At the same time, people must be encouraged to continue wearing masks, distance physically, and wash their hands—interventions proven to mitigate transmission.

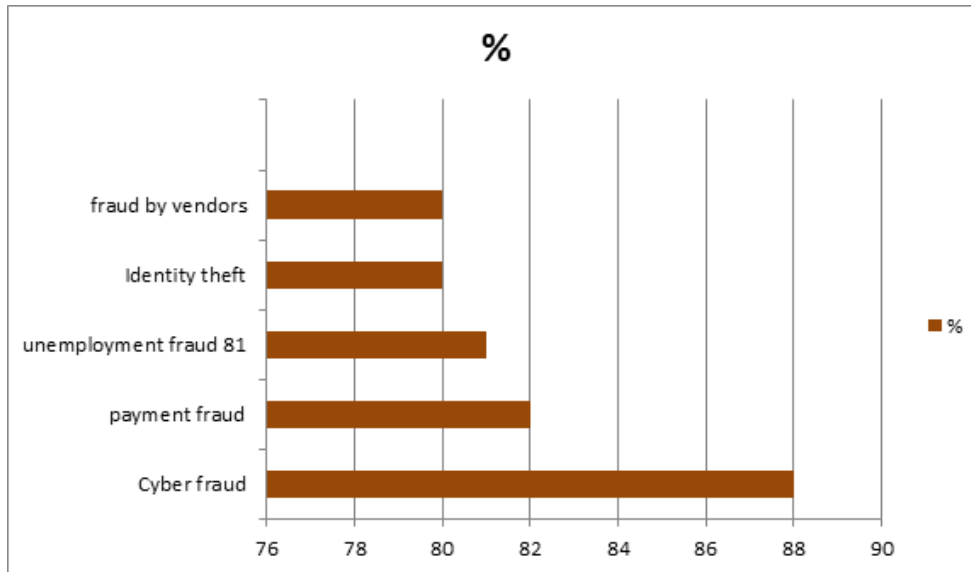
5. Strengthen health systems and ensure the continuation of essential services, including sexual and reproductive health care. As vaccines are rolled out, health systems strengthening must continue to address the COVID-19 pandemic, and to anticipate and respond to future crises. Health systems must be able to support efficient systems for vaccine distribution while maintaining essential health care.

3. High corruption risks

These twin state sponsored programmes on large scale—Fiscal stimulus packages and Vaccination Programme pose big challenges before the public authorities and oversight functions in myriad ways. Evidence indicates that some forms of corruption and serious misconduct become more prevalent during periods of significant disruption and economic downturn as depicted in the pyramid below:



A combination of opportunity, financial pressure and rationalization is extremely conducive to fraud. The covid19 pandemic and related economic downturn have intensified all the three elements. Employees, suppliers and customers may be facing financial pressure/hardship due job loss, work dries for suppliers and investments not yielding expected returns. Poor/non-existent control systems and lack of supervision may provide golden opportunity to indulge in financial misappropriation as normal segregation of duties may not be in place or IT systems may not be accessible, multiagency teams may be formed, social distancing practices and WFH may be in vogue. Further, perpetrators may find it easier to rationalize dishonest behavior. For example, individuals may find it morally justifiable to engage in fraud in case of acute circumstances or if they perceive others getting away with it. This fact is confirmed by the outcome of a survey conducted by ACFE. During the COVID-19 pandemic, the Association of Certified Fraud Examiners (ACFE) conducted survey to assess the potential fraud which may take place across the globe in view of massive stimulus package announced by various governments to fight corona virus pandemic as indicated below :



3.1 Corruption in procurement and deployment of Vaccination Programme

These risks include the entry of substandard and falsified vaccines into markets, theft of vaccines within the distribution systems, leakages in emergency funding designated for the development and distribution of vaccines, nepotism, favouritism, and corrupt procurement systems. These corruption risks must be identified and mitigated by public institutions to help advance access to safe and effective COVID-19 vaccines by the population, including the most vulnerable and marginalized groups.

3.1.1 Corruption risks in vaccine procurement

Under normal circumstances, the public procurement process poses one of the greatest risks for corruption among all government functions. The large volumes that are involved in public procurement make it highly vulnerable to corruption risks. In many countries, public procurement is estimated to comprise as much as 15 – 30 per cent of the gross domestic product. Corruption scandals in procurement are widespread, but in the health-care sector, the procurement of pharmaceuticals and medical devices are particularly prone to corruption.

Corruption risks can be found throughout the procurement cycle. During the pre-bidding phase, corruption risks include inaccurately estimating the demand for a particular product or service, circumventing tender procedures, and deliberately tailoring tender documents to favour a particular bidder. During the bidding phase, there is the risk of government officials receiving bribes or kickbacks from suppliers, as well as the risk of collusion and market division between bidders themselves. Such closed networks thrive by virtue of their exclusion and even more so when oversight is traded for speed and rapid impact. Lastly, in the post-bidding phase, corruption risks include false invoicing, changing contract agreements, and the failure to deliver procured vaccines.

In a public health crisis, corruption risks in procurement are amplified by the urgency of needs, required flexibility and requested speed. This may create opportunities for individual discretion that can further increase the risk of corruption. Many countries have issued direct contracts without competitive processes and face challenges in ensuring that controls are in place to detect and prevent abuses and corrupt practices. Unscrupulous government officials may seek to enrich themselves, or those connected to them, through the procurement process by demanding kickbacks from suppliers. Suppliers, on the other hand, may exploit shortages to demand grossly inflated prices from government purchasers and collude with other suppliers to their advantage. If suppliers bribe government officials to circumvent regulatory controls, there is also a risk that governments may purchase substandard or falsified products, undermining the health of their populations and reducing their citizens’ trust and confidence in public institutions – as well as in the government’s response to the pandemic.

3.1.2 Vaccine deployment and weak or non-existent distribution systems

There are corruption risks throughout the entire vaccine deployment process. As an example, vaccines may be stolen from the public supply chain during the transportation process and diverted to the black market or kept for personal use. Vaccine supplies are also at risk once they reach the hospital or public health facility administering the vaccinations, if there are no reliable oversight measures in place. Public health facility staff may also steal vaccines for resale in the black market or in their own private practices. This risk is particularly pronounced when supplies are limited, and demand is high, as is the case during a pandemic.

Limited vaccine supplies may also incentivize those who have the financial resources to bribe health professionals to secure a vaccine for themselves or their family. Some health professionals may also demand payoffs from patients to access COVID-19 vaccines, a practice that will be particularly harmful to poor, marginalized and vulnerable groups.

4.Role of Audit

In this grave situation, Public sector auditing, as championed by the Supreme Audit Institutions (SAIs), can be an important factor in making a difference to the lives of citizens. The auditing of government and public sector entities by SAIs has a positive impact on trust in society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions. Once SAIs' audit results have been made public, citizens are able to hold the custodians of public resources accountable. In this way, SAIs promote the efficiency, accountability, effectiveness and transparency of Governance. An independent, effective and credible SAI is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy.

4.1 Accountability, control and oversight of the economic stimulus packages and deployment of state sponsored vaccination programme

High risks and low controls

To mitigate the economic recession caused by COVID-19 and keep population healthy, governments are developing significant economic stimulus packages along with large scale vaccination programme. Previous experiences with economic stimulus packages, most notably the one following the 2008 global financial crisis, show that the breadth and scope of such measures offer opportunities for high risks of corruption, fraud, waste and abuse. Paradoxically, governments are relaxing controls in order to urgently spend funds, further amplifying these as well as strategic and operational risks, which can undermine the effectiveness and efficiency of such programmes.

This context puts pressure on public financial management systems, and more specifically internal control systems within public organisations. For instance, the pace of implementation of the economic stimulus packages requires adapting or relaxing routine control measures and ex ante due diligence. Moreover, this situation is exacerbated by disruptions to the institutions that are typically responsible for accountability and oversight in government. These include internal audit functions, Supreme Audit Institutions and parliamentary oversight committees. For example, in some cases, parliamentary oversight committees have been suspended, due to public health concerns or concerns over expediency. Many Supreme Audit Institutions (SAIs) are also facing difficulties conducting audits and have postponed the publication of audit reports.

Despite the pressures facing internal control, internal audit and oversight functions within government, it is key to recall that these actors play a critical role in ensuring that public integrity is not compromised in the management of the economic stimulus packages and that these, in turn, produce the intended economic benefits. For example:

- Internal auditors can act as backstops to address any temporary control gaps and flag risks to management as controls and requirements change, and can provide real-time assurance on the validity of transactions as a result of emergency measures, using data matching and other analytical methods.
- SAIs can keep abreast of the modifications made to the public financial management systems and identify potential risk areas and, where necessary, adapt their routine end-of-year report audit activities, due to the volume of additional demands on the SAI's audit capacity.
- Internal audit functions, SAIs and other oversight bodies can help promote transparency and high-quality open data to enlist the public in holding government officials accountable. The 2008 financial crisis and the subsequent recession offer useful examples for the current circumstances, demonstrating the mutual dependencies of transparency and accountability. In the United States, the Recovery Accountability and Transparency Board, which co-ordinated the work of the inspectors general monitoring the implementation of the American Recovery and Reinvestment Act of 2009, created an analytical platform that could identify recipient anomalies, and then tasked the inspector general for the particular programme to address issues. This had the dual benefit of preventing both fraud and corruption while also building the capacity of the inspector general functions within the line ministries. The public platform allowed journalists and citizens to track the taxpayer money and see how the government was spending it. Both internal and external auditors are also well placed to support governments in managing risks in the short term. For instance, they can provide useful insights to decision makers on the integrity risks associated with emergency measures, such as cash outflows to businesses and individuals.

4.2 Short-term measures to ensure accountability, control, and oversight in the management of economic stimulus packages and deployment of vaccination programme

To ensure that the internal control, internal audit and oversight functions can exercise effective accountability and oversight of the economic stimulus packages, a number of measures could be taken immediately. These include:

- **Ensuring that SAIs and internal audit functions have the resources they need:** For instance, the United States' stimulus package also allocates funding to the Government Accountability Office (GAO), the SAI, enabling it to assist Congress in conducting oversight of overspending in relation to the current crisis. As such, governments can allocate, where necessary, the appropriate funding to ensure the necessary resources for conducting real-time audits of the economic stimulus packages.
- **Establishing or leveraging existing legislative committees:** For example, in New Zealand, a bipartisan parliamentary oversight committee has been established and given the task of overseeing the government's response to the current crisis, including the economic stimulus package. The committee meets remotely via video conferencing platform and publishes these meetings online to ensure transparency.
- **Establishing specialised oversight bodies, while ensuring they have a clear and coherent mandate relative to existing accountability actors:** For instance, the Pandemic Response Accountability Committee was established to ensure oversight of the economic stimulus package in the United States. To avoid duplication and draw on existing capacities, the Committee will be made up of independent Inspectors General with responsibilities for conducting and co-ordinating audits and investigations to provide accountability and identify waste, fraud, and abuse in crisis-related spending.
- **Articulating clear responsibilities and lines of communication to ensure that all public officials are accountable for their actions:** As noted, the COVID-19 crisis and economic downturn creates risks for the public financial management system, and the standard policies and processes for internal control and risk management. While some controls may be relaxed to meet immediate needs, and the work environment has temporarily changed due to social distancing measures, managers remain a critical "first line" of assurance. Programme management can reinforce this individual responsibility and at the same time communicate the expectations to all staff of the need for continued vigilance over public funds.

- **Ensuring that the appropriate integrity risk assessments are carried out:** Given the rapid pace at which these programmes are required to be rolled out, it may not be feasible to conduct a comprehensive integrity risk assessment. Public officials can, at the very minimum, be encouraged to document and report any obstacles as they arise. This can include documenting changes to control activities in order to accommodate short-term objectives.

- **Ensuring that adequate procedures are in place to design, review and approve programmes urgently:** For example, in order to ensure efficient yet accountable implementation of the 2008 Economic Action Plan, the Privy Council Office and Treasury Board Secretariat in Canada established an accelerated process for financial and policy approvals, reducing the timeframe from 6 months to 2 months. In the particular context of the COVID-19 crisis, with many public officials working from home, this could also include establishing protocols for using electronic signatures.

4.3 Long-term measures to leverage the role of external oversight to prepare for the economic recovery

External oversight bodies can be a key partner for governments as they transition from the immediate crisis and prepare for the long-term repercussions. In particular, auditors can highlight the potential for emerging integrity risks associated with longer-term recovery measures. For instance, auditors can report to decision makers on ex-post lessons learned to improve policy-making, especially on preparedness for future crises. Performance audits can give a wider perspective than just the financial and compliance aspects, and provide insights about the effectiveness, efficiency and economy of the programme, thus fulfilling their obligation to be “a credible source of independent and objective insight and guidance to support beneficial change in the public sector”.

SAIs can also adopt a risk-based and data-centred approach, while going beyond oversight to offer insights and foresight for better managing both the crisis and its aftermath. In particular, SAIs can support the centre of government and other public organisations, to identify and interpret evidence that can shape policies and improve the government’s capacity to act in real time in the face of evolving issues and risks.

5. Recommendations:

- External/Internal Audit should engage more closely with major stakeholders/State actors to identify new priorities areas and risk assessment;
- Develop more flexible Audit planning to keep pace with the changing working ecosystem under the new normal;
- Leveraging Information technology viz. MS Team, Zoom and social media apps like whatsapp for holding Entry and Exit Conference and better outreach with auditee entity and stakeholders.;
- Conduct all three types of Audit-compliance, performance and certification audit remotely to the extent possible due to travel restrictions and Covid protocols;
- Rely heavily on electronic documentation in place of physical files.

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Crisis Management – The Effect of Covid 19 on the Performance of the Supreme Audit Institutions During the Pandemic and Post Pandemic periods

- SAI Egypt

At the beginning of 2020, the world has witnessed the outbreak of Covid 19 virus and by consequence the infection of a large number of citizens with this virus .

Egypt has taken positive steps towards implementing the instructions of the World Health Organization among them the necessity to carry out large-scales of sterilization operations as well as the preparation of isolation hospitals with suitable equipments to cure the infected citizens, and allocating treatment protocol for them. In order to implement these measures it was required from all state agencies to undertake emergency measures in order to provide necessary funding to confront this pandemic.

This pandemic is one of these crisis that have affected the whole world as well as the public entities and Auditing Institutions.

It is characterized as an event that adversely affected the ability to achieve certain tasks and functions as well as some vital strategic goals and other goals .

The crisis management mechanism of treatment is divided into several phases. Each phase will depend on the results of the previous ones.

The pre-crisis period is the first stage and is characterized by the scanning of the new threats in the external environment and whether there are warning signals missed, are there new vulnerabilities in our SAI to be considered, are there new methods of detections that can be used?

The phase of protection and planning, which is characterized by the composition of a crisis management team as well as assessing the need to change the plan of crisis management and if the Supreme Audit Institutions can take advantage of new types of training in order to face this crisis. The final step would be to find out if there are additional resources in the public institutions that could help in doing the planning .

As for the emergency phase or for the phase during the crisis and the way to respond to it effectively and how to exploit the resources that are provided if it is important to identify the required needs, and how the Supreme Audit Institutions would cooperate in the best way with stakeholders that manage that crisis.

Through measuring the experience of the Accountability State Authority (ASA) in the Arab Republic of Egypt, it was found that the Supreme Audit Institutions must possess sufficient flexibility in order to meet these emergency requirements within the state's general budget. The most important sources of these funds are the emergency needs arising from Covid 19 pandemic through the general reserves section of the state's general budget. It is allocated under the provisions of laws and legislation to meet the inevitable, emergency obligations. This section has authorized the inclusion of total appropriations for some entities as general reserves in order to meet national or emergency obligations or other expenditures as well as any other obligations that could not be taken into account when preparing the draft budget.

Moreover, more provisions have been allocated by countries to support the national economy. The Ministry of Finance provides them as an example for supporting the relevant sectors, including, the health sector, the supply sector to provide basic food commodities to citizens and to provide additional quantities of wheat and food commodities as well as to support the tourism, the aviation sector and the industrial sector.

Furthermore, the Ministry of Finance provides vaccines against the Covid-19 virus in the largest possible quantity and as quick as possible for the deserving categories according to priorities, especially medical staff, critical and chronic cases, infected cases and the most needed elder categories, under the auspices of social protection programs.

The phase of post-emergency or post-crisis depends on the resilience and flexibility of the Supreme Audit Institutions and their ability to anticipate and absorb risks or crises and recover from them.

The internal conditions of Supreme Audit Institutions flexibility depend mainly on the continuous ability to adapt with events, changes in protocols, non-compliance with classic procedures as well as the development of multiple scenarios and the identification of difficulties and obstacles that could prevent the achievement of the established goals or could delay achieving them, from the evaluation of the recommendations and suggestions. All these elements will support the ability of the Supreme Audit Institutions to achieve strategic and operations management at this phase.

Supreme Audit Institutions should develop policies that aim to control and to monitor measures, in order to develop the practices and to present it in an optimal way as well as documenting those practices in a research method and activating an updated draft for guidance and direction, and piloting the methodology in the SAls.

The Supreme Audit Institutions bear the responsibility for implementing and spreading these methodologies. This requires the use of tools for dissemination including e-learning courses at the level of all agencies during the coming years.

These courses will aim to objectively evaluate the methods of dealing with the crisis and the levels of success to overcome it as well as studying the shortcomings, discovering the causes that led to them, and the ability to collect and transfer expertise in the field.

Moreover it is necessary to the relevant information related to the meetings outcome and to emphasize the importance of building of systems that provide feedback and reactions later, while benefiting from the best practices of other Supreme Audit Institutions that have encountered similar types of crisis.

In what concerns external factors related to Supreme Audit Institutions; they are presented through the effectiveness of the accountability system in reviewing and enhancing economic recovery efforts beside maintaining a work capabilities that would enable to cover all resources and public funds that has been used in response to the crisis in view of the degree of preparation of the government agencies.

Supreme Audit Institutions have great responsibilities to arrange their priorities according to their importance in the post-crisis phase. They have to define the tasks that should be activated and the tasks that could be postponed within the appropriate time frames, as well as to provide sufficient flexibility to achieve strategic and operations management .The Supreme Audit Institutions should have the ability to develop the specific policies that relates to control and monitoring measures during this phase.

Building Back Better from COVID-19 by Auditing SDG 3.d Linked to Health Systems Resilience

- IDI's SDG Audit Team

For countries to build back better from COVID-19 and better manage future public health emergencies, it is imperative to focus on creating more resilient national public health systems.

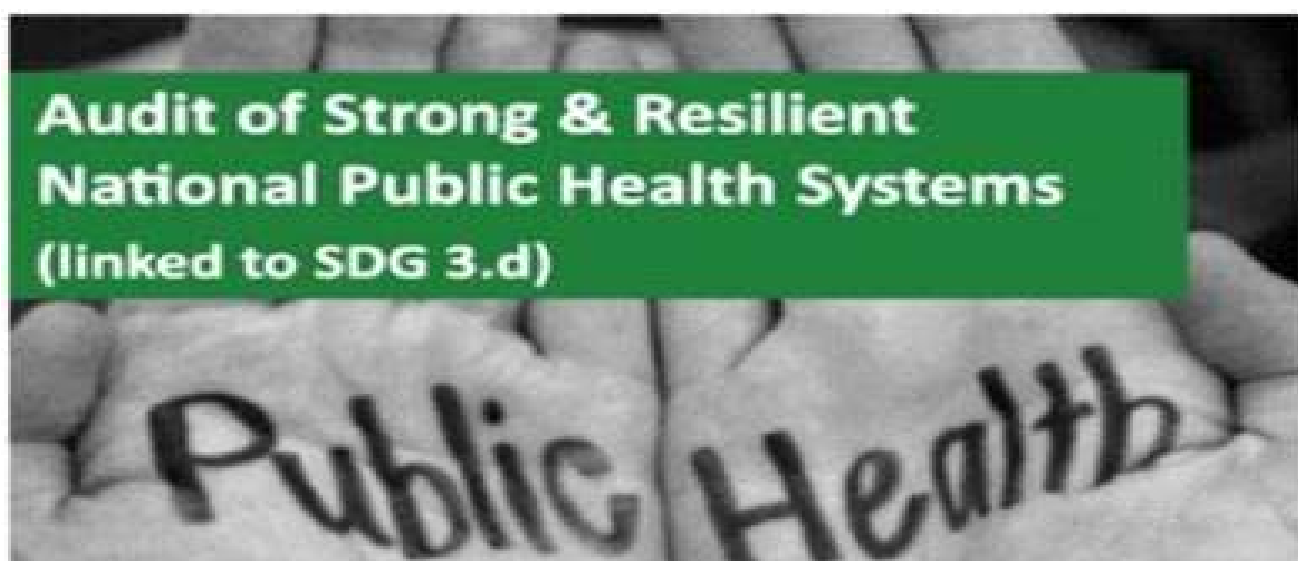
The INTOSAI Development Initiative (IDI), in cooperation with KSC and ASOSAI CDA, is currently supporting 14 SAIs in the ASOSAI region to undertake an SDG implementation audit (performance audit) on the SDG 3.d implementation efforts. The Health Services Resilience team in World Health Organisation (WHO) is providing technical input to IDI on health systems resilience.

"Health system resilience" can be defined as ability of all actors and functions related to health, to collectively mitigate, prepare, respond and recover from disruptive events with public health implications, while maintaining the provision of essential health services, and using experiences to adapt and transform the system for improvement. This requires a multifaceted, multisectoral, whole-of-society approach for public health emergencies, at policy, operational and service delivery level, including investment and strengthening of essential public health functions.

One of the ways in which SAIs can provide a relevant audit response to the current situation is to examine government efforts to strengthen capacities for early warning, risk reduction and management of national and global health risks (SDG target 3.d). The performance audits (3.d audits) will focus on how government has acted on lessons learned from COVID-19 and possibly other public health emergencies, to enhance capacities.

- ❖ to forecast, prevent and prepare for public health emergencies (PHEs)
- ❖ to adapt, absorb and respond to PHEs
- ❖ to maintain essential health services during emergency/crisis

WHO, Health Systems Resilience Toolkit (NOT YET PUBLISHED)



Pending on the relevant context and risks in a given country, SAIs may choose to focus on all these capacities, while others may concentrate on some capacities only. It is, however, necessary to include the capacities related to preparedness as a minimum focus for the audits.

The SAIs are receiving education and support to undertake this audit through IDI's Integrated Education and Audit Support Framework. The framework includes audit education, social learning, working area for the audit teams and other resources.

Moreover, the 3.d audits follow IDI's SDG Audit Model (ISAM). This implies that these audits are expected to follow the specific requirements of any performance audit of SDG implementation – focusing on a whole-of-government approach, policy coherence and integration, assessing government efforts at leaving no one behind and multi-stakeholder engagement in implementing the SDG target under audit.

IDI encourages SAIs to engage with key stakeholders throughout the audit process and focus on the impact of their audit work, mainstreaming the audit impact considerations throughout the audit as outlined in the ISAM guidance.

You can read more about the 3.d audits on the IDI website.

Responding to an Emergency: SAI New Zealand's Pandemic Response

- SAI New Zealand

By International Team, Office of the Auditor-General, New Zealand



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The purpose of a supreme audit institution (SAI) is to improve trust in our public organisations and public financial management systems. At a time when there is a significant and rapid increase in Government expenditure to address the impacts of the pandemic, the work SAI's do has never been more important. As auditors we play a vital role in maintaining the integrity of the public sector in our jurisdictions by supporting transparency and accountability.

The team at SAI New Zealand has directed a lot of its efforts over the last financial year to work focused on the health, welfare, social, and economic responses of the COVID-19 pandemic. We have continued to do this work through multiple lockdowns, regional and national. This has been possible due to strong emergency response structures in place at SAI New Zealand.

With COVID-19 continuing to impact the work we do and how we do it, sharing our experiences and challenges with one another is critical. This article was recently shared as a blog post in the PASAI blog series and we would now like to share it with our ASOSAI colleagues.

SAI New Zealand's COVID-19 pandemic response

Since the first lockdown from 20 March 2020, SAI New Zealand has implemented a Coordinated Incident Management System (CIMS) structure. Using this structure, we introduced a COVID Response Team to manage and respond to the COVID-19 pandemic.

CIMS was first developed in 1998 to provide emergency management agencies with a framework to coordinate and cooperate effectively in a response. Today many New Zealand organisations use the CIMS framework to manage emergency responses of any scale. The CIMS framework outlines the different functions of the response structure, the levels of response and the relationships between them, and how a response can be structured at each level. The CIMS model has three distinct layers: the Governance function, the Controller function, and the Operational function.

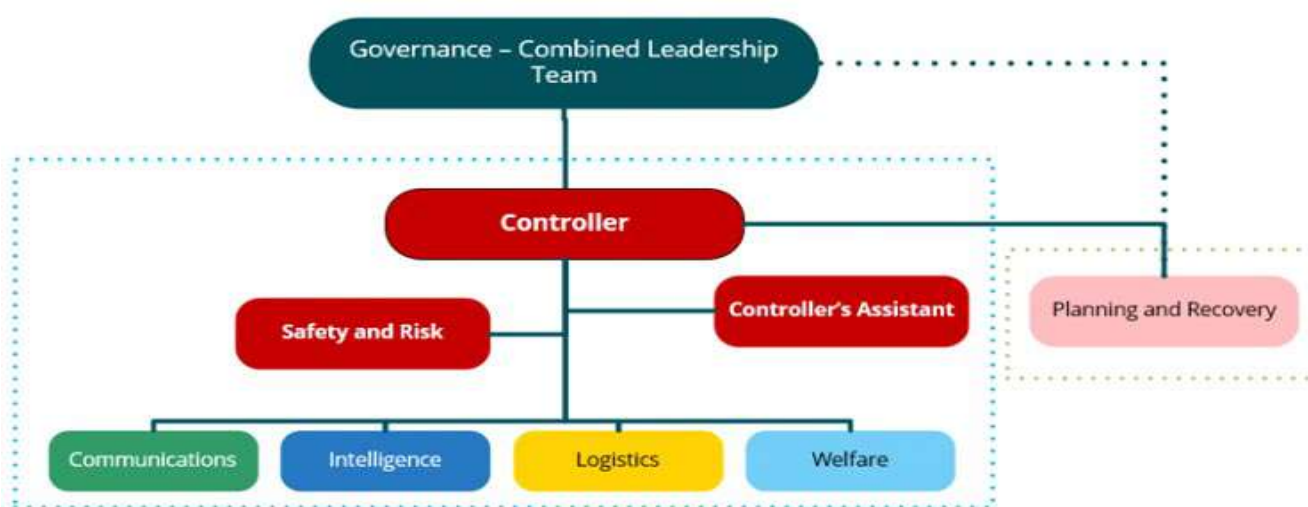
SAI New Zealand's COVID Response Team is made up of the following functions which operate in a networked hierarchy (see diagram below):

- ❖ Governance (Combined Leadership Team): Provides governance decisions which the Controller and the Operational team implement.
- ❖ Controller (and Controller's Assistant): Controls and coordinates the response.
- ❖ Safety and Risk: Advises on measures to minimise risks.
- ❖ Communications: Develops and delivers messages to staff from Governance. These usually come from

the Auditor-General, in particular when it's about alert level changes and office closures. Occasionally, when a message is about implementing a process, these are sent directly from elsewhere within the Response Team.

- ❖ Intelligence: Collects and analyses information and produces intelligence.
- ❖ Logistics: Provides equipment, supplies, and services to support response activities.
- ❖ Welfare: Ensures planned, coordinated and effective delivery of welfare services to staff.
- ❖ Planning and Recovery: Plans for response activities and resource needs. Also starts the recovery management process during the initial response phase and ensures the recovery process is integrated with the response.

SAI New Zealand's COVID-19 Response Team structure



Lessons learnt from using CIMS at SAI New Zealand

The lessons we learnt include:

- ❖ Provide clear and regular communication to all staff. During each lockdown regular emails, often from the Auditor-General, were sent to staff outlining the situation, expectations of staff, and support that is available. Having clear communication ensured there was one source of truth outlining how the organisation was responding to COVID-19 out breaks. SAI New Zealand has eight offices around the country. Having this consistent and coordinated communication approach was very important for all staff to understand the office expectations and requirements. Where there were exceptions for certain offices due to outbreaks in their region, having clear communication ensured that staff felt fairly treated.
- ❖ Have an effective logistics function. Quite often lockdowns have been announced quickly and staff need to shift to working from home overnight. Staff often need to access equipment and furniture that is still in the office. In some cases, the logistics team has helped people to set up prior to the lockdown so they can easily work remotely. In other cases, the logistics team has got equipment to staff as quickly as possible. Taking the safety of those providing logistics support into account and balancing support for ongoing productivity can be a challenge. This is where the team benefit from seeking a clear policy approach from the Governance function.
- ❖ Ensure a good Welfare function is in place to support staff across the organisation. This includes sending out information on mental health and wellbeing, conducting surveys to assess wellbeing issues, and directing line managers to regularly check in with their staff.

- ❖ Maintain clear roles within the Response Team. This separation enables the Governance function to provide clear direction and policy decisions as it sits above the Operational function, which the Operational team then implements and reports back on.

- ❖ Establish a pattern of meetings and sharing of information. For example, in New Zealand there are regular televised updates on the outbreak from the Prime Minister and Director General of Health. The Controller and the Operational team would watch these updates, meet to discuss next steps, share them with the Combined Leadership Team as the Governance function, receive a decision or clear direction, and then send a message out to the wider organisation. Using this pattern and getting messages out quickly provides certainty for staff.

- ❖ Ensure clarity of objectives for the Response Team. For example, outlining clearly which objectives focus on the emergency and are separate from any normal business activities or other emergencies. The SAI needs to be clear on the extent of the team's role and whether the Response Team is only there to deal with COVID-19 outbreaks or all emergency responses (such as earthquakes) and future organisational planning.

- ❖ Ensure there is enough support for the core Response Team. Because COVID-19 is ongoing and working in the Response Team comes on top of each staff member's normal workload, the SAI needs to be clear in what circumstances and timeframes the Response Team will function. Having back up team members for each function enabling the team to rotate is really important, as it means that members on the core Response Team can have a break.

- ❖ Formally train staff in the Response Team. CIMS was a new emergency response tool for SAI New Zealand that not all staff on the Response Team were trained on. The team was quickly able to pick up the structure and ideas behind CIMS and implement them effectively; however, formal training would have led to more clarity of roles. If an organisation is planning to use this model to respond to emergencies, it is beneficial to train and inform staff of functions prior to implementing it.

By using the CIMS framework SAI New Zealand has effectively navigated each lockdown. Establishing a clear and consistent emergency response structure has enabled our important work to continue.

Role of Audit in Economic Recovery-Post Pandemic

- SAI Pakistan



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INTRODUCTION

COVID-19 pandemic is not only an unprecedented health emergency but also associated with momentous economic effects. With its advent, the response of the governments in health emergency has increased in many folds alongwith the role of Audit which is recognized as significant support in government response mechanism by ensuring accountability and transparency to the public financial management. In past, there were some other health emergencies like Ebola, Dengue, etc that have provided some guidance to Supreme Audit Institutions (SAIs) on the response of health emergency but that was of course not at par with the magnitude of Coronavirus. Thus, this write-up will propose some noteworthy roles of Audit in economic recovery after the COVID-19 pandemic.



In the last two years, the foremost agenda of all the governments was to safeguard the livelihood of masses by imposing lockdowns and restriction on gatherings. In this scenario, the access to the information and physical governance of the auditors was also limited which resulted in compromises on the crucial oversight and key controls of the governments' speedy response to the pandemic. The face-to-face engagement of the auditors was replaced by the home-based approach and there was the limited access to the information and explanation from the auditee alongwith the unavailability of the physical visits and verification activities. Responses to the inquiries during audits have also been delayed and so was the case with execution and issuance of the audit reports.

Since the pandemic has been ameliorated to a certain extent, most of the governments have opened up day-to-day activities, and SAIs are also resuming their regular audit programs with the enclosure of post audits during the period of COVID-19 emergency operations. The condition in Pakistan has also been returning to normalcy and government resources are being provided to assist with recovery. At this juncture, SAI Pakistan has the responsibility to ensure accountability and transparency.

Key role during the post-pandemic phase

It is pertinent for assuring the audited expenditure that it must be started from the government response to the COVID-19 during the emergency phase and gradually continue till the post-emergency phase. During this audit activity, the Audit should consider higher priority programs of the governments in terms of risk and materiality coupled with the availability of the data from the auditee. Audit will certainly face some hindrances such as missing audit trails, issues with the physical verification, and limitations about data access but it should find some alternate procedures to mitigate these hindrances.

Secondly, the role of Audits does not end with the routine audit plans but it should also audit the special funds, donations and relief packages announced by the governments i.e. in the case of the Government of Pakistan, it has announced Rs. 900 billion for its relief package in March 2020. Thus, the audit must provide assurance not only on the regular budget but also special relief packages. Hence, audit will provide oversight to the huge amount provided by the Government and enhance the credibility of the oversight significantly.

Thirdly, the SAI must keep great coordination with the stakeholders such as the Ministry of Health, Disaster Management Agencies (i.e. in case of Pakistan, National Disaster Management Authority and Provincial Disaster Management Authority), Ministry of Finance, and other government entities responsible for funding, managing and reporting during the crises. It is important because the audit has to ensure that all the relevant data would be available. Proactive communication will also be helpful in accomplishing the overall audit objectives. This emerging experience will provide the opportunities for SAIs to review and reinforce contingency plans for business continuity and staff connectivity.

Fourthly, the role of audit should be to minimize the technical aspect of the pandemic response by eyeing on the appropriateness of the government's evaluation process based on the government preparedness or recommendation of other communicable disease emergency on the experience of COVID-19. Audit must evaluate whether any Incident Management System (IMS) has been evolved or there is nothing in the preparedness of upcoming communicable diseases.

Fifth, the Audit must play a vital role in using the appropriate audit procedures for a particular set of transactions relating to post-pandemic activities for instance, ISSAI 5520¹ exhibits around seventeen inherent risk factors linked with disaster-related aid accomplishments. These risk factors contribute to evaluating the amount of risk involved in auditing the provision of aid. A major chunk of them is related to unattended recipients, delays, non-judicious distribution of the resources, fraud, and corruption in using the aid.

1 <https://www.issai.org/wp-content/uploads/2019/08/issai-5520-e.pdf>

The above paragraph leads to another important role of Audit which pertains to alignment of its auditing techniques with the actions taken during the COVID-19 emergency. For example, the expenditure during this period can be categorized into three different categories (i) economic support, (ii) health care support and (iii) social protection and humanitarian aid. As their name implies, each category points towards a different domain of recipients, inherent risks, and objectives. Thus, the Audit must have to look into different audit timing, auditability, and audit questions along with different types of audits.

Another very important role that SAI can play in Economic Recovery-Post Pandemic is to coordinate and assist with the rest of the accountability agencies i.e. procurement authorities and anti-corruption agencies. A broader collaboration of Institutions and Governance will assist in post-pandemic accountability and transparency with a more operational basis for strengthening the system. Moreover, where the audit needs to be conducted by a third party private institution, the SAI may be part of selection of the private institution and can assure its work and report thereafter.

Audit of digital payment is another emerging role of SAIs, giving considerable priority for payments about welfare through remote devices such as mobile phones and other gadgets. Audit has to enhance its readiness to acknowledge and understand the scope and capacity of applicable tools and skills to identify the control risks in such scenarios. In usual settings, these types of transactions are prone to corruption and fraud. Hence, in complex settings, audit has to use Artificial Intelligence (AI) and other disruptive technologies for voluminous contracts and millions of vouchers for checking all digital payments, materiality levels, unbalanced debit and credit data and multiple revisions or queries pertaining to approval.

Last but not the least, timeliness of the report is very crucial. In this regard, the role of Audit is to explore the possibility of producing a brief and quick report having several themes. Moreover, a real-time audit of transactions can also serve the same purpose as the one served by the standalone report.

CONCLUSION

The COVID-19 pandemic has caused political, economic, and social disruption that already has unveiled the inefficiencies of the current economic fabric of almost all the countries around the world. Amid this concern, the governments are now looking for shaping the recovery and resetting the economies for more inclusive and sustainable growth. Audit can play a very vital role in this scenario by producing assurance to the government expenditure and undertaking different steps promptly.

The Role Of State Audit Office Of Vietnam In Economic Recovery After The Covid-19 Pandemic

The State Audit Office of Vietnam

1. Impact of the COVID-19 pandemic on Vietnam's economy

In 2021, due to the uncertain global economic situation and the fourth outbreak of COVID-19 in many localities in Vietnam, the country is required to impose a series of strong and drastic measures to prevent and control the pandemic in order to realize its first and foremost priority - to protect the health and life of its people. The COVID-19 pandemic has seriously affected the Vietnamese economy, which had been consistency experiencing high growth rate over consecutive years. Vietnam's economic growth in the first 6 months of 2021 reached 5.64%, but decreased to 6.17% in the third quarter. In general, GDP increased by only 1.42% in 9 months, which is the lowest 9-month growth rate since Vietnam first implemented the policy of opening its economy in 1986.



The global economy is currently in a recession due to the impacts of Covid-19 (Source: Internet)

In order to overcome the difficulties caused by the dire impact of the COVID-19 pandemic, the Government of Vietnam has directed, operated and synchronously implemented numerous immediate and long-term solutions to subdue the challenges and achieve the highest economic recovery. On July 28, 2021, the National Assembly of Vietnam promulgated Resolution No. 30/2021/QH15 to realize the dual goals of protecting the people's health and maintaining socio-economic development, successfully performing the socio-economic development tasks and services, which then would create optimum conditions for the Government to implement economic recovery policies. These policies would allow the Government to propose in orderly and shortened manner before carrying out regulations on COVID-19 pandemic prevention and control, which is different from those of current Legislation. Up to now, the Government of Vietnam has been putting multiple solutions in effect to support both enterprises, cooperatives, business households, and employees, employers; implementing exemption and reduction in a number of taxes, fees and charges to remove difficulties for production and business. With the strategic goal of safely adapting, flexibly and effectively controlling the COVID-19 pandemic, the Government continues to review and perfect the issued mechanisms and policies and at the same time, researches, develops and proposes new economic support packages on a large scale and deploys them in many fields with a view to supporting its people and businesses to overcome difficulties, stabilize lives and recover social economic development.

2. The role of the State Audit Office of Vietnam in economic recovery after the COVID-19 pandemic

The State Audit Office of Vietnam (SAV) is an institution founded by the National Assembly, operating independently and abiding exclusively by the Law. The legal status of the SAV is stipulated in the Constitution of the Socialist Republic of Vietnam, which states that the SAV's tasks are to audit the management and use of public finance and public assets. On an annual basis, the SAV builds, plans and conducts hundreds of audit assignments, thereby providing entities using audit information to perform their duties and powers as prescribed by Law. In the context that Vietnam is implementing a lot of important solutions for economic recovery, the SAV has established it focuses on promoting the role of the supreme audit institution on the following major aspects:

First, conduct audits to assess the impact of economic recovery policies.

Since the beginning of the year, the Government of Vietnam has issued 154 Resolutions and 83 decrees, the Prime Minister has issued 31 Decisions and 26 Instructions, and ministries and sectors have issued 253 Circulars to remove "barriers", setting free the resources for investment, production, business, pandemic prevention and control. The massive volume of legal documents promulgated by state agencies has created an important legal corridor, necessary for the implementation of economic recovery solutions.

The State Audit Office of Vietnam will strengthen the audits to detect shortcomings and limitations in mechanisms and policies, and help the Government and state agencies improve efficiency in economic management and recovery. Through audit activities, the SAV promptly detects policy gaps, inadequacies, "bottlenecks" in the process of reviving the economy or solving conflicts between policies, regimes and the living practices of socio-economic life. The SAV's recommendations, based on sufficient appropriate evidences, will be an important, practical and relevant basis to assist the Government and functional agencies in considering and perfecting the mechanism and policies for the post-pandemic economic recovery, thereby continuously improving the effectiveness and efficiency of these policies.



Auditors of the SAV performing their duties at Vietcombank of Vietnam (Source: the SAV)

Second, provide information in a timely manner in order to serve the National Assembly, the People's Councils of all levels in monitoring the implementation of economic recovery policies.

Public resources are vulnerable to lost in the process of economic recovery if there is a lack of close supervision by the elected bodies. Therefore, the State Audit Office of Vietnam affirms its role as an important and indispensable tool for the National Assembly and the People's Council to exercise their powers and responsibilities to supervise the management and use of public resources for public service in economic recovery. The SAV will closely follow the program and content of the National Assembly and the People's Council's supervision procedure to determine the appropriate audited units, thereby providing audit information on the economic recovery programs and policies deployed by the Government for the National Assembly and the People's Council to administer the implementation of the Law; guidelines and policies promulgated by the National Assembly and the People's Council.

Third, through audit activities, the State Audit Office of Vietnam detects frauds and violations from economic recovery policies, whereby proposing the handling of such violations so as to improve the efficiency and effectiveness of the management and use of public resources for economic recovery.

Vietnam is focusing its maximum resources on pandemic prevention and control, and economic recovery, which is also the task of utmost importance of the Government of Vietnam in the current period. However, the state and social resources mobilized for pandemic prevention and control and economic recovery must be used in a cost-efficient manner, for the right purposes, for the right people and for the right policies. The State Audit Office of Vietnam will set plans and conduct audits to evaluate the process and results of management and use of public resources for economic development. Violations of the finance-budget Law discovered during the audit will be recommended to be handled promptly to ensure fiscal discipline and contribute to accelerating and sustaining Vietnam's process of economic recovery.

Fourth, through audit activities, the State Audit Office of Vietnam contributes to the transparency and increased accountability in the management and use of public resources for economic recovery.

Economic support packages deployed by the Government are inherent to the risks of loss and wasteful uses. Through audit activities, the SAV provides information on the results of management and use of the state budget, increasing the accountability of organizations and individuals involved in the management and use of public finance and public properties, simultaneously creating a paramount information channel for competent state agencies and even the social community to participate in monitoring activities of using public resources for economic recovery. As a result, the Government's post-pandemic economic recovery solutions become more transparent; reducing the risk of loss and wasteful use of public resources, and creating high social consensus in implementing economic recovery policies after the COVID-19 pandemic.

Fifth, the State Audit Office of Vietnam participates and actively contributes to the process of developing economic recovery policies in accordance with the Law.

Vietnamese Government is drafting and proposing numerous important economic support packages in order to boost the economy. The support packages will have an impact on many aspects of socio-economic life and are related to a lot of the essential macroeconomic variables, such as public debt, inflation, economic growth, budget revenue and expenditure and so on. With its tasks prescribed by Law, the State Audit Office of Vietnam will consult with the agencies of the National Assembly and the Government in considering the state budget estimate, the plan for central budget allocation, the plan for budget allocation of national target programs, national important projects decreed by the National Assembly. The opinions of the SAV will contribute positively in the process of assisting the National Assembly and the Government in having a comprehensive assessment of Vietnam's macroeconomic situation, thereby planning strategic policies for socio-economic development, helping the economy recover from the COVID-19 pandemic sustainably and effectively.



About the Author

Mr. L. szl Domokos has been the president of the State Audit Office of Hungary since 2011. During this time, he has initiated a number of technological and methodological improvements, which have increased the efficiency of the SAO's work. These developments made it possible for the SAO to carry out more audits than ever despite the pandemic. It is his belief that there is no order without audits, and that order eventually creates value.

The Fundamental Law of Hungary stipulates that its application may not be suspended under a special legal order, either, therefore the State Audit Office performed its constitutional tasks in the period of health emergency, too, as the supreme financial and economic audit institution of the National Assembly, identifying the economic and social processes triggered by the pandemic, and joining the leading international organisations of the world, the SAO drew attention to the risks of corruption and infringements, and the dangers of increased social distrust.

The SAO recognised it early that a significant part of the audited entities are affected themselves, too, in the defence against the epidemic, and the population needs it more than ever that it could turn to individual organisations and institutions with trust. It became clear that the majority of audits had to be conducted more efficiently by the institution, what is more, in a way that audits should put less burden on the audited parties in the period of the pandemic. Owing to the technological, digitisation and methodological developments completed in the past years, the SAO was able not only to increase the number of parties affected by the audits, but to widen its supporting and knowledge-sharing activities, too, in a number of ways, while putting less burden on the audited organisations and holding no personal meetings.

Parliamentary Resolution

Under the conditions modified by the pandemic, the SAO placed special emphasis on its knowledge-sharing and consulting activities. Our efforts in these areas are now supported by a Parliamentary Resolution, too, as in Resolution 17/2021. (VI. 16.), the National Assembly strengthened the consulting activities of the State Audit Office in order to improve public finances and the performance of public tasks, and to strengthen public trust.

This way the support received from the National Assembly further strengthens the objective of the SAO to use its wide-ranging knowledge-sharing and supporting activities, self-tests and analyses, studies and proposals and make the use of public funds more transparent and successful, and thus contribute to the efficient operation of institutions and systems involved in public services, for the benefit of the public. Another objective is to offer - through audits, proposals and analyses - professionally established guidance to institutions using public funds to make their operation and management systems sustainable, cost-efficient and transparent, and to strengthen their governing systems and apply operation principles of integrity approach.

Consulting and knowledge-sharing activity in the time of the pandemic

The modern and efficient role of the SAO in facilitating a well-governed state is not limited to traditional auditing activities only, as the Audit Office has been attempting to contribute to its statutory task by acting as a consultant, too, over the past few years. Since 2014, self-tests have been important consulting tools for the organisation, as they are based on auditing experience, and are worked out continuously for multiple target groups. It is a remarkable fact that the number of downloads of self-tests dramatically increased in the first quarter of 2020, which clearly indicated the fact that at the time of the announcement of the emergency situation in Hungary, institutions trusted and relied on self-teaching tools that supported their operation.

Under the conditions that have been dramatically changed by the pandemic, the State Audit Office placed special emphasis on widening its knowledge-sharing and consulting activities. In Hungary, the pandemic exerted especially high pressure on local governments, therefore the provision and the strengthening of transparency and integrity for these institutions was of key importance. In this respect, the SAO made history, as this was the first time in the history of the organisation that it carried out the present-time monitoring evaluation of all local governments and local government offices in Hungary. In the course of this system-level evaluation, the professionals examined the regulations that supported every-day operation and, among other things, ensured the proper, accountable and fraud-free operation of local governments. This way the SAO assisted in the observation of rules where and when it was needed most.

Present-time monitoring-type audit

The SAO's dynamic increase of impact, which is illustrated mainly by the comprehensive evaluation of the local government system, was facilitated by the new type of monitoring audits of the institution. With the audits of this new approach, the Audit Office is able to assess the key areas of responsible management, accountability and transparency at multiple audited organisations at any given point of time. All that contributes to the increased number of audited organisations, as well as to the fast improvements in public finances and accountability. The objective of monitoring audits is to give present-time picture of the status of the audited area, identify deficiencies and allow for their management already in the process of auditing. Monitoring audits focus on the full range of organisations operating in the same legal environment, or on a special area of a group of multiple entities, this way the coverage of audits can be significantly increased, too. In the course of the audit, the SAO evaluates a low number of documents provided by all the organisations in the audited category, that are relevant for the audited area and are related to the regulations. Consequently, monitoring type audits present less burden for audited entities, make the time of audits shorter, and significantly reduce the volume of data supplied. In monitoring audits, the SAO does not oblige the audited entities to produce action plans, but relying on their commitment, under consultancy, asks them to make immediate actions, and this way initiates the implementation of favourable changes in public finances already during the audits, supporting the operation of the well-governed state.

Multi-level consulting activity

It is extremely important to point out that the objective of system-level evaluation is not reprimanding, but facilitating development, and triggering positive changes. In the first step, already in early 2020, the SAO drew the attention of the leaders of local governments and offices to the basic regulations and records that are essential for setting up integrity controls and creating the conditions of regular and fraud-free economic management. In the course of the audit, the professionals of the SAO evaluated the 26 basic documents that have to be continuously available, as they ensure the conditions of the regulation of given local government, its regular and transparent management and fraud-free operation.

In the second step, the SAO helped the data supplies of local governments, and then in the third step, cooperating local governments and local government offices were able to remedy their deficiencies already during the audit. This is extremely important, as the improvements in these regulations and records were enforced already in the production of the reports for 2020.

In 820 settlements, the SAO basically found everything in order, and in more than 1050 settlements, mayors and notaries - based on the notice of the Audit Office - took steps already during the audit to eliminate deficiencies. In the case of 1330 local governments, the SAO highlighted the areas where local governments and local government offices could make progress. The openness and the willingness of institutions to cooperate showed that most of them already consider the SAO not only as an auditor, but as a partner who supports their lawful operation, too.

Trainings, sharing of good practices

As the next step of supporting activities, after the system-level evaluation, the State Audit Office announced and organised an on-line training for notaries managing local government offices, in order to share experience gained during the audits and to distribute identified good practices.

More than 600 notaries attended the first training course, and they were able to extend their knowledge through training videos, professional presentations and questionnaires, for the further strengthening of the regular operation of local governments. The success of the training course surpassed all the expectations of the SAO, as 96% of the participants indicated their satisfaction with the course, and how the knowledge acquired contributed to the performance of the notary tasks at a higher level.

The results of the first course and the received extremely positive feedbacks clearly indicated that there would be demand for the organisation of a second level. This is going on now - while this article is being written - with great interest again. This time the on-line training focuses on typical and significant errors identified in audits, various practical examples and the methodology of performance management. It is important to expand the notaries' knowledge about performance management, as it is possible to identify management tools in public administration and the government sector, too, which assist organisations in achieving good results with the economical use of resources and efficient processes, and in creating long-term and sustainable added value. All this is perfectly in line with Resolution 26/2020 (IX. 22.) of the National Assembly, which draws the attention of organisations managing public funds to the performance-based use of public funds.

Analyses of the SAO

In the activities of the State Audit Office, special emphasis is laid on analyses, too, which also strengthen the consulting role of the Audit Office and contribute to the operation of a well-governed state. In its analyses, the SAO makes no statements, but highlights relations and impacts, drawing attention to dilemmas and risks in a given area.

In the period of the pandemic, all the analyses published concentrated on current and important issues, and in many cases reflected on economic and social changes triggered by the virus situation. For instance, the analyses of the SAO presented the impacts of the coronavirus epidemic on public finances, and the consequences for the labour market and domestic tourism. In addition, analysts pointed out various aspects of re-thinking integrity controls and risks, and of the competition on the market, and contributed to the evaluation of the experiences related to digital education and working from home.

In the past period, the coronavirus epidemic has basically determined every-day life, therefore the professional authenticity of information related to the spread of the virus, the importance of vaccination and the impacts of the pandemic has special importance. As the reliability of news about the epidemic is often questionable, it is extremely important that the SAO supports decision-makers with professionally reliable analyses, and that the clear language of analyses raise interest in domestic population and contributes to their collecting information from authentic sources.

The Office of the Comptroller General Makes Transparent the Management of Public Resources During the Sanitary Emergency

- SAI Ecuador

About the Author Office of the Comptroller General

The Office of the Comptroller General published the Public Control Report, a tool that systematizes the recurrent shortcomings in the contracting processes carried out to respond to the health emergency. Only 6% of the audits analyzed showed no findings of legal non-compliance in the management of resources allocated to address the effects of the pandemic.

The analysis of the general audit reports approved by the Office of the Comptroller General of the State, referring to the contracting of different public entities to face the pandemic, concluded that the lack of transparency in the use of public resources was the most frequent legal non-compliance incurred by the State institutions examined.

The Public Control Report states that officials did not timely publish relevant documentation, such as emergency declarations, contracts, partial execution reports, invoices, and purchase orders, on the National Contracting System Portal, preventing citizens from accessing the information to exercise social control.



The investigation determined that deficiencies in the definition of reference budgets for contracting was another persistent non-compliance in the contracts analyzed by the audit teams. The institutions did not elaborate market studies, nor did they search for previous processes, of the same goods or services to be acquired, in the Public Procurement Portal, to identify suppliers that guarantee the best costs and beneficial conditions for the State.

It was also identified that the contractors incurred in inabilities to contract with state entities. They did not have permits to distribute or manufacture medical supplies and devices to protect against the virus. In other cases, they were not registered in the National Public Procurement System, in the Single Registry of Taxpayers (RUC for its Spanish acronym), or in the Single Registry of Suppliers (RUP for its Spanish acronym).

Contracts were awarded to companies whose economic activity was not consistent with the contractual objects or that did not comply with the requirements established in the bidding documents and terms of reference, and their bids should have been disqualified.

The technical specifications were not prepared in compliance with the legal provisions regulating this aspect. The characterization of the goods and services to be acquired was not sufficient and complete, with detailed quantities to meet the needs, which made it difficult to establish full compliance with the contracts and whether the acquisitions served to overcome the emergency situation.

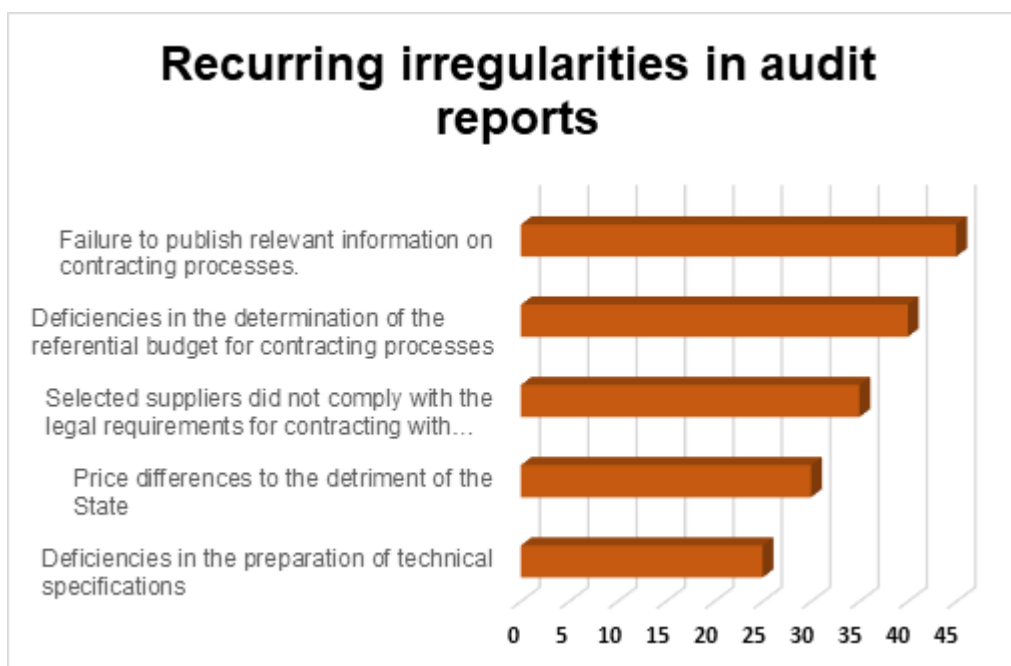


These irregularities resulted in public institutions paying higher prices for goods and services, in relation to market values or in relation to payments made by other State entities (or by the same public agencies), in previous contracting processes.

In general, the Comptroller's Office has approved 269 special examination reports, derived from the audits of the sanitary emergency. For the preparation of the Public Control Report, a sample of 103 general reports was randomly selected, from control actions to regulatory and control agencies, hospitals of the public health network, institutions attached to the Executive, municipal and provincial decentralized autonomous governments, public companies, public banks and higher education institutions. Only six percent of the audits used in the analysis did not report any new developments.



The report is part of the strategies implemented by the Comptroller's Office to strengthen the transparency of public control. In addition, it was presented to the Board of Directors of the International Monetary Fund (IMF), within the framework of the Extended Service Agreement (ESA) Review.



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Other Articles

About the Author

Ms. Emine Ersöz, Senior Auditor has been working at the Turkish Court of Accounts since 2008. She is a financial auditor. She was involved in many audit assignments as well as international projects and training programs. Her special areas of expertise are auditing entities with a vast volume of data, corporate communication, strategic management, internal controls, and risk management.

The Turkish Court of Accounts Develops a New Methodology for Assessment of Strategic Management, Internal Controls, and Enterprise Risk Management

The Turkish Court of Accounts (TCA), external audit institution of Turkey, has been carrying out regularity audits covering financial audits, compliance audits, and assessments of financial management and internal control systems of auditees for more than a decade. Recent changes in information technology and international frameworks for internal control and risk management have prompted a renewed focus on internal control assessment. Consequently, the TCA management has decided to develop a new approach to its assessment of internal control systems of audited entities by adopting an integrated method.



As globally known, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued its updated “Internal Control-Integrated Framework,” and “Enterprise Risk Management-Integrating with Strategy and Performance” in 2013 and 2017, respectively. After the renewal of the COSO’s risk management framework, the TCA has decided to develop a new methodology, the main idea of which is to evaluate all three systems together: Strategic management, enterprise risk management, and internal control systems (the three systems).

In this context, an evaluation tool has been developed and integrated with the audit management program (SAYCAP) to enable audit teams to follow audit procedures in their regularity audit assignments. COSO's assessment method for evaluating of effectiveness of the auditee's internal control system has mainly been adopted to develop the evaluation tool. According to the method, there are two requirements for effective systems as follows:

- ❖ Each component of the systems and relevant principles are present and functioning
- ❖ The components are operating together in an integrated manner

The evaluation tool includes audit procedures with 4 different focuses to assure that the systems are present and operate efficiently. These focuses are;

- ❖ Overall assessment of the three systems
- ❖ Component Evaluation of internal control
- ❖ Principle Evaluation of internal control
- ❖ Audit Findings regarding the three system deficiencies

Every year, audit teams are conducting these procedures in their audits as suggested. Based on the audit results, the TCA publishes its reports consisting of assessments and evaluation of these three systems to assure that the systems are well designed and operated, and appropriately updated.

In addition to the audit reports, enforced by law, the TCA also issues a statistical analysis of maturity levels of the three systems. The main purpose of the analysis is to raise awareness for the adoption of these three systems by revealing the general situation of the auditees and by monitoring the progress/improvement of audited entities regarding strategic management, ERM, and IC system over the years.

SAIs of Eastern Partnership Countries Contributing to Policy Against Tuberculosis

- SAI Georgia

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Introduction

International parallel performance audit on Prevention and Treatment of Tuberculosis has been carried out as a part of the activities of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), supported by the EaP Regional Fund (EaPRF) - Project "Strengthening the capacity of Supreme Audit Institutions (SAI) in the Eastern Partnership countries to monitor the achievement of Agenda 2030 objectives.¹" The fight against tuberculosis, as a challenge for humanity affecting mostly low-income vulnerable groups and increasing inequality in society, is one of the important components of the UN sustainable development goals

The project aimed to strengthen the capacities of the Supreme Audit Institutions of the Eastern Partnership countries by monitoring Agenda 2030 in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) for Performance Auditing and to conduct the Parallel Performance International Parallel Audit on Prevention and Treatment of Tuberculosis (TB). Into this, international parallel audit was conducted under the coordination of the State Audit Office of Georgia.

Independent audit reports within the national mandates were prepared by the SAIs of Azerbaijan, Georgia and Ukraine. In the process of planning and carrying out the parallel audit, parties followed INTOSAI standards (ISSAIs 300, 3000 – performance auditing; ISSAI 5800 – Guide on Cooperative Audits) national standards and audit guidelines, as well as the provisions of the "Common position paper concerning the cooperation", signed by the SAIs of Azerbaijan, Georgia and Ukraine in Kyiv October, 2019. The project placed particular emphasis on auditing government policies and measures to implement the Sustainable Development Goals – SDG 3 Health and Well-being. The scope of the parallel audit mainly covered 2016-2019 period and was determined with early detection and preventive measures of TB; and proper treatment of TB infected patients.

Audit Motivation

Tuberculosis is one of the most dangerous and widespread infectious diseases worldwide.² According to the World Health Organization (WHO) data of 2018, about 10 million people worldwide were infected with tuberculosis, of which 1.5 million died. Following the economic analysis conducted by the international company "KPMG"³, the world economies are losing an average from 0 to 2% of their GDP per year due to the damage caused by the spread of tuberculosis. In the Western European countries, where the prevalence of tuberculosis is less than 10 per 100,000 people, the economic effect is negligible, while in African countries, where the prevalence is more than 200 on average, the loss is up to 2% (see Figure 1). Along with other UN countries, Azerbaijan, Georgia and Ukraine, share the SDG objectives With SDG 3.3 that entails ending the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases by 2030. The fight against tuberculosis has a specific "The End TB"⁴ strategy adopted by the WHO and shared by all participant countries. The prevalence of tuberculosis in Azerbaijan, Georgia and Ukraine is still high compared to many European countries, therefore, there is still significant potential for improvement (See Figure 2).

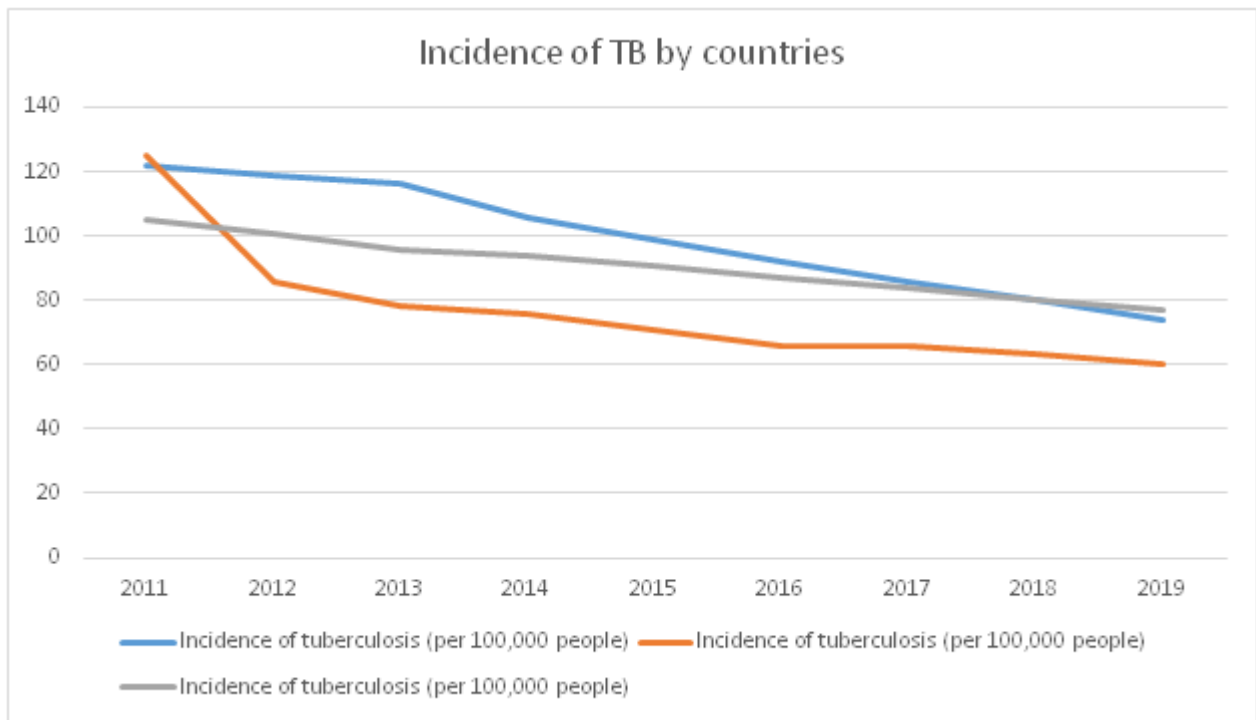
1. For full report see State Audit Office <https://www.sao.ge/en/2021021203414030en.html>

2. https://www.who.int/gho/mortality_burden_disease/causes_death/top_10/en/

Figure N1. Tuberculosis prevalence per 100,000 in European countries 5



Figure N2. Tuberculosis incidence per 100,000 in parallel audit participant countries



- 3. KPMG, Global Economic Impact of Tuberculosis, 2017.
- 4. https://www.who.int/tb/End_TB_brochure.pdf?ua=1
- 5. https://www.who.int/tb/publications/global_report/en/

Drug-resistant TB is a significant problem on global, regional and country levels. SAIs of Azerbaijan, Georgia and Ukraine report the high rate of drug-resistant TB cases. In general, WHO explains this trend with two reasons: first, improper management of TB treatment, and second, an increased risk of spreading of the relevant form of TB. The combination of the above factors have been reflected in the parallel performance audit of anti-TB measures presented in this joint report. The scope of the parallel audit mainly covered 2016-2019 period and was determined with a) Early detection and preventive measures of TB; and b) Proper treatment of TB infected patients. The parallel audit placed a particular emphasis on auditing government policies and measures to implement the SDG 3 - Health and Well-being goals.

RECOMMENDATIONS

The SAIs of Azerbaijan, Ukraine and Georgia are reporting some common shortcomings in TB prevention and treatment management systems hindering the process of achieving SDG goals and eradication of TB by 2030, specifically:

- ❖ Shortcomings in state policies - Unrealistic goals and indicators; Lack of action plans and efficient coordination of public entities;
- ❖ Lack of medical personnel (doctors; epidemiologists), shortcomings in distribution and efficiency of medical personnel that hinder the early detection of disease and proper coverage of the contacts of the TB patient.
- ❖ Lack of qualification and trainings for the medical personnel that cause problems in prevention and treatment of TB.
- ❖ Weaknesses of primary healthcare system (PHC) in detection of high risk groups and early diagnosis of TB;
- ❖ SAIs specially report highest Multi drug resistant - MDR TB infection rate. The treatment of MDR TB is more time-consuming, and less effective;
- ❖ Lack of public awareness and stigmatizations of disease;
- ❖ Problems of infrastructure – Lack of anti-TB facilities and equipment.

SAIs issued specific recommendations to the auditees (Public Entities), concerning:

- ❖ Improvement of state policies, strategies and actions plans;
- ❖ Improvement of TB detection procedures - epidemiologic database and epidemiologic procedures;
- ❖ Proper distribution of medical personnel;
- ❖ Effective trainings for medical personnel (especially PHC personnel);
- ❖ Strengthening the PHC role in TB management (detection of high risk groups and early diagnosis);
- ❖ Improvement of the treatment mechanisms to decrease MDR TB rate;
- ❖ Increase public awareness about the TB;
- ❖ The proper, optimal and efficient distribution and equipping of anti-TB facilities.

The SAI of Georgia believes that international parallel audits identify common problems, and challenges among countries which hinder the SDG achievement. Considering the findings and, issuing improvement oriented recommendations to the governments is a significant commitment of the Supreme Audit Institutions for achieving SDGs.

Audit of the Implementation of the State Policy in the Agro-industrial Complex

- SAI Kazakhstan

Nowadays, one of the priorities of the economic policy of any country is the state regulation of the agro-industrial complex. Within the framework of regulatory legal acts are adopted, program documents are developed aimed for ensuring the sustainable development of agricultural production sectors, agribusiness spheres, as well as rural areas.

The agro-industrial complex of Kazakhstan, as well as in all countries, is one of the main long-term national priorities and a strategically important direction of state policy that ensures the country's food security. Thus, in the Address of Elbasy N. A. Nazarbayev to the people of Kazakhstan "Strategy "Kazakhstan-2050", the task was set to conduct an economic policy for modernizing agriculture.

A purposeful agricultural policy in combination with effective mechanisms of state regulation allows us to achieve high indicators of performance and efficiency of this industry.

Accordingly, the mechanisms of state support for the agro-industrial complex have their own characteristics associated with the specifics and level of development of this industry, as well as with the national priorities of the country. At the same time, these mechanisms should take into account various factors, ranging from the availability of land resources in the country to the trends in the development of agriculture in foreign countries.

In order to implement the long-term strategic goals and objectives of the country's agriculture development, a number of program documents have been adopted, including the National Development Plan of the Republic of Kazakhstan until 2025 and the State Program for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2017-2021, a National project is being developed. These documents provide for tasks aimed ensuring the competitiveness of the agro-industrial complex, increasing labor productivity and strengthening the positions of the agro-industrial sector in world markets.

Consequently, the policy in the agro-industrial complex is focused on the development of processing of agricultural products, ensuring the country's food security, increasing agricultural productivity and the production of export-oriented environmentally friendly products.

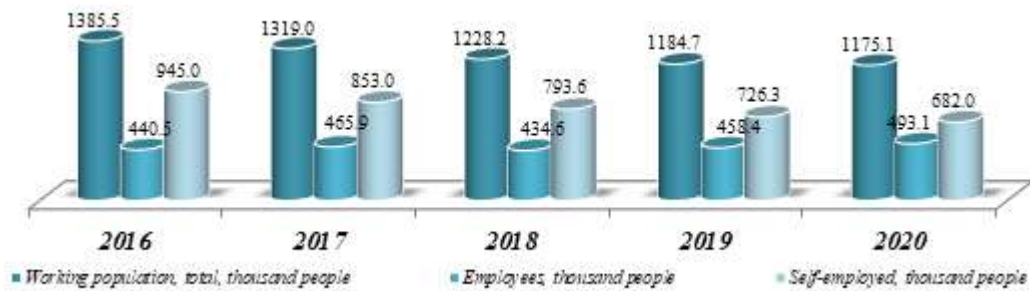
Agriculture, as noted by the Head of State K. K. Tokayev in his address to the people of Kazakhstan dated September 2, 2019 "Constructive public dialogue is the basis of stability and prosperity of Kazakhstan", is the main resource and determining factor of economic stability of society, as well as the basis for the development of agriculture.

Meanwhile, the role of agriculture in the development of the economy of Kazakhstan is currently not high enough. Thus, since 2000, the percentage of agriculture in GDP has decreased from 8.1% to 4.6% in 2016, with a subsequent increase to 5.3% in 2020.

While, it should be noted that countries such as the United States, Russia, Brazil, and Canada, which are the main exporters, have about 1% - 6% of the proportion of agriculture in GDP. For example, in the United States, the proportion of agriculture in GDP is about 1%, the country is in the top 10 in terms of agricultural exports and has a high level of agricultural development.

At the same time, despite the fact that Kazakhstan is a traditionally agrarian country, where more than 40% of the country's population lives in rural areas, there is a decrease in the percentage of people employed in agriculture from 16.2% in 2016 (1.4 million people) to 13.5% in 2020 (1.2 million people).

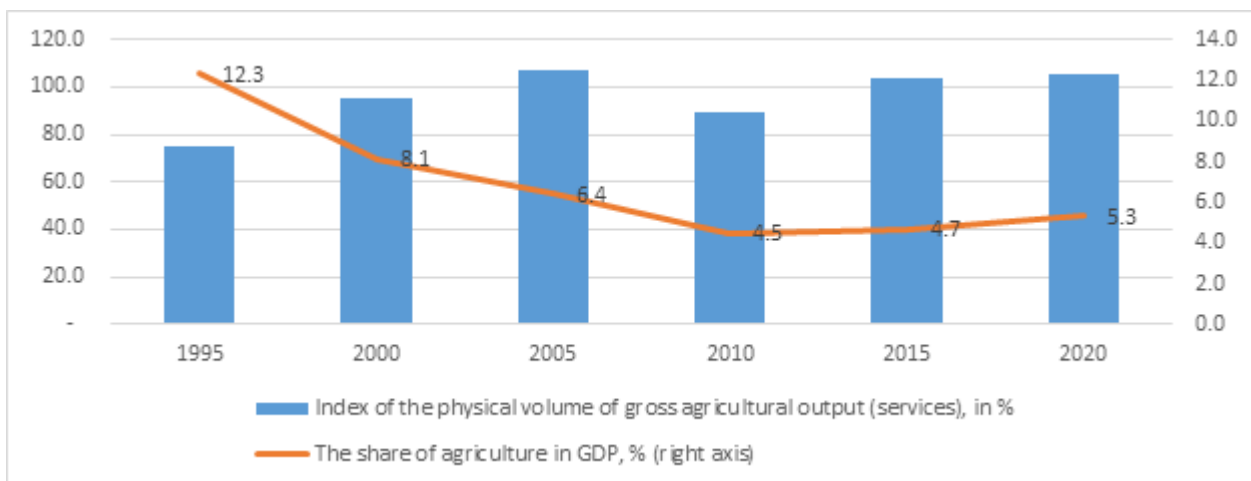
Self-employed people predominate among the working population, the percentage of which also tends to decrease from 63% in 2016 to 58% in 2020.



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

Figure 1- Dynamics of the number of employed people in agriculture

The percentage of agriculture in the country's GDP in 1995 was 12.3%, and in 2020 it decreased by 7 points and amounted to 5.3%. Meanwhile, according to the data of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Physical output index (POI) of gross agricultural products (services) in 1995 amounted to 75.3%, and in 2020-105.6%



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

Figure 2- Physical output index of gross agricultural output (services), and its proportion in the country's GDP (%)

In order to further develop the industry, the State Program for the Development of the Agro - Industrial Complex of the Republic of Kazakhstan for 2017-2021 (hereinafter - State Program) was adopted in 2017.

In 2018 and 2020, changes were made to the State Program related to the adjustment of target indicators, tasks and funding volumes.

The goal of the State Program is to increase labor productivity in the agro-industrial complex and the export of processed agricultural products by at least 2.5 times over 5 years compared to 2015.

The implementation of this goal includes 9 tasks, increasing the availability of financing for agricultural entities, the development of science and technology transfer, increasing the level of technical equipment and intensification of the agricultural sector, etc.

In 2020, the Accounts Committee for Control over the Execution of the Republican Budget conducted a public audit "Interim assessment of the implementation of the State Program for the Development of the Agro-industrial complex of the Republic of Kazakhstan for 2017-2021, as well as the effectiveness of the use of funds of anti-crisis measures".

During the public audit, it was noted that the development of the State Program and amendments to it, as well as its implementation, were characterized by certain shortcomings and deficiencies. For individual problems of the industry identified by the State Program, the Action Plan for the implementation of the program did not specify ways to solve them through specific measures and indicators. Thus, the analysis of the effectiveness and sufficiency of measures aimed at the development of agriculture and agriculture within the framework of the implementation of the State Program showed that in 2017-2019, non-fulfillment of measures planned for the implementation of two tasks was revealed: improving the efficiency of water resources use and ensuring the availability of sales markets and the development of exports of products.

A significant failure to achieve the results of the State Program has been established against the background of a high percentage of the disbursement of allocated budget funds. Thus, in 2017, the disbursement of allocated funds amounted to 99.6%, while 14 measures of the State Program were not fulfilled (out of 95 planned measures, or 14.7%), which resulted in the failure to achieve 1 target indicator (out of 7 planned, or 14.3%) and the failure to fulfill 17 indicators of results (out of 64 planned, or 26.6%) and the disbursement of allocated funds amounted to 99.6%.

In 2018, similarly to 2017, with almost full utilization of the allocated funds (99.9%), non-fulfillment of 4 measures (out of 83, or 4.8%) was revealed, which resulted in the failure to achieve 2 target indicators (out of 8, or 25%) and non-fulfillment of 4 indicators of results (out of 41, or 9.8%).

The funds allocated for 2019 have been disbursed almost in full, or by 99.9%. Not filled 13 events (out of 89 or 14.6%), which resulted in failure to achieve the target indicators 5 (of 8, or 62.5%) and failure of the 15 indicators of results (out of 40, or 37.5%).

Individual indicators and outcome indicators, including the part in their achievement of subcontractors were not fully implemented because of inadequate control and monitoring. Thus, the POI of wholesale trade in food products: in 2018, with the plan of 113%, it actually amounted to 111.5%; in 2019, with the plan of 118%, it actually amounted to 114.8%.

In addition, during the implementation of the State Program, weak interaction of the Ministry of Agriculture with central state and local executive bodies was established, which, in turn, led to the late implementation or non-fulfillment of certain measures, tasks, achievement of indicators and indicators provided for by the State Program.

Also, according to the audit, the Ministry of Agriculture, using data on import volumes, determines the security of the population's need for food products, both at the expense of domestic production of Kazakhstan and at the expense of imported food from other countries.

At the same time, when determining food security, the Ministry of Agriculture does not consider food independence, which is calculated based on the resources formed by the production volumes in Kazakhstan, which would allow obtaining objective information about the ability of the country's domestic production, as well as reflecting independence from imports.

The livestock industry used a subsidy system for supporting large agricultural enterprises that produce less than 30% of agricultural products, which was quite inefficient in terms of influencing the result. The application of this approach, in turn, formed a dependent attitude on the part of large agricultural entities. At the same time, small agricultural formations and personal subsidiary farms of the population, which produce the main part of agricultural products, could practically not enjoy state support due to their non-compliance with the established requirements.

Also, during the audit, a high risk of inefficient and inappropriate use of loans issued through financial organizations was noted, which was associated with poor-quality monitoring by the authorized body, the presence of an insufficient level of qualified personnel, the lack of automation of integrated systems and databases provided for by the strategy of Agrarian Credit Corporation JSC.

Furthermore, when implementing the task of the State Program "Improving the quality of public services and ensuring the introduction of digital technologies in the agro-industrial complex", the Ministry of Agriculture uses information systems, in particular E-agriculture, which has not been put into commercial operation and does not fully comply with the approved feasibility studies.

Thus, the results of the public audit of the implementation of state policy in the agro-industrial complex of the country, as well as the effectiveness of the use of funds aimed for its development, indicate the necessity for further improvement of the system of public administration, planning and formation of state policy in the agro-industrial complex.



About the Author

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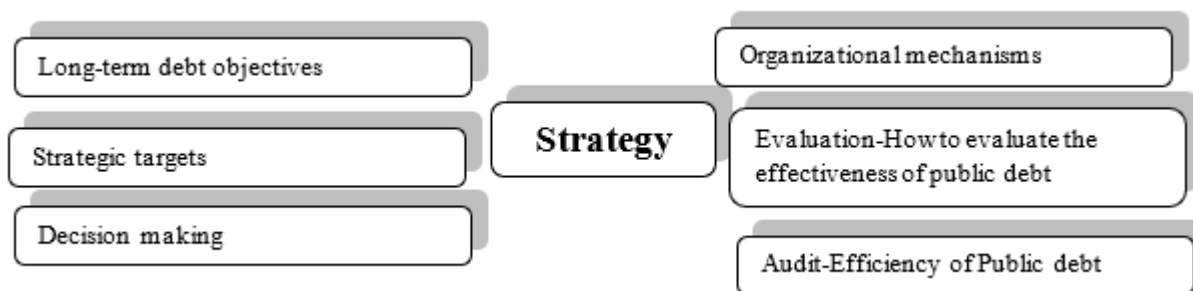
In modern times, all countries of the world, regardless of the level of development, have public debt at one level or another. The maintenance of macroeconomic balance in connection with the processes taking place in the global financial and economic system has led to a corresponding increase in borrowing. This has resulted in a significant increase in demand for debt capital compared to previous years. Research on public borrowing remains relevant. In many economic literatures, debt, especially public debt, is characterized as a serious economic and social problem. In fact, reality and truth, along with these ideas, include other areas of economic development. From this point of view, public debt is an integral part of economic policy, including fiscal policy. It is true that in all cases, when we say debt, as well as public debt, the obligation is understood. However, the fact that any entity, including the state, carries obligations for a certain period of time does not yet indicate that there is a problem. These liabilities become serious problems when they are not fulfilled in a timely manner (existing debts are replaced by new debts (more difficult conditions), the term- period is not chosen correctly) and the debt is directed only to current consumption expenditures.

2) The approach of International Financial Institutions to borrowing and its management in the global world - Public Debt Management Strategy.

In the modern world, public debt plays an important role in the financial policy of any country. Thus, on the one hand, there are close relations with developing countries with international financial institutions, on the other hand, there is a constant market for government securities in these countries. Thus, all this expands the scope of public debt relations and significantly increases its role in the financial system of the state.

International financial institutions act as the main lending entities in foreign debt relations. Thus, the share of these institutions in the external debt of the world is very large. Foreign debt and foreign aid agencies have been set up to finance developing countries. At present, there are financial and credit institutions operating both internationally and regionally. According to international practice, the first step in public debt management is to create and manage a debt strategy that constantly monitors public debt and considers it necessary to ensure its sustainability, which in turn leads to long-term borrowing (IMF). The establishment of a public debt management strategy can be seen as a necessity for other purposes, such as the development and improvement of the public securities market or a reduction in the ratio of public debt to GDP.

The importance of the following indicators of the public debt management strategy during the audit of public debt management has been demonstrated in international practice;



2.1 Importance of debt strategy;

1. The strategy identifies methods for public debt management purposes,
2. Determines the characteristics, composition and mandate of debt management of the desired portfolio,
3. Reflects key elements of transparency and accountability,
4. Supports the sustainability and discipline of debt management,
5. Includes efficiency indicators for debt management.

One of the main goals of the public debt management strategy is to more transparently examine and assess the risks that may arise in the organization of public debt, as well as to reduce the risks to an appropriate level. In making important borrowing decisions and reducing these public risks, the government should monitor financial and other public risks at all times and assess their resilience. To do this, it must first manage and assess the risks associated with foreign currency, short-term and variable interest rate debt.

When developing a public debt management strategy, in international practice, debt managers (debt management agencies or councils) are faced with the following options (financial characteristics of debt):

- Debt portfolio denominated in local and foreign currencies.
- Organizational structure and liquidity of debt by maturity.
- Debt interest rate or term-period sensitivity.

Public debt management strategy is a plan to implement debt management goals. Thus, one of the main goals of the strategy is to bring the complex debt structure to the desired state of the state. The debt management strategy should focus on managing the risks to which factors in the portfolio are exposed, in particular the potential fluctuations in the cost of debt service and its impact on the budget and debt levels. The implementation of the strategy also requires new borrowing issues and liability management operations.

In the public debt management strategy, the country must set long-term strategic goals. As a result, the debt management strategy should include certain activities to achieve these goals. According to international practice, the main purpose of debt management is to extend the required amount of financing from the medium to long term at the lowest possible cost, as well as to reduce the existing risk to a stable risk level and achieve concessions on timely repayment of liabilities.

In addition, improving the local credit market is also one of the main goals of the debt management strategy.

In general, in addition to the implementation of low-cost financing, which is the main goal of the debt management strategy, the main priority should be to formulate the debt burden portfolio to reduce the impact of external macroeconomic shocks on the budget and future long-term expenditures. The financing strategy should draw up a plan to raise the required funds in the coming years, and the goals of the strategy should coincide with the goals of the country's main medium-term and long-term debt management strategy. Any arrangement of debt instruments in the portfolio should be reflected in the debt management strategy documents. Because, as shown in this international practice, a comparative assessment of the organizational structure of the portfolio, pre-compiled on debt management documents, is carried out with debt management activities.

The importance of a debt management strategy is that the lack of this strategy could lead to further problems in the country's external borrowing capacity.

It is clear from experience that during the compilation of the debt burden profile, it was necessary to pay attention to the specific weight of variable interest rates in the portfolio and keep it at a nominal level in subsequent strategic planning. Under the above circumstances, the government should thoroughly analyze and formulate a debt management strategy, financing strategy and cost and risk reduction.

Two main borrowing strategies are developed in the development of the Public Debt Management Strategy; Domestic and External Debt Strategy.

Internal Debt Strategy;

Key Objectives for Domestic Debt Management;

- Extension of the domestic debt portfolio to change the risk of re-borrowing and the current situation.
- Proper timing profile.
- Improving the functions of primary and secondary markets for the purchase and sale of government securities. (Initially, the reorganization of the broker and dealer system)
- Announcing pre-issue programs to investors and financial institutions for the next financial year.

External Debt Strategy;

Key Objectives for External Debt Management;

- Extending the medium term to reduce the risk of refinancing.
- Proper timing profile.
- Formation of currency complexity in the external debt portfolio due to the country's foreign exchange reserves and the impact on exports.

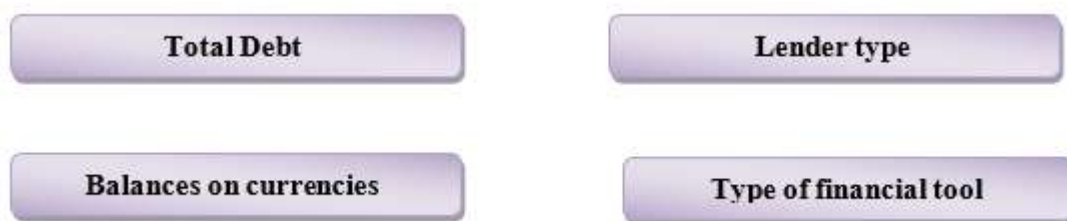
3) Debt Burden Portfolio and its analysis (Risk indicators on Term, Currency, Interest and Debt Burden)

The importance of portfolio evaluation is that its design and implementation of goals is an important component of the debt management function, as it plays an important role in determining the accepted levels of risk and implementing the following decisions:

- In making decisions on the loan portfolio in connection with various parameters such as currency, maturity, interest rate and choice of financial instruments.
- Making adjustments by the debt portfolio manager (institution, board, etc.) in response to changes in the market, depending on the market situation.
- In making decisions related to the use of risk management tools as financial derivatives.
- Implementing significant controls over debt management.
- Increasing transparency and accuracy in public debt management.

Debt portfolio, poorly organized by currency or interest rate, has historically been one of the most important factors in the spread of economic crises in many countries. **Portfolio analysis of current debt and its flow or recognition is one of the most important tools in risk assessment and is generally a starting point in the development of debt strategy.** This has been identified as a key factor in managing the World Bank's and the IMF's effective debt strategy.

This information must first be obtained in order to review the aggregate portfolio;



Risk management and debt burden in debt management should be analyzed. This analysis can facilitate the recognition of risk and the cost of debt (cost) in debt management. What is included in the measurement of value; Interest expense (key to budgeting), Interest / GDP or Interest / Income (covers the debt burden of the economy), the current value of debt / GDP (includes increasing the debt burden). In connection with the assessment of a variable risk factor; it is necessary to pay special attention to market risk (exposure to interest rates and exchange rates).

The most important factor in the debt management function is to determine the risk management in the debt portfolio. In an area where exchange rates and interest rates fluctuate, fluctuations in market prices cause fluctuations in debt service costs. Exchange rate fluctuations cannot be explained by a single local exchange rate fluctuating against a credit exchange rate, this fluctuation can even change in response to cross-currency movements in global markets. For example, the appreciation of the Japanese yen against the dollar may increase the dollar value of foreign debt denominated in the Japanese yen. The risk can be significant if the debt is reflected in a variable interest rate. For example, when the contract is concluded with LIBOR interest rate. For this reason, the variable interest rate debt burden in the loan portfolio should be examined and the total risks arising from the increase in interest rates should be monitored and managed.

4) Debt Sustainability Analysis (Borrowing Needs, Contingent Liabilities, Domestic Market Improvement Measures and Measures to be Taken in the Event of Increased Borrowing)

In order to achieve effective public debt management in accordance with the principles of the United Nations Conference on Trade and Development, the government must develop a debt management strategy and conduct a debt sustainability analysis. Debt Sustainability Analysis assesses the country's current debt level and how expected new borrowing will affect its solvency in the future.

The government can achieve debt sustainability in the absence of any exceptions to borrowing or future adjustments in the balance of income and expenses. Borrowing decisions often require a systematic assessment of the emergence of debt burden indicators under different scenarios. Thus, in order to achieve medium- and long-term debt sustainability and the state's development goals, the government must take into account the risks of the public debt portfolio, which is severely shocked by interest rate risk, currency risk, refinancing risk. This should take into account not only the current expenditures of the public debt portfolio, but also the future expenditures of the state, which will be paid to creditors in the future.

Debt sustainability analysis is also an important part of debt management. Debt sustainability analysis is the most important financial tool in identifying, preventing and resolving potential crises. Debt sustainability analysis assesses a country's current debt level and how expected new borrowing will affect its ability to service its debt in the future. It consists of three main sections;

- Assessment of the current debt situation, its distribution over time, whether the interest rate is stable or variable.
- Identify vulnerabilities in debt management to make policy adjustments before difficulties arise in payments.
- Development of an alternative debt stabilization policy in case of debt emergencies.

Debt sustainability primarily affects a country's solvency, liquidity, and regulation (future-oriented changes);

- A country becomes solvent only if the present value of its future income flows is at least equal to the present value of its future expenditures.
- A country is considered liquid if the country can regulate the term of its debts correctly or efficiently.
- Fiscal policy can be effectively regulated if political and social constraints play a special role in adjusting the country's expenditures and revenues for the future.

Debt Sustainability Analysis by the International Monetary Fund (IMF), WB (World Bank), as well as ADB (Asian Development Bank) and other financial institutions, based on the identification or application of financial changes needed to maintain or reduce the debt-to-GDP ratio was adopted. The main condition for developed countries is to determine the estimated values of the debt-to-GDP ratio for the 5-year period based on the latest macroeconomic estimates and assumed fiscal policy. One of the main reasons for preparing a debt sustainability analysis is the fluctuations in debt service costs. The reasons for this fluctuation are as follows;

- In case of non-refinancing by international organizations, states or other donors in the form of loans or grants to finance the country's budget deficit.
- When the cost of domestic public debt service is very high.

However, in many low-income countries, external public debt is the main source of funding, while domestic public debt is considered insignificant as a source. High interest rates and short maturities of domestic debt in low-income countries expose the country to changing risks (shocks). Given the problems caused by the shocks of the macroeconomic environment, the importance of developing and implementing a Debt Sustainability Analysis has also been expressed in international practice.

Debt sustainability analysis consists of two broad parts;

a) Preparation of Debt Sustainability Analysis.

- Preparation of debt sustainability analysis in accordance with the recommendations and basic principles of International Financial Institutions should be in the form of an annual program for each country and agreed for medium-term or long-term development.

b) Debt Sustainability Assessment.

- Calculation of current and future debt burden indicators under the basic principles.
- Development of alternative scenarios and stress tests to be included in the debt sustainability analysis and identification of country-specific factors.
- Provide feedback on the improvement of debt burden indicators over time and the assessment of their sensitivity to shocks.
- Comparison of external debt burden indicators with the limits of the corresponding debt burden indicators.
- Assess the extent to which other factors, such as domestic debt or contingent liabilities, can affect a country's future debt solvency.
- Defining a country-appropriate borrowing strategy and adequate policy.

For example, an audit of public debt efficiency was conducted in Georgia, and the audit identified a number of shortcomings:

- Georgia's reported public debt does not include the debt of state-owned enterprises that form part of its hidden contingent liabilities. Therefore, in the event of an enterprise's indebtedness / bankruptcy, there is a risk that the government's assets will decrease or its liabilities will increase. This, in turn, could have a negative impact on the country's financial situation. If contingent liabilities are not taken into account in various analyzes (for example, debt sustainability analysis), the risks and risks associated with public debt management may not be fully assessed.

- The Ministry of Finance does not have a public debt management strategy document. Based on international experience, the existence of such a document is important in ensuring medium and long-term debt sustainability. The importance of a debt management strategy is growing given the existing problems with borrowing opportunities.

- The creditor selection process is not documented and the explanatory note attached to the draft government decree does not contain information and analysis of alternative sources of funding. Therefore, the information provided in the explanatory note does not ensure the transparency of the borrowing process and does not create an informed decision-making environment.

- Risk assessment and debt sustainability analysis are not conducted on a regular basis. This, in turn, increases the risk of untimely detection and prevention of potential threats.

- Stable issues of government securities are not enough for the development of the domestic credit market. More than 90 percent of government securities were purchased by commercial banks, indicating a low level of diversification of the investor base. According to international best practices, one of the most important conditions for the development of the government's securities market is the existence of a diversified investor base.

- There is no formal rule or methodology describing the planning process to determine the General Borrowing Requirements. Within the Ministry of Finance, the process is regulated by the ministry's charter. Thus, the document does not clearly define the functions of other institutions involved in this period, except for the Department of Public Debt and External Finance. As a result, the process of determining debt needs for a planning year is not carried out in accordance with pre-defined and officially approved rules / procedures.

In connection with the above, the Georgian JSC offers the following recommendations to improve public debt management in Georgia:

- The IR must fully disclose the characteristics of the debt instrument, including holders of confidential contingent liabilities assumed by the public sector;

- When conducting macroeconomic analysis of public debt, the IR should take into account the amount of contingent liabilities and pay close attention to assessing the risks arising from them;

- Amend Georgia's Public Debt Law to bring the concept of public debt into line with international standards.

- The Ministry of Finance should develop a debt management strategy that is consistent with the entire development strategy of the country and will facilitate the achievement of the intended goals.

- A detailed comparative analysis of available funding opportunities should be prepared by the IR and attached to the draft Government Decree, along with other relevant documents.

- The Ministry of Finance of Georgia should conduct regular, at least annual, debt sustainability assessments and monitor the risks in the debt portfolio.

- The IR, in accordance with the NBS, should develop a development strategy for the local government securities market and analyze potential incentives / activities that will lead to further development of the domestic securities market.

- The MoE should apply rules / procedures to identify debt needs that will formally carry out the debt needs assessment process;

- The General Charter of the IR should be amended to define the exact roles and responsibilities of each department involved in the debt needs assessment process.

In international practice, the country's financial condition and sustainability are determined by the ratio of debt to GDP. There are many reasons to confirm the importance of this ratio. Experience shows that some countries face difficulties with low debt levels, but some countries do not experience any borrowing stress, including long-term extensions with high levels of borrowing. For example, in Argentina, the debt-to-GDP ratio was declared bankrupt at 60%, but in Japan, high debt sustainability continues, despite the fact that the highest debt is more than 200%. From this point of view, the level of debt sustainability indicates the need to define specific thresholds, taking into account the general indicators with an individual approach to each country. The maximum level of debt sustainability in a country depends on the factors specific to that country. These include: 1) The country's ability to generate surplus 2) Growth prospects 3) The cost of debt affecting the interest rate of debt and the country's market perception (ie future debt) .4) The date on which debt obligations are realized. 5) Sensitivity to shocks. 6) Investment, etc. includes.

Debt burden and liability management includes the analysis of debt sustainability, the creation of alternative scenarios and stress tests, the identification of country-specific factors (internal indicators) and the assessment of sensitivity to external shocks. coordination of term budget expenditures, further increase of efficiency in public debt management, prevention of risks in the state budget, which plays an important financial role in the country's economy, and taking preventive measures, strengthening the coordination of monetary and fiscal policy.

As a result, good public debt management combines many positive economic benefits. First, good public debt management can reduce the public debt burden in many ways. For example, a well-designed and well-implemented borrowing program can build investor confidence so that financial institutions can achieve a reduction in the difference between borrowing and borrowing rates under normal circumstances. Second, good public debt management can also help develop local financial markets. The gain of the local financial market is the acquisition and use of financial instruments that belong to the financial market, which can play a special role in investing in these instruments or in determining the prices of other financial instruments. A developed local financial market can lead to economic growth and make the economy more resilient to external shocks, such as capital outflows. Third, the practice of effective public debt management can reduce the sensitivity of the economy to financial and economic shocks.

5) Contingent Liabilities

Contingent liabilities have a significant impact on debt sustainability and fiscal resilience and should therefore be included in the debt sustainability analysis in conjunction with stress tests. Contingent liabilities are not, as is well known, liabilities, but are liabilities that arise from certain individual events that may or may not occur. These can be open or closed. Explicit contingent liabilities may be recognized as legal or contractual, and their payment may be required under the terms of the contract. Concealed contingent liabilities may be exercised not under a legal or contractual arrangement but after the conditions or events that have taken place.

What distinguishes these obligations from other obligations is that one or more conditions and events can be performed before the transfer or any transaction begins. These liabilities have become important in the analysis of public finances and the assessment of the financial condition of the government, as failure to appear when the government is in good financial condition may subsequently create the risk of financial shock or borrowing. Problems that may arise with contingent liabilities.

- The legal status of a contingent liability in national legislation and its classification.
- Calculation and accountability of contingent liabilities and availability of special financial resources.
- Contingent liabilities management system as well as the existence of a strategy for contingent debt and the existence of a special agency for monitoring contingent liabilities.
- The role of JSC in the audit of contingent liabilities.
- Informing the public about the contingent liability and its audit results.

According to international practice, in many countries the obvious contingent liabilities are not reflected in the balance sheet. In addition, if any contingency is contemplated in the future and any rights or obligations are required, failure to specify contingent liabilities could lead to a critical financial and economic situation in the country. Contingent liabilities may increase when banks are given internal or overt guarantees, when public and private enterprises are under stress, and when the government intervenes in the financial system.

6) Risk Assessment and Debt Burden Indicators

Debt management is conditioned by risk indicators and debt burden analysis. This analysis can facilitate the recognition of risk and the cost of debt (cost) in debt management.

- What is included in the measurement of the cost of debt (cost);

a) Interest expense (key to budget preparation),

b) Interest / GDP or Interest / Income (covers the debt burden of the economy),

c) Current value of debt / GDP (includes increasing the debt burden).

d) in connection with the assessment of a variable risk factor; it is necessary to pay special attention to market risk (exposure to interest rates and exchange rates).

- Effective debt management risk means risk management that reflects refinancing risks and operational risks;

a) Refinancing risk refers to the exposure of the debt portfolio to the risk of the refinancing debt at high interest rates: Extremely, if the risk is too high, the debt manager will not be able to change the term obligation.

b) Operational risk Classification of different types of risks: Operational errors that may occur at different stages of management or registration operations: Inadequacy in the system or internal control and service: image risk: legal risk; protection risk; or natural disasters, which may affect the ability of the debt manager to obtain assets to achieve the objectives of debt management. Based on this, the debt manager had to identify the weaknesses of the existing debt. The duration of this risk depends on risk factors, such as changes in interest rates and exchange rates, exposure to risk, the share of domestic debt, the share of short-term debt, the variable rate of debt.

One of the key points in debt management is risk assessment. When assessing risks, debt burden indicators are classified under four broad headings;

- Market risks.

- Debt change risk.

- Market liquidity.

- External and financial sensitivity.

Market risks.

In general, market risks arise from the fluctuations of different types of economic variables, which depend on completely different currency and interest rates, the value or quantity of goods. For example, in many countries, limited adjustments may be made in the production of some strategic products (oil and other natural resources), which are the main source of goods or budget revenues as the main source of tax revenue. In this case, any decline in both prices and quantities of products will be reflected in the cost of debt service.

Foreign exchange fluctuations can adversely affect a debtor's solvency, e.g. As a result of the devaluation of the local currency, the debt in foreign currency will increase the cost of debt service. Also, fluctuations in the major foreign currency, which has the largest share of government external debt, can lead to fluctuations in debt service costs for debtors.

Interest rate risk arises from changes in interest rates. The mentioned changes; Income curve risk, the risk arising from refinancing for fixed interest rates, renewals for variable interest rates, and changing options in financial instruments.

a) Interest rate risk indicators.

- "Macaulay Duration"

The most commonly used interest rate risk indicator in public debt management is the Macaulay Term Index, the main purpose of which is related to securities. The purpose of this indicator is how long the price can be paid at the expense of income (domestic cash flow) from the security. This proved once again that long-term securities are less risky than short-term securities.

- "Modified Duration"

The adjusted period measures changes in the price of fixed interest rate securities in the case of different types of variable interest rates. Because changes in interest rates affect its income as well as its maturity, it measures how its price changes as a result of each interest rate change in the price of the security.

b) Exchange rate risk indicators.

One of the most commonly used indicators is the share of external debt in total debt. In developed countries, foreign currency borrowing is not recognized as a significant indicator. This is due to the fact that many developed countries, for example; France, Germany, Japan and the United States almost do not borrow in foreign currency. Experience has shown that countries borrowing in foreign currency divide their debt portfolios according to the economic situation of the country in their debt strategies in relation to foreign and local currencies. For example; Percentage of borrowing in foreign currency set in their debt strategies for selected countries.

c) Debt change risk

Debt change risk is the risk of debt refinancing. The risk of debt change arises when a country or a company re-applies for a new loan if it is unable to meet its obligations on time. If interest rates rise, then the debt will be refinanced at a higher interest rate and more interest will be paid in the future.

d) Market liquidity risk

Market liquidity risk is the ability to buy and sell government securities or stocks without any significant change in market prices.

E) External and Financial Sensitivity Risk

Information on various economic variables is required to improve debt and liquidity management policies, which are the most important element in preventing a crisis. The information that can be obtained in this area can be important in policy or management development and risk assessment.

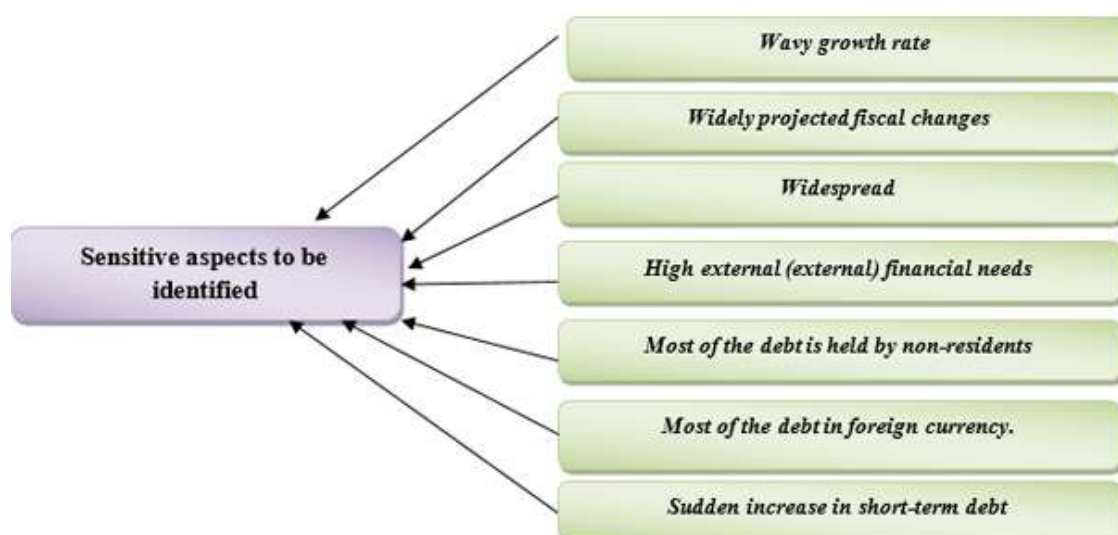
Debt burden indicators for measuring public debt performance are grouped under three groups of indicators.

- Indicators measuring the risks arising from the public debt created by the current economic situation.
- Indicators measuring the risk of the government meeting contingent liabilities in unforeseen circumstances.
- Financial indicators showing the activity of the liability market.

Each group of indicators has its own characteristics, which in turn are the main factors that distinguish them from each other. First, the sensitivity analysis requires the emergence of indicators that prevent and measure any situation that would hinder the payment of debt under current conditions. These indicators are usually static.

- External debt service cost / export ratio - This ratio measures a country's ability to repay its external debt at the expense of income from trade in goods (foreign).
- Public debt service cost / income ratio - This ratio mainly measures the country's solvency.
- External debt / GDP ratio - This is a measure of the growth rate of debt by the ratio of debt to total resources. Debt growth should be lower than GDP growth.
- Public debt / GDP ratio - This is the most commonly used indicator. According to the Maastricht agreement, EU countries consider this ratio to be acceptable at 60%. This ratio should also be considered individually according to the characteristics of each country.
- Public Debt / Local Budget Revenues - This ratio measures a country's level of borrowing according to its ability to pay.
- The ratio of public debt to service expenditures / local budget revenues - This ratio measures the country's ability to repay debt with local resources.

In general, macroeconomic shocks create some fiscal problems with debt in developing countries, the main reason for which is the low level of debt burden. In international practice, the proposed debt burden levels are determined on an individual basis for each country. Low or high levels of debt burden are causing many fiscal problems in countries. Although many countries have high controls, they have lower debt burden than the recommended rate. To determine this, it is necessary to assess the possible weaknesses:



On the other hand, several countries with higher debt burden than the recommended level can be classified as low control. These may be countries that have sufficient liquid assets or they have the mitigation of significant risks arising from high debt burdens.

Debt burden and debt profile risk rates.

For market economy countries, the regulation of standards on two different elements of debt sustainability analysis is used: 1) Rates for debt profile risk indicators 2) The use of debt burden rates in risk assessment.

Recognition of debt stress events

For developing countries.

1. Bankrupt; Balances of principal and interest payable to creditors.
2. Restructuring; Any activity that will change the terms of a creditor or receivable agreement.
3. IMF financing; Liquidity issues related to public debt difficulties.

For developed countries

1. Bankrupt; Non-current government debt obligations. (S&P recognition)
2. Restructuring; Any activity that will change the terms of a creditor or receivable agreement.
3. IMF financing; Exceeding 100% of the price.
4. Inflation; if it is more than 35% per annum.

Debt burden and debt profile risk indicators.

Debt profile risk indicators for developing countries.

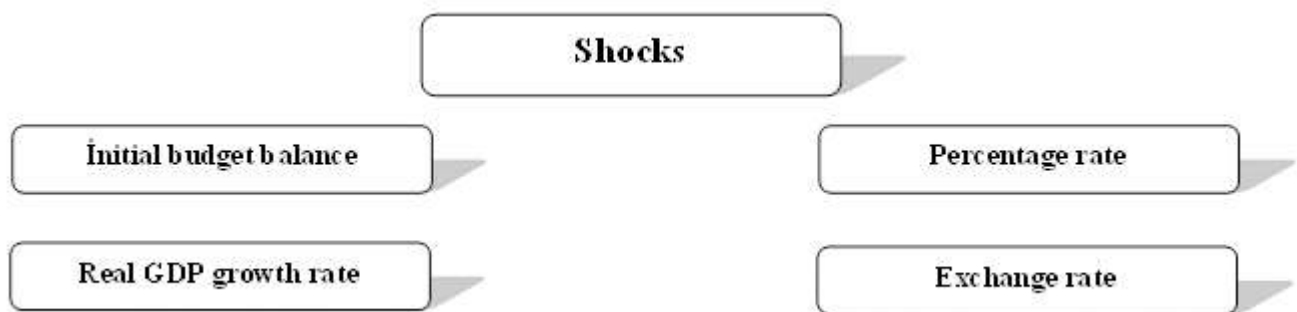
1. The ratio of external financial demand (Gross) to GDP as a percentage.
2. Part of public debt in foreign currency in total public debt.
3. Change in short-term public debt in total public debt.
4. Share of non-residents in total public debt.
5. Term distribution of bonds in the emerging securities market.

Debt profile risk indicators for developed countries.

6. The ratio of external financial demand (Gross) to GDP as a percentage.
7. Change in total public debt short-term public debt.
8. Share of non-residents in total public debt.
9. Distribution of bond yields over time.

7) Shocks and Stress tests

The impact of shocks on macro-fiscal variables may result in a deterioration in debt dynamics. This is important because the module complements the basic sustainability assessment with an assessment that combines macro fiscal risks. In particular, this module assesses the importance of the initial (budget) balance, GDP growth, interest rates and exchange rates for debt sustainability affected by shocks. Lists the shocks in the example applied to the four variables shown in the following example;



❖ Stress tests are designed to standardize and establish balance according to country-specific circumstances. For example, the use of country-specific estimates of income and expenditure elasticity is encouraged when this is possible, and especially when the country applies fiscal rules. Estimates of the relationship between the initial budget balance and the production deficit can also be used. If inflation is sensitive or particularly volatile to the production deficit, then a larger decline in inflation should be considered. The magnitude of interest rate and exchange rate shocks can be adjusted in cases where most of the historical chronology is not convincing, as they reflect significant difficult periods that are unlikely to be repeated. Amendments should be presented and explained in a transparent manner when reviewed and recorded in the staff report.

❖ Also, a shock scenario is created automatically. In the sum of individual shocks, it should be taken into account that the impact of individual shocks affecting many variables is not doubled. For example, a country may be sensitive to increasing shocks and initial balance shocks. As a result, the combined shock includes the effects of all individual shocks on all relevant variables (real GDP growth, inflation, initial budget balance, exchange rate and interest rate).

❖ If the proposed stress tests do not adequately cover country-specific risks, or if the macroeconomic framework includes an alternative scenario, then private alternative public debt sustainability analysis scenarios should be developed. The analysis of alternative scenarios is more effective in the new example, which allows flexibility in creating scenarios for the following variables: real GDP growth, Inflation, the ratio of income to GDP, the ratio of non-interest government expenditures to GDP, Interest rate, and Exchange rate. For example, alternative scenarios could be implemented taking into account the impact of external shocks (macro and / or financial) related to the crisis in another country on the country's debt sustainability, or demonstrate a policy change scenario. In addition, the established alternative scenario can be expressed as collateral, for example, an assessment of the scope of adverse effects between the public and financial sectors or the impact of a sudden cessation of capital inflows. For major commodity producers, the impact of shocks and commodity prices on key public debtors must be taken into account in the first instance, and a specific scenario must be written to measure that associated risk.

8) Borrowing Need

It is very important to correctly determine the need for borrowing in accordance with the financial situation of the country. Determining the need for public borrowing in subsequent years is not only a complex activity, but also requires information on the level of importance and coordination between government agencies involved in various activities. A transparent estimate of the need for borrowing will save the country from excessive borrowing, otherwise it could worsen the country's financial situation. Low borrowing needs can also lead to a liquidity crisis in a country; $\text{Borrowing Need} = \text{Amount of principal debt} + \text{Budget deficit} + \text{Initial cost of financial asset} + \text{Contingent liability}$

❖ In general, a transparent estimate of borrowing needs should include the following financial components: Debt to be incurred during the year + Estimated budget deficit + Initial cost of the estimated financial asset + Estimated contingent liabilities. Many countries use different types of models to model the need for borrowing for years to come. For example; The Organization for Economic Co-operation and Development (OECD) countries use only the budget deficit (required amount) and the debt to be received during the year (debt to be covered) in the formulation of the need for borrowing.

❖ According to international practice, the Ministries of Finance of the countries are responsible for the preparation of the annual borrowing plan and its inclusion in the draft annual budget. The budget deficit is agreed with the next year based on the borrowing needs drawn up on the basis of the draft budget.

❖ We would like to emphasize that the body that oversees the implementation of investment projects is responsible for determining the amount of investment debt. Also, the Public Debt and the relevant agency are responsible for determining the amount of debt directed to the budget deficit.

❖ In international practice, countries have their own guidelines for determining the need for borrowing, and these guidelines have been formally developed and approved in the course of the document. As a result, it is recommended that the Ministry of Finance develop guidelines and guidelines for the transparency of the borrowing process that include the stages of formal borrowing procedures.

Results and Suggestions

1. Development of a new debt strategy that constantly monitors public debt and deems it necessary to ensure its sustainability.

According to international experience, public debt management is primarily the creation and management of a debt strategy that constantly monitors public debt and considers it necessary to ensure its sustainability, the lack of which may lead to further problems in the country's external borrowing opportunities. Experience has shown that a debt management strategy is a key condition for effective debt management.

We consider it expedient to develop and create a methodology from the legal point of view and to carry out the following procedures.

- More transparent inspection and assessment of risks that may arise in the organization of debt.
- Bringing the debt portfolio to the desired state.
- Assess the potential fluctuations in debt service costs and their impact on the budget and its level of debt.
- Extending the required amount of funding from the medium to long term at the lowest possible cost, as well as reducing the existing risk level to the reserve risk level and achieving concessions in the timely payment of liabilities.
- Improving the local credit base.
- Reducing the impact of external macroeconomic shocks on the budget and future long-term expenditures of the debt burden portfolio.
- Development of a plan to attract the required funds and its coordination with the country's medium and long-term development prospects.
- Any arrangement and arrangement of debt instruments in the portfolio should be reflected in the strategy documents.
- Comparative assessment of the organizational structure of debt.

Objectives of the internal debt strategy.

- Extension of the domestic debt portfolio to change the risk of re-borrowing and the current situation.
- Improving the functions of primary and secondary markets for the purchase and sale of government securities.
- Stabilization of the financial sphere of the state and adaptation of money supply to the current economic situation, development in a strategic direction as a single mechanism, in conjunction with monetary and fiscal policy.
- Formulation of expenditures on the basis of targeted programs based on the end result and formation of the optimal ratio in the structure of state budget expenditures on the basis of efficiency.
- Expansion of the investor network, formation of a competitive environment and regulation of interest rates in order to attract more money.
- Announcing pre-issue programs to investors and financial institutions for the next financial year.

2. Objectives of the External Debt Strategy.

- ***Proper timing profile.***
- ***Formation of currency complexity in the debt portfolio due to the country's foreign exchange reserves and the impact on exports.***
- ***Prolongation of the medium term to reduce the risk of borrowing.***
- ***Adjustments in the loan portfolio to respond quickly to changes in market conditions (currency, maturity, interest rates, selection of financial instruments, etc.)***
- ***Periodic analysis of the debt burden in accordance with the risk indicators.***
- ***Periodic monitoring of variable interest debt burden on the loan portfolio.***

3. Debt Sustainability Analysis.

As a result, good public debt management combines many positive economic benefits. First, good public debt management in many ways reduces the public debt burden and increases debt sustainability. For example, a well-designed and well-implemented borrowing program can build investor confidence so that financial institutions can achieve a reduction in the difference between borrowing and borrowing rates under normal circumstances. Second, good public debt management can also help develop local financial markets. The gain of the local financial market is the acquisition and use of financial instruments that belong to the financial market, which can play a special role in investing in these instruments or in determining the prices of other financial instruments. A developed local financial market can lead to economic growth and make the economy more resilient to external shocks, such as capital outflows. Third, the practice of effective public debt management can reduce the sensitivity of the economy to financial and economic shocks.

- Assess the current level of the country's debt and how the expected new borrowing will affect its solvency in the future.
- Assessment of the current debt situation, its distribution over time, whether the interest rate is stable or variable.
- Identify vulnerabilities in debt management to make adjustments in management before difficulties arise in payments.
- Development of an alternative debt stabilization policy in case of debt emergencies.
- Assessing the impact of debt sustainability primarily on the country's solvency, liquidity and regulation (future-oriented changes).
- Investigation of the causes of fluctuations in the cost of debt service and its regulation.

- Calculation of current and future debt burden.
- Development of alternative scenarios and stress tests to be included in the debt sustainability analysis and identification of country-specific factors.
- Improving debt burden indicators over time and assessing their sensitivity to shocks.
- Assess the ability of other factors, such as domestic debt or contingent liabilities, to affect a country's future debt solvency.
- Defining a country-appropriate borrowing strategy and an adequate policy.

3. Risk indicators in debt management.

- Risk indicators facilitate the analysis of the debt burden, as well as facilitate the recognition of the value of the debt.

- Classification of debt burden indicators (market risks, debt change risk, market liquidity, external and financial sensitivity) during risk assessment.

- Carrying out a classification to measure public debt performance, including measuring the risks posed by public debt created by the current economic situation, measuring the risks of contingent liabilities by the government in the event of unforeseen circumstances, and financial performance of the liability market.

3. Determining a transparent estimate of borrowing needs in accordance with the country's financial situation.

In international practice, countries have their own guidelines for determining the need for borrowing, and these guidelines have been formally developed and approved in the course of the document.

As a result, it is recommended that the Ministry of Finance develop guidelines and guidelines for the transparency of the borrowing process that include the stages of formal borrowing procedures and include the annual debt, estimated budget deficit, estimated cost of the asset and contingent liabilities. development of regulations governing the need for unifying Borrowing.

3. Prospects for effective operation of the state debt policy

The optimal threshold in the field of public debt should be limited to borrowing directly directed to the production sectors and public capital investments in the social sphere. We consider it expedient to pay special attention to the following issues in the field of forecasting and management of public debt;

- a. The flexibility of public debt plans must be ensured.
- b. Public debt plans should be both mandatory and guiding.
- c. By forecasting inflation and other macroeconomic imbalances in the country, they must control the negative effects they can have on public debt management.
- d. The process of collecting financial information should be fully ensured in order to improve public debt planning.

The experience of developed countries is of great importance for the establishment of public debt relations. Thus, the experience of these countries in the field of public debt must be studied in depth and must be used in the development and implementation of economic reform programs. Along with all this, the peculiarities of the national economy must be taken into account. Because in international practice, any reform that has yielded positive economic results can lose its effect under the influence of demographic, national, psychological factors within the national economy. It is considered expedient to have the following main directions of the state debt policy;

Foreign loans attracted as public debt should be directed mainly to real production and services, which are more important in terms of economic development. This is mainly important in terms of public debt management in line with the requirements of the current situation.

a. The predominance of domestic public debt is also favorable due to a number of other features. As it is known, the state, as a borrower, pays for its loans. The payment of these funds to domestic entities creates conditions for them not to leave the country, and this aspect is beneficial for economic growth.

b. The country's economic needs for credit should be met not through government loans, but through banks and other credit institutions. This is due to another form of economic policy of the state - credit policy. Commercial banks and non-bank credit institutions must meet a large part of the country's credit needs. In addition, specialized banks should be established in the country, which should offer cheap and soft loans in accordance with the requirements of each sector. Although this policy is not directly related to public debt, it also reduces public debt by reducing the amount of public credit directed to the economy.

c. It is necessary to increase confidence in government securities by paying off debts on government securities in a timely and full manner, to issue securities in accordance with the current economic situation, thus ensuring the development of the government securities market.

In modern conditions, in most developing countries, public debt is repaid through public borrowing. This means replacing one problem with another, even if it prolongs the term of the obligation in terms of public debt. Thus, loans to production and services should be repaid at the expense of the profits of these sectors, so as not to become a heavy burden for the state. Based on the experience of developed countries, the role of financial regulators, especially taxes, in public debt policy is not insignificant. This is especially true for loans in a number of areas, as well as state-guaranteed loans. Thus, the state, in addition to controlling the activities of these enterprises in connection with borrowed funds, will improve their financial situation by easing the tax burden, and ultimately ensure the full repayment of loans. As a result, it is expedient to define specific methods and techniques of organizing public debt relations through the development of a strong package of laws in the country, and at the same time to include in this task the methods of organizing the work of the Ministry of Finance.

4. Contingent Liabilities

According to international practice, in many countries the obvious contingent liabilities are not reflected in the balance sheet. In addition, if any contingency is contemplated in the future and any rights or obligations are required, failure to specify contingent liabilities could lead to a critical financial and economic situation in the country. Contingent liabilities may also increase when banks provide internal or overt guarantees, when public and private enterprises are under stress, and when the government intervenes in the financial system.

Taking all this into account, based on international experience, we consider it expedient to apply the following procedures.

- Given the significant impact of contingent liabilities on debt sustainability and fiscal resilience, it should be included in the debt sustainability analysis in conjunction with stress tests;
- Development of regulatory rules for the purpose of constant control and effective management of contingent liabilities,
- Management of debt burden and liabilities, including debt sustainability analysis, creation of alternative scenarios and stress tests, identification of country-specific factors (internal indicators).
- According to international practice, in many countries, the lack of information on the measurement of contingent liabilities, terminology and their classification, as well as the non-disclosure of information about them in the financial statements violates the principle of transparency in the balance of public debt and incorrect classification of contingent liabilities.

Lack of information on contingent liabilities and their classification in terms of legal status can lead to serious problems in their management, monitoring and accountability. For the qualitative audit of public debt and contingent liabilities, first of all, the JCA requires the development of appropriate legislation and guidelines for the correct classification of contingent liabilities, and we would also like to note that it is advisable to take into account the country's goals and international experience.

- Financial crises not only paralyze the economies of many different countries over time, but also turn them into direct debts in contingent debt. In this regard, a crisis protection system should be established;

First - the identification of potential risks

Second - effective monitoring.

Third - the detection and elimination of risky processes in debt management.

One way to effectively control the level of contingent liabilities (to determine the amount of contingent liabilities, to establish monitoring and evaluation guidelines) is to centralize all information related to contingent liabilities in a centralized manner by one financial institution.

5. Improving Public Debt Management.

One of the main sources of public debt management is to ensure control over the use of state-guaranteed loans. As it is known, while the users of these loans are various independent economic entities, the state is the entity responsible to foreign creditors for the return of these funds. Therefore, it is recommended that the relevant government agencies exercise strict control over the efficient use of borrowed funds to ensure their timely repayment and develop a new action plan to implement the above-mentioned issues of the public debt mechanism and implement it taking into account the existing economic conditions.

The Role of SAI in Alleviating Climate Change: Case Study of SAI Indonesia

- SAI Indonesia



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Abstract

Climate change is one of the greatest environmental challenges faced by humanity nowadays. It has become global significant issues over the last decades and it attracts growing concern from the countries across the globe. SAIs has crucial role in promoting governance and accountability of environmental management, especially by providing recommendations that improve economy, effectiveness, and efficiency of government's programs on environmental protection and sustainable development. Hence, collaboration between SAI and Governments is essential to improve the effectiveness and efficiency of programs on climate change mitigation and adaptation.

I. Climate Change and Its Consequences

According to the law of thermodynamics, our earth is mostly considered a closed system because it can exchange energy (e.g. solar radiation) with its surroundings, but only a tiny fraction of matter enters and leaves earth's top atmosphere (NASA, no date). Thus short of expensively extracting materials from other planets, it can be inferred that resources on our earth is finite and irresponsible exploitation of natural resources place a natural limit on sustainable growth. Further, rapid and unchecked extraction of earth's resources may damage the environment, and this is harmful to humans as well as other species that inhabit our earth. Sound environmental management is crucial in order to fulfill the needs of current and future generations while maintaining the ecosystem in a good condition.

One of the prevalent environmental issue that we all are facing is climate change. As we already knew, climate change is one of the greatest challenges faced by humanity today. It affects every country and can have devastating effects on communities and individuals. Developing countries, especially Small Island Developing States, are the most impacted by climate change and the least able to afford its consequences. Climate change is a significant change on temperature, precipitation, and climate that leads to increasing sea level, warmer temperature, extended flooding or drought, and also gradual changes on species and other organism habitat. The aftermath of these changes includes: natural manner (such as increasing in natural disasters) and economic manner in terms of substantial disaster handling cost which was set to rise between 5% and 20% of global income (Stern, 2006). It is caused by the accumulation of heat-trapping greenhouse gases such as carbon dioxide and methane in the atmosphere, which is caused by the increased use of fossil fuel burning, urbanization, and land use change. Those activities adding more greenhouse gases to the atmosphere and in turns, enhanced the warming capability of the natural greenhouse effect.

Climate change has become global significant issues over the last decades and it attracts growing concern from the countries across the globe. In that period, they gathered to discuss the matter collectively to strengthen the global response so that the threat can be handled by the involved parties thoroughly. Below are some of related events that had been held throughout the years:

1) Montreal Protocol (1987)

The treaty focal point is to protect ozone layer by controlling ozone depleting substances (ODSs), which include chlorofluorocarbons (CFCs) and hydro chlorofluorocarbons (HCFCs). The ultimate objective of their elimination on the basis of development in scientific knowledge, taking into account technical and economic considerations.

2) UN Framework Convention on Climate Change/UNFCCC (1992)

The ultimate objective (Article 2) of this Convention is to achieve stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.

3) Kyoto Protocol (1997)

The protocol oblige committed countries to ratify the agreement and to reduce certain gas emissions (Article 3) such as Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF₆) with a view to reducing their overall emissions of such gases by at least 5% below 1990 levels in the commitment period 2008 to 2012.

4) Paris Agreement (2015)

Focus on greenhouse gas emission with goals (Article 2): (1) to prevent the global average temperature from rising 2°C above pre-industrial level and pursuing efforts to keep it below 1.5°C; (2) to increase the ability to adapt to the adverse impacts of climate change and low greenhouse gas emissions development, in a manner that does not threaten food production; (3) to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

On 25 September 2015, the General Assembly of United Nations adopted the 2030 Agenda for Sustainable Development. The 2030 Agenda includes 17 Sustainable Development Goals (SDGs), which establish quantitative and qualitative objectives across the social, economic, and environmental dimensions of sustainable development to be achieved by 2030. Sustainable Development Goals (SDGs) also specifically emphasizes the importance of climate action in one of the Goals, which is Goal 13. The targets can be concluded into four groups i.e. disaster management skills, integrating the issue to the national policy, improving human and institutional understanding on the issue and commitment in implementation and mobilize resources.

II. Programs of the Government of Indonesia to Tackle Climate Change

Target 13.2 of the Sustainable Development Goals states that climate change measures should be integrated into national policies, strategies, and planning. The Government of Indonesia has already incorporate climate change mitigation and adaptation measures in the National Medium Term Development Plan. In the 2020-2024 National Medium Term Development Plan, one of the national priorities is low-carbon development. Low-carbon development is a development platform to maintain social and economic growth through low greenhouse gas emission programs and activities and minimizing natural resources exploitation.

Low-carbon development aims to support green investment and strengthen cross-sectoral integration in decision making. It is planned by the Ministry of National Development Planning, who acts as system integrator as well as think tank, through holistic, integrative, thematic, and spatial (HITS) approach. By applying this approach, trade-off between different sectors in low-carbon development implementation can be identified and mitigated. Programs that are parts of the low-carbon development include:

a. Sustainable Energy Development

Energy sector is the main contributor of the greenhouse gases accumulation in the atmosphere. According to World Resources Institute (2020), 76% of greenhouse gas emissions worldwide comes from energy consumption. This figure mainly consists of heat and electricity generation (31.9% of total emissions), transportation (14.2% of total emissions), and manufacturing and construction (12.6% of total emissions). This data is associated with the fact that fossil fuel such as coal and oil still widely utilized to power up the development of many countries. To mitigate the conditions, the Government of Indonesia is focusing on developing sustainable energy, mainly by improving the renewable energy in the national energy mix and improving energy efficiency and conservation.

b. Sustainable Land Rehabilitation

Another source of greenhouse gas emissions is land use change, mainly by converting forest area into other uses. Agriculture, forestry, and other land uses contribute to about 23% of global human-caused greenhouse gas emissions (WRI, 2019). In order to reduce the greenhouse gases emission from land use change, the Government of Indonesia implements several programs that include peatland restoration, land and forest rehabilitation and reforestation, deforestation reduction, and application of sustainable agriculture.

c. Waste Treatment

The Government of Indonesia encourages the municipal solid waste management by reduce, reuse, and recycle, as well as developing refuse-derived fuel from plastic waste. By improving waste management, the amount of waste that dumped into landfills would be heavily reduced, which will eventually reduce the greenhouse gas emissions, especially methane, that produced in landfills and released into the atmosphere.

d. Green Industry Development

The fastest-growing source of greenhouse gas emission is the industrial sector. The sector grew by 187% since 1990 (WRI, 2020). To mitigate the emission from the industrial sector, the Government of Indonesia establishes standards for industry to reduce the greenhouse gas emission from industrial processes and waste treatment. The standards include emission reduction from industrial processes and waste treatment, toxic and hazardous waste handling, and implementation of circular economy in industrial sector.

e. Low-carbon Coastal and Marine

In order to reduce greenhouse gas emissions from the coastal and marine sector, the Government of Indonesia implements programs to restore mangrove and marine ecosystem.

Aside from implementing programs that reduce the greenhouse gas emissions from several sectors, the Government of Indonesia also carries out several initiatives to adapt to the consequences of climate change in several sectors, namely:

a. Improving Resilience in Coastal and Marine Sector

Climate change consequences in coastal and ocean include may increase in sea level, sea acidity, and sea surface temperature as well as prevalence in coastal flooding. The initiatives taken by the Government of Indonesia in order to protect the coastal and marine environment include sea walls, breakwaters, and embankments construction, ocean dynamics and characteristics mapping, and mangrove rehabilitation.

b. Improving Water Security

One of the impacts of climate change is more frequent and severe drought and greater inter-annual variability of precipitation. These conditions lead to changes of hydrologic cycle that increase the prevalence of seasonal flood and water shortage. In order to adapt to the issues due to climate change, the Government's actions include real-time watershed information system development, land and forest rehabilitation in upstream area, raw water provision, and flood protection infrastructure development.

c. Improving Resilience in Agriculture Sector

Warmer air temperature and climate change induced drought causes declining agricultural productivity and increase the probability of plantation fires. To address the conditions, the programs of the Government of Indonesia include development of water conservation infrastructure for agriculture, land optimization, and plantation fires prevention.

d. Improving Resilience in Public and Environmental Health

Climate change may also have impact on the increase in water-borne diseases and diseases transmitted through insects, snails or other cold-blooded animal (WHO, 2018). The countermeasures prepared by the Government of Indonesia include disease control and health vigilance improvement.

The source of financing for the mentioned programs are state finance, public-private partnership, and other sources. Other sources include Official Development Assistance in the form of Green Climate Fund and Clean Technology Fund. Indonesia is also involved in Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries (REDD+) program. The Government of Indonesia and the Government of Norway are engaged in one of the world's largest performance-based payment schemes for REDD+. The Memorandum of Understanding was signed in May 2010 and the Government of Norway has committed to USD 1 billion in performance-based profit sharing and other profit sharing (Ministry of Environment and Forestry, no date). In order to manage the fund for climate action, the Government of Indonesia has established Indonesia Climate Change Trust Fund (ICCTF) which aims to link international finance sources with national investment strategies. Its roles include attracting investment and implementing alternative financing mechanisms for programs that support climate change mitigation and adaptation. The Government of Indonesia has also established Environmental Fund Management Agency to manage the state revenue on reforestation fund levied on companies that utilize production forest areas. The fund managed by the Agency can finance land and forest rehabilitation programs as well as programs that reduce greenhouse gas emissions.

III. Audit on Climate Change

Supreme Audit Institutions (SAIs) have a crucial role in promoting governance and accountability of environmental management, especially by providing recommendations that improve economy, effectiveness, and efficiency of government's programs on environmental protection and sustainable development (INTOSAI, 2004). The Audit Board of the Republic of Indonesia (BPK), as the supreme audit board in Indonesia, is also actively involved in encouraging good environmental governance and management in order to preserve environment as well as achieving balance between economy, social, and environment in the frame of sustainable development. In recent years, BPK have conducted several audits related to environmental protection and sustainable development. The audits include audit on toxic and hazardous waste, audit on illegal, unreported, and unregulated fishing, audit on renewable energy development, audit on sustainable palm oil management, and audit on watershed management and pollution control. The recommendations provided in the audits are expected to improve the environmental management of all pertinent stakeholders while still maintaining the social and economic development.

The crucial role of BPK in catalyzing a successful climate action is by providing recommendations that improve cross-sectoral coordination and policy coherence between actors that involved in the programs related to climate change mitigation and adaptation. In the past five years, BPK have conducted several audits on government programs that related to climate action. The audits are as follows:

a. Audit on Renewable Energy Development

One of the significant measures to reduce greenhouse gases is by shifting from fossil fuel to renewable energy to generate electricity. Indonesia has a lot of renewable energy potential ranging from geothermal, hydropower, solar power, wind power, and bioenergy. The Government of Indonesia has a target in the National Energy General Plan to increase the share of renewable energy in the national energy mix to 23% in 2025 and to 31% in 2050 (Government of Indonesia, 2017). In 2019, BPK conducted audit on renewable energy development in the electricity sector to assess the effectiveness of the government's efforts in developing renewable energy power plants. The focus of the audit is how the government provide investment climate for private sector to invest in renewable energy businesses because most of renewable energy are produced by Independent Power Producers (IPPs). Four aspects are considered in the audit, namely 1) policy and regulation, 2) renewable energy potential data, 3) finance and incentives, and 4) technology and infrastructure.

The methodology utilized in the audit include stakeholder analysis, policy review, document review, interview, site visit to several renewable energy power plants, focus group discussion with experts and relevant stakeholders, and confirmation in the form of online questionnaire to IPPs and regional energy agency. Stakeholder analysis is the prerequisite of the audit because renewable energy development is a complex activity and involves many stakeholders. Beside the Ministry of Energy and Mineral Resources as the main audited entity, the renewable energy development also involves National Energy Council, Ministry of National Development Planning, Ministry of Finance, Ministry of Environment and Forestry, Investment Coordinating Board, Local Governments, and other stakeholders. Mapping of the stakeholders involved is illustrated in figure below.

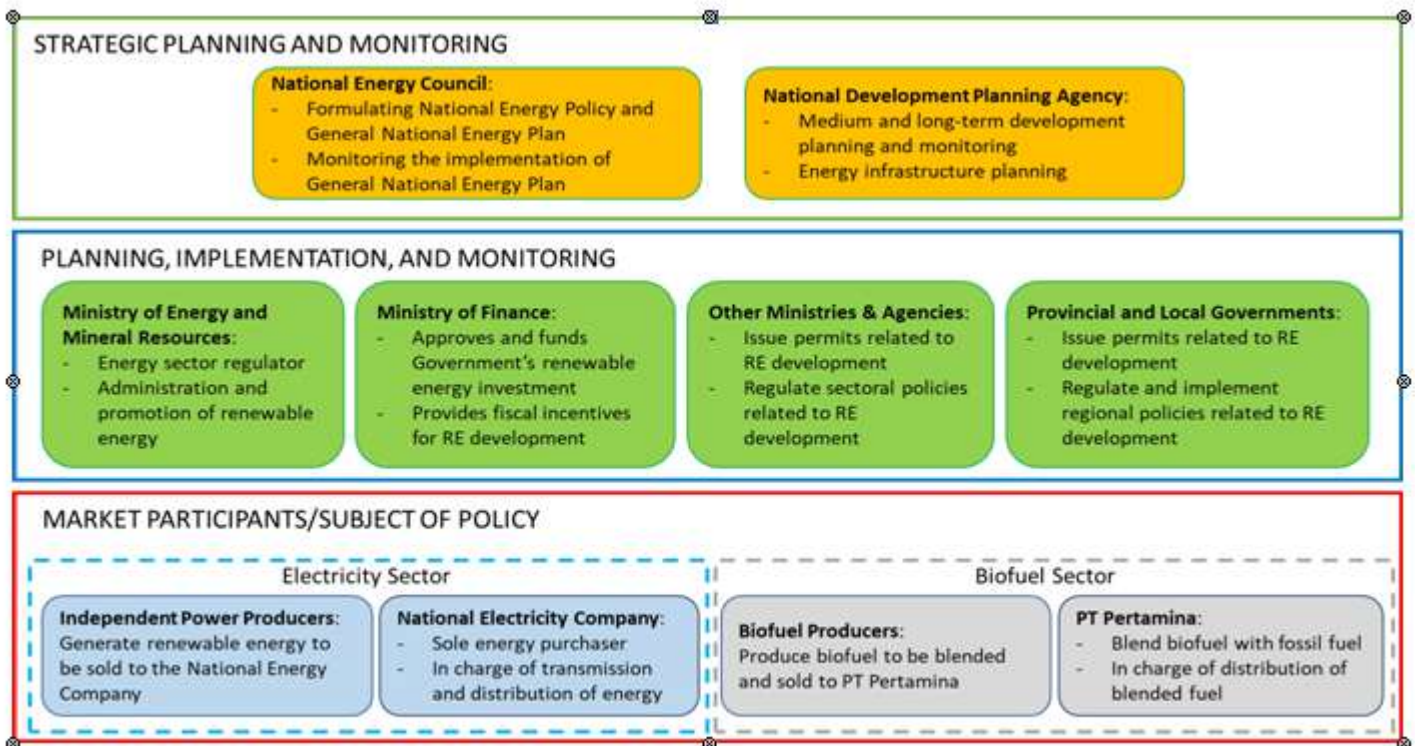


Figure 1. Stakeholder Mapping of Renewable Energy Development

Several achievements are noted in the audit, which include vertical coherence between central government and provincial governments which have set Regional Energy General Plan on each province in Indonesia. The Ministry of Finance has also issued several fiscal incentives for renewable energy businesses, such as tax holiday, tax allowance, and import facilities. However, rooms for improvement was also captured in this audit. The rooms for improvement and the respective recommendation include:

1) Policy and Regulation

- a. Incoherence between ministries and agencies' programs. The recommendation is to improve cross-sectoral coordination between stakeholders;
- b. Non-optimal One Stop Service (OSS) system for licensing process. The recommendation is to provide dedicated server and to improve the OSS system.

2) Renewable Energy Potential Data

Renewable energy potential data still include inaccessible and unexploitable sources, such as those inside a conservation area. The recommendation is to review and update the potential data and present them in an online platform;

3) Finance and Incentives

Ineffective pricing system and feed-in tariffs for Power Purchase Agreements. The recommendation is to review the regulation on pricing system;

4) Technology and Infrastructure

a. Non-optimal implementation of supporting infrastructure and technology for intermittent power plant. The recommendation is to accelerate grid code revision and to implement smart grid and metering as well as the supporting provision;

b. Inadequate support in research and development of renewable energy technology. The recommendation is to propose new funding sources for research and development.



Figure 1. Site Visit to Solar Power Plant

Because the audit involves a lot of stakeholders, the challenge is how to gather all required information from all relevant stakeholders in the allocated time. Focus group discussion and online questionnaire are very useful in collecting many information in relatively short time.

b. Audit on Biodiesel Provision

Another measure to reduce greenhouse gases from energy sector is by substituting or blending the fuel with biofuel. This is particularly effective in reducing greenhouse gases from energy utilized for transportation. In the National Energy General Plan, it is stated that 75 percent of renewable energy is utilized for power plant and the rest 25 percent is directly utilized as biofuel. One of the sources of biofuel that are widely available in Indonesia is palm oil. Palm oil can be converted into biodiesel which is eventually blended with diesel oil. Based on the life cycle assessment of biodiesel from palm oil conducted by de Souza et al. (2010), avoided life cycle emissions associated with the use of biodiesel compared to diesel yield a net reduction of greenhouse gas emissions by 80 g CO₂e/MJ. Currently, the Government of Indonesia has a policy that requires diesel oil to be blended with biodiesel by 30 percent.

In 2020, BPK conducted audit on utilization of palm oil for provision of biodiesel. The audit focused on utilization of Palm Plantation Fund for improving biodiesel provision, especially in four areas, namely 1) establishment of fuel companies and biofuel companies and their distribution allocation, 2) calculation of realization of biodiesel distribution to fuel companies and its freight, 3) determination of Market Price Index for diesel oil and biodiesel, and 4) evaluation of biofuel distribution by biofuel companies. The methodology includes interview and discussion, external confirmation, site visit, document review, and walkthrough and observation. Due to the Covid-19 pandemic, most of the audit procedures were performed remotely using video conference.

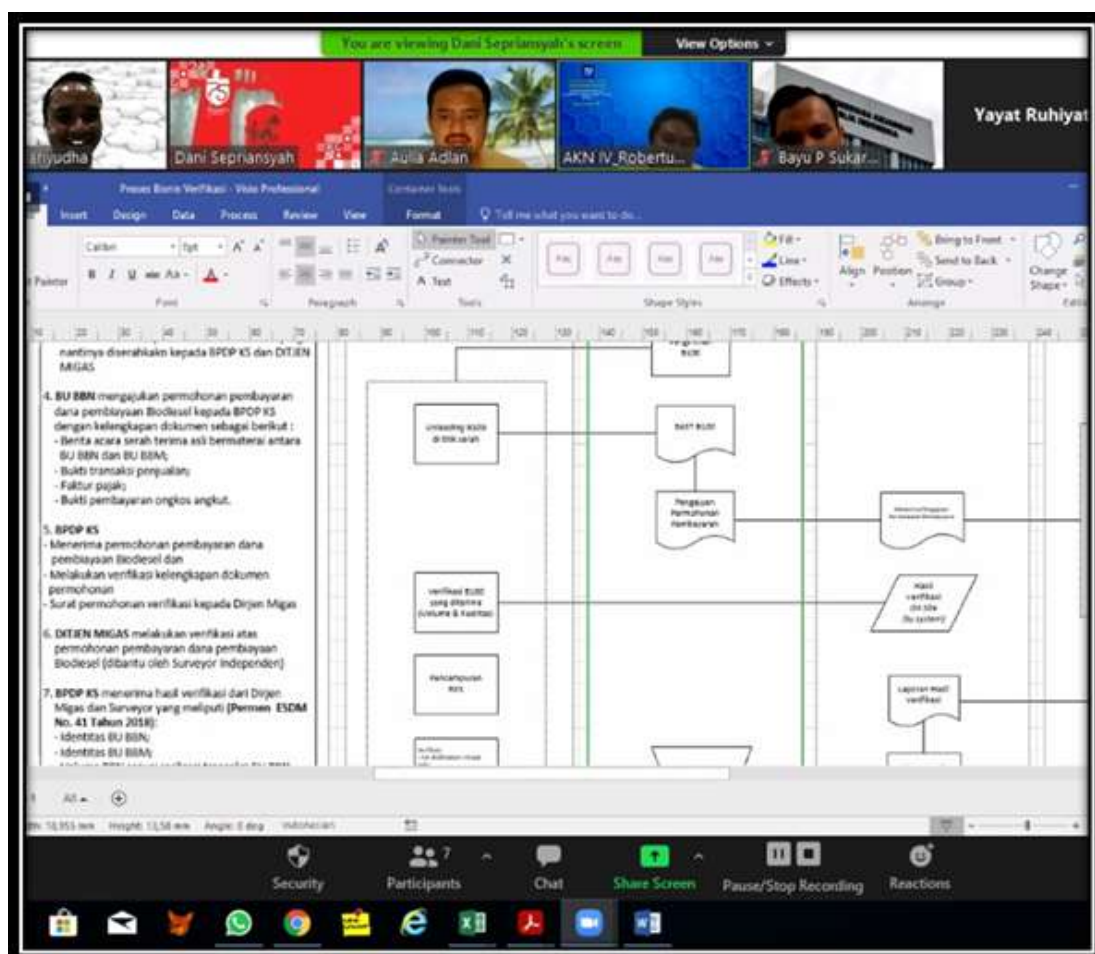


Figure 1. Remote Interview and Discussion

Two areas for improvement are administrative sanction in the form of fines related to distribution of biofuel and the distribution pattern and freight determination process that have not been able to guarantee quality, punctuality, stock availability, and more profitable price. The recommendations include:

- 1) Preparing the escrow account for fines deposit and deposit the fines to the state treasury;
- 2) Calculating and determining the potential fines;
- 3) Determining more favorable distribution pattern; and
- 4) Determining more profitable freight.

The challenges of the audit mainly related to the restricted mobility due to the Covid-19 Pandemic. To overcome the conditions, the audit team intensively communicated with related entities via email, phone, or video conference. The audit team also involved the internal control department in order to verify the audit documents and organizing virtual site visit.

c. Audit on City Gas Network Development

One of the strategies in low-carbon development is increasing household natural gas pipeline connections, also known as city gas network. The aim of the program is to convert the sources of energy for cooking from kerosene and liquefied petroleum gas (LPG) into natural gas. Natural gas emits less carbon dioxide emission compared to other fossil fuel. It produces about 117 pounds of carbon dioxide per million British thermal units (MMBtu) compared with more than 139 pounds of carbon dioxide per MMBtu of LPG (EIA, 2020). The program is expected to reduce the carbon dioxide emission from household sector.

BPK performed an audit on city gas network development in 2020 with the audit objective is to assess the effectiveness of city gas network development program in order to reduce greenhouse gas emission and support energy security. Because of the Covid-19 pandemic, most of the audit procedures were performed remotely via several means of communication, such as video conference, email, and phone. The methodology includes interview with relevant stakeholders, focus group discussion with city gas network operators as well as experts, online questionnaire to end-users, document review, virtual site visit, and content analysis.

Areas of improvement in the audit includes:

- 1) Incoherence with other sector in planning and implementation process;
- 2) Inadequate roadmap;
- 3) Insufficient monitoring and evaluation system.

The recommendations to overcome the issues found include:

- 1) Conducting comprehensive study on city gas network implementation and its impact on the decrease of LPG consumption;
- 2) Developing the roadmap of city gas network development;
- 3) Developing an integrated and comprehensive monitoring and evaluation system;
- 4) Improving coordination with relevant stakeholders.

Almost similar with the audit on biodiesel provision, the challenges faced also related to the consequences of Covid-19 pandemic, which is the mobility restriction.

d. Audit on Social Forestry Management

The role of forests in the environment include ecosystem regulation, biodiversity protection, supporting livelihoods, enhancement of carbon cycle, and supplying goods and services that can drive sustainable economic growth. One of the action that can be done in preserving forests is by enabling rights-based land use to ensure community involvement in land-use outcomes (IUCN, no date). In the National Medium Term Development Plan 2015-2019, one of the national priorities is the agrarian reform included assigning rights to the local communities on forest area.

In 2017, BPK carried performance audit related to the community involvement of forest management. One of the focus of the audit was access granting to community for managing the forest estate. The objectives of the audit are to assess the effectiveness of access granting of forest estate to local communities for managing the forest estate. The methodology includes interview and discussion, external confirmation, site visit, document review, and walkthrough and observation.

The activities requires adequate resources in terms of field execution unit, budget allocated, information system, and human resources. Problems will arise when this conditions cannot be met. Based on the finding, the identified weaknesses are insufficient number of technical implementation units, minimal amount of the available budget compared to the target to be achieved, and existing human resources have not met the ideal number. The recommendations are to allocate sufficient resources to support the program, to provide assistance in the formation of working unit, and to ensure compliance with requirements.

e. Audit on Seawall Construction

To protect communities on the coastal area from sea level rise due to the climate change, the Government of Indonesia through the Ministry of Marine Affairs and Fisheries constructs several infrastructures such as sea walls, breakwaters, and embankments. In 2017, BPK conducted audit on seawall construction with the objective is to assess whether the seawall construction and climate change adaptation in Ministry of Marine Affairs and Fisheries has been supported by a proper internal control system. Seawall is a belt form construction which was made from pile of geotextile bags and has a function as a wave energy absorber, reducing erosion and retaining sediment. The accumulation of sediment can be used for environmental conservation activities and restore coastal usage.

The methodology employed in the audit includes interview and discussion, external confirmation, site visit, document review, and walkthrough and observation. Related findings are construction volume less than contract agreement and inadequate construction design. The recommendations set are construction cost refund, issuance of warning letter from the top management to agreement signing official and also, to consultant designer as a result of planning inaccuracy.

f. Audit on Citarum Watershed Pollution Control and Management

Climate change has also detrimental effects on watershed system. It can have a significant effect on streamflow, sediment yield timing and magnitude, and nutrient (nitrogen and phosphorus) loading which lead to water supply deficit during peak seasons, potential eutrophication increase, and fish migration change (Marshall & Randhir, 2008). Sound management is required to maintain the water security of the watershed. One of the watersheds that prone to the impact of climate change is Citarum watershed in West Java. The condition is exacerbated by excessive pollution as well as critical land in upstream area.

In 2018, BPK conducted audit on Citarum watershed pollution control and management. Citarum is one of the most important watershed in Indonesia because more than 28 million people in Jakarta capital area and West Java province depend on Citarum for clean water source. The audit focused on two main activities, namely river pollution control and land and forest rehabilitation on upstream area.

Beside the water conservation, the audit also contributes to several other climate change mitigation measures, include:

1) Municipal waste management of the communities along the watershed

Improving the waste management and promoting circular economy will greatly reduce the amount of waste to be landfilled, which leads to the reduction of methane produced from landfill. Methane is 25 times more potent greenhouse gas compared to carbon dioxide at trapping the heat in the atmosphere (EPA, no date).

2) Livestock waste management

Improving the livestock waste management will reduce the amount of greenhouse gases produced from manure storage and animal excrement. Manure storage release methane and nitrous oxide which are greenhouse gases that have more potency than carbon dioxide. Nitrous oxide is a molecule with 265 times higher than carbon dioxide in global warming potential (Grossi et al., 2019).

3) Forest rehabilitation on upstream area

Restoring the forest area plays crucial part in the carbon cycle, because it improves carbon sequestration from the atmosphere. Forest restoration can contribute up to one-third of the total climate change mitigation required by 2030 (IUCN, no date).

The objectives of the audit are to assess the government's effort in maintaining the water quality of Citarum River and in rehabilitating the land and forest in upstream area. The audit also assess the coordination between pertinent stakeholders in managing Citarum watershed. The stakeholders include Ministry of Environment and Forestry, Ministry of Public Works and Housing, Indonesian Army, provincial and local governments along the watershed, private sectors, and local communities. The framework of the audit adopts nested model sustainability principle where watershed ecosystem acts as a boundary in social and economic development along the watershed.



Figure 1. Domestic Wastewater Pollution on Citarum River

The methodology applied in the audit are interview and discussion, document review, policy review, site visit to several industries and waste treatment plants, and confirmation to local communities. Several other advanced methodology also utilized in the audit, such as spatial analysis, laboratory analysis, and monetizing the impact of river pollution. Spatial analysis using Geographic Information System (GIS) is employed to assess the effectiveness of forest and land and rehabilitation programs. Laboratory analysis is conducted to several point in water body and wastewater treatment plant effluent to examine the water quality. Ultimately, a group of experts is hired to perform analysis on economic impacts of the water pollution to the local livelihood.

The rooms for improvement noted in the audit and the respective recommendation include:

1) Forest and land rehabilitation activities have not been effective. The recommendation is to improve cross-sectoral coordination in forest and land rehabilitation.

2) Low community participation in municipal solid waste management. The recommendation is to improve socialization and community engagement in solid waste management;

3) Sources and locations of livestock waste have not been identified. The recommendation is to identify all sources and locations of livestock waste along the watershed and establish the plan to mitigate them;

4) Integrated planning that involves all stakeholders was not in place. The recommendation is improving coordination and communication between all stakeholders in establishing integrated watershed management plan; and

5) Inadequate monitoring and evaluation mechanism and implementation. The recommendation is to establish and implement a sound monitoring and evaluation system.

The challenge faced in this audit is almost similar with audit on renewable energy that involves many stakeholders.



Figure 1. Degraded Land in Upstream Area

g. Audit on Swamp Land Optimization

To cope with the climate change consequences in agricultural sector, the Government of Indonesia initiates land optimization for agriculture, which include swamp land optimization. Optimization of swamp land as agricultural land will also provide benefits for farmers in the long term. Among them are optimized and revitalized irrigation and drainage network. Ministry of Agriculture has the responsibilities to carry out this activities.

In 2020, BPK carried out audit on the program with the aim to see the entity's compliance on expenditure management for optimization of swamp land. The compliance level will be compared with the applied provision and the existing mismatch will be improved by the recommendation. The methodology includes interview and discussion, external confirmation, site visit, document review, and walkthrough and observation, which conducted mostly by remote audit due to the Covid-19 pandemic. The findings and the recommendations are:

1) Seeds procurement without considering quality test results, unclear seeds distribution and unclear contract termination. The recommendations are issuance of warning letter from the top management to agreement signing official and proxy of budget user and financial compensation on overpayment to third party.

2) Land modification process from planning through monitoring is not accordance with the provision. The recommendation is to evaluate the distribution mechanism of land modification particularly related to the components of costs and the data validity of the land provided for assistance.

IV. Conclusion

The global climate negotiations have produced several agreements which intended for international cooperation on stabilizing atmospheric greenhouse gas concentrations at level that would prevent catastrophic interference with the climate system. These negotiations produce a consensus that requires participating countries ratifying the agreements in order to mitigate, to adapt action and to support financially.

The Government of Indonesia has adopted the SDG 13 in the national context by aligning it with the national strategic plan and by providing sustainable policy and resources support among its ministries. The government has developed framework focusing in policy, infrastructure, and monitoring and evaluation by addressing climate change mitigation and adaptation measures.

BPK plays an important role in addressing climate change by conducting both compliance and performance audits in the related areas such as energy, forestry, marine, waste, and land modification. The output are recommendations which expected will have an impact on policies made and the urge of improving coordination between ministries since the problem is a shared responsibility. There are also recommendations to improve regulations, planning, procedures, and monitoring and evaluation mechanism. Finally, audit on climate change involve several stakeholder that needs to be audited thoroughly, not only in output level but also in outcome level which requires specific audit examination by targeting 5 years cycle period of the National Medium Term Development Plan.

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Initiative Of Government Accounting Standards Advisory Board Under The Aegis Of Comptroller And Auditor General Of India In Implementing Natural Resource Accounting In India

- SAI India

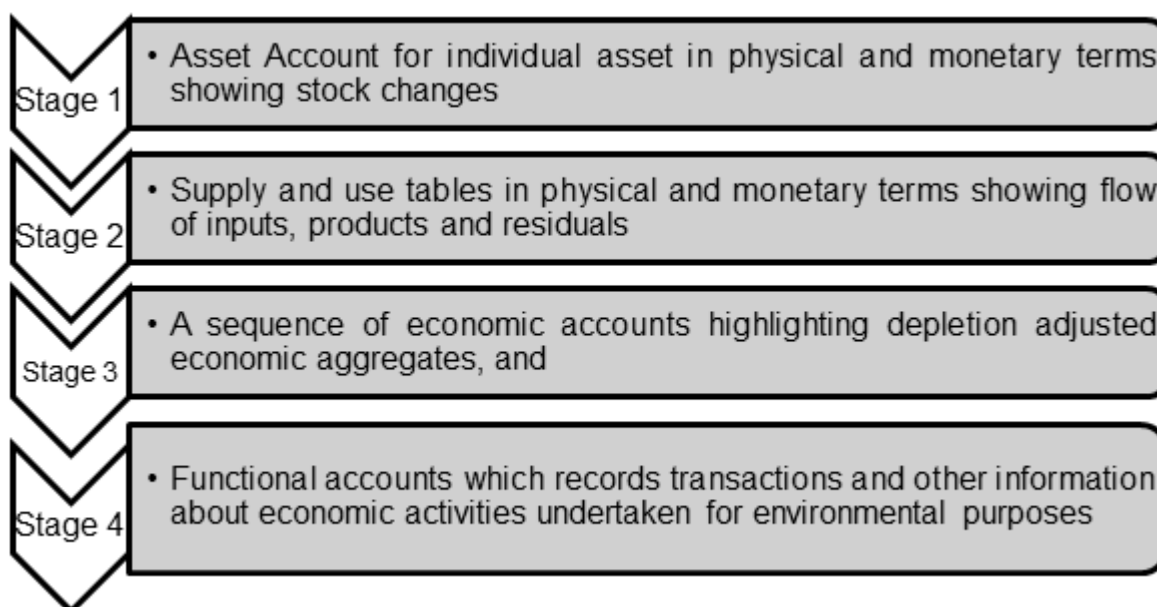
Background

Natural resources play a vital role in the sustainable economic development of any country and are crucial for their inbuilt value of inter-generational equity and sustenance. The rampant over-exploitation of these resources in recent times has resulted in harmful impact on the environment.

The concept of National Resource Accounting (NRA) has emerged to capture the intimate interplay between the various components of the natural environment and the economic progress of a country. **It is based on the concept 'measurement of a resource leads to its better management'.**

The need for NRA took its first step at the United Nations (UN) conference on Human Environment in 1970 when the relationship between economic development and environmental degradation was discussed for the first time. The Brundtland Commission, set up by the UN, articulated the idea of close association between the environment and economic activities in 1987, which was followed up by environmental accounting and the Earth Summit at Rio de Janeiro in 1992. In line with these developments, the UN released the international standards for the compilation of national accounts in 1993 and revised it in 2009. Simultaneously, the UN also adopted the System of Economic and Environmental Accounting – Central Framework (SEEA – CF) in March 2012 – which is the latest internationally accepted and adopted framework for resource accounting. The SEEA – CF prescribed a four-stage implementation process as mentioned below:

Implementation Process envisaged by SEEA - CF



While developing the framework, the SEEA – CF acknowledged initial problems and constraints to be faced by the countries and thus, the framework allows flexibility and country specific needs to be prioritised.

NRA has deep inter-linkage to sustainable development; and 10 of the 17 goals (Sustainable Development Goals or commonly known as the SDGs, 2030) directly or indirectly relate to management of natural resources and their accounting. Government of India is a signatory (25 September 2016) to the UN General Assembly resolution on adoption of SDGs titled, “transforming our world; the 2030 agenda for sustainable development”.

The Working Group of Environmental Auditing (WGEA) under the INTOSAI has recommended (2010) that country where NRA has not been developed, the SAIs need to assist the countries in developing the framework of NRA.

The initiative of GASAB:

In India, a number of studies have been carried by the Ministry of Statistics and Programme Implementation over the years, including a Report on Green National Accounts in India – A framework published in 2013. The Report was discussed in an international workshop and accepted by Government of India.

Despite SEEA – CF coming into being in 2012 and the studies carried out under the concerned Ministry, a verifiable and viable framework listing the targets, milestones and timelines for implementing NRA in India was not forthcoming. The Government Accounting Standards Advisory Board (GASAB) established under the aegis of CAG of India to formulate Government accounting standards for improving Government accounting and financial reporting, has taken the initiative (2019) by developing a framework for implementing NRA on priority as a nationally important project.

GASAB came out with a Concept Paper on implementation of NRA in India in July 2020. The Paper inter-alia discussed the concept and its inter-relation with the SDGs and Climate Change, international progress on environmental accounting and merger of the concept with economic environmental accounting, progress in other countries. GASAB has suggested a well laid out implementation plan divided into three term goals in consonance with the strategy envisaged by the SEEA – CF.

Three term goals envisaged by the Concept Paper of GASAB

Short term goals	Mid-term goals	Long term goals
<ul style="list-style-type: none"> • Preparation of Asset Accounts on mineral and energy resources in States • Initiation and preparation of disclosure statement on revenues and expenditure related to NRA <p><i>(2019-20 to 2021-22)</i></p>	<ul style="list-style-type: none"> • Preparation of National Asset Accounts on mineral and energy resources • Preparation of Asset Accounts in respect of other three resources namely water, land and forest resources in the States • Preparation of supply and use tables in physical and monetary terms showing flow of natural resource inputs, products and residuals <p><i>(2022-23 to 2024-25)</i></p>	<ul style="list-style-type: none"> • Preparation of the economic accounts highlighting depletion adjusted economic aggregates; and • Preparation of functional accounts recording transactions and other information about economic activities undertaken for environmental purposes. <p><i>(2025 - 26 onwards)</i></p>

Electronic copy of the Paper is available in the website of GASAB (<http://gasab.gov.in/gasab/pdf/NR-Accounting-final.pdf>).

Out of seven resources listed by the SEEA framework, the Concept Paper has identified and suggested commencing with five major resources, namely Mineral & Non-Renewable Energy Resources, Water Resources, Forestry & Wildlife Resources and Land Resources, of which, Mineral & Non-Renewable Energy Resources has been considered mainly due to their finiteness and non-renewability and need for sustainability for future generations.

The Concept Paper has also underlined the probable issues and challenges that could come up on the way of implementation and discussed the suggested ways out for their mitigation. The importance of taking the public/private manufacturing sector on board using natural resources as their raw material was also discussed and a framework suggested for bringing them under the ambit of NRA. Besides these, the Concept Paper suggested the templates for preparation of Asset Accounts on Mineral & Non-Renewable Energy Resources and for other resources namely water resources, forestry & wildlife resources and land resources.

Pilot Studies on templates:

In order to test the draft templates of Asset Accounts on Mineral & Energy Resources included in the Concept Paper (Chapter XI of the Paper refers) in real life scenario, pilot studies were initiated (August 2020) in five States (Andhra Pradesh, Goa, Meghalaya, Rajasthan and Uttar Pradesh), of which, three States namely, Goa, Meghalaya and Rajasthan have completed the pilot studies (March 2020) successfully preparing the model Asset Accounts on Mineral and Non-Renewable Energy Resources in these three States.

Consultative process – involving stakeholders to make the process robust and inclusive and buy in by States:

In order to ensure wider consultation with the diverse stakeholders, GASAB has constituted a consultative group in GASAB HQ for drawing technical expertise and inputs from subject experts and academia while steering the implementation process following the action plans suggested in the Concept Paper, with special emphasis on the templates of Asset Accounts before their roll out for implementation. The group consists of stakeholders from ministries in the federal Government, five provincial Governments and Accountants General (both Audit and Accounts & Entitlement) under the SAI India in these States (provinces), expert agencies conducting research in natural resources across the country. This group is being broadbased by associating with organisations such as National Remote Sensing Agency (NRSA), The Energy and Resources Institute (TERI) who have done pioneering work in this field.

GASAB has also constituted State NRA Cells in each States (provinces) with representatives from the Audit, Accounts & Entitlement Offices under the CAG's field formation and the State Government Departments for spearheading the implementation of NRA in the States in consonance with the action plans envisaged in the Concept Paper.

The templates, duly updated with the results of the pilot studies, were circulated among the NRA Cell members and further enriched with their suggestions/inputs. The modified templates of Asset Accounts were further discussed in a virtual meeting with the NRA Cell in September 2021 and their comments/views incorporated to make the templates robust and inclusive.

In order to take the States on board as one of the most vital stakeholders in the implementation process, the highest echelons of the States were informed (September 2021) about our endeavour and the vision of the project which was followed up with virtual presentations covering topics like the concept of NRA, progresses by other countries, works done till date in India including those under the aegis of GASAB, successes on pilots in the States, constraints faced in pilot studies, expectations from the States and ways forward for implementing NRA in the country. We have held seven virtual presentations between 31 August and 28 September 2021 covering 28 States in which the highest echelons in the States along with the Accountants General besides members of State NRA Cells were present. The States wholeheartedly welcomed the initiative and assured of all co-operation. The views/suggestions emanating from these meetings helped in finetuning the templates and the way forward.

Training and capacity building:

As the Concept Paper envisaged commencement of the project from the States, it was important that proper training and capacity building was ensured for the Officers and staff in our field formation and also the State Governments. Accordingly, virtual trainings and workshops were arranged on implementation aspects of NRA by holding virtual meetings to accommodate more personnel per meetings on a monthly basis.

State specific workshops for the State Government Officers and employees were also held for dissemination of the concept, expectations, works to be done and underlying challenges.

Present Status:

The concept visualisation, detailed actionable plans, preparation of model templates and their successful test run in the pilot states coupled with extensive consultative processes and continuous trainings/capacity building has culminated in a book on templates of Asset Accounts on Mineral & Non-Renewable Energy Resources. The book contains the overall processes involved, works done, the templates of the Asset Accounts and mechanisms suggested for further streamlining the control mechanism on mining and allied activities in the States and ensuring regular flow of information to ease out the building up of Asset Accounts in future years.

Electronic copy is available at <http://gasab.gov.in/gasab/pdf/TemplateAssetAc.pdf>.

The books have been circulated to the Chief Secretaries, State Government Departments, Accountants General for preparation of the first draft of the Asset Accounts on Mineral & Non-Renewable Energy Resources in the States for the year 2020-21 by March 2022 with the aim of developing a well-defined methodology for preparation of Asset Accounts, including identification of underlying assumptions. In order to hand hold and guide the States, monthly meetings are being held with the States till completion of the Asset Accounts.

The Asset Accounts, once compiled, are designed to aid in evidenced based decision-making and good governance by providing the following for the policy makers.

- A one pager document on State-wise resources
- Compilation of physical and monetary values to enable cross verification of revenues vis- -vis actual extractions
- Consolidation of information over the years to provide pace of exploitation
- Analysis of revenue vis- -vis market value/export value will make it easier to assess and review the royalty rates – arrest windfall gains and protect State's revenue interest
- To bring out sustainability of resources – in years
- Enable assessment of revenue streams for the future

Besides the inputs to the policy makers, the Asset Accounts will help with an outline of resource bases across the States adding immense value towards the planning for resource exploitation and policy framing for the present as well as sustainability of resources for the future generations. In addition to these efforts and to assist the country in preparing the Asset Accounts on selective resources to meet the stage 1 of the SEEA – CF framework, GASAB is also working on a disclosure statement on receipts from exploitation of natural resources and expenditure incurred on resource management and mitigation of environmental degradation aimed at providing inputs for stage 3 of the implementation strategy enshrined in SEEA – CF.

Thus, with this endeavor, GASAB under the aegis of the CAG of India, is attempting to achieve two of the four stage implementation process envisaged by the SEEA – CF (Stages 1 and 3) while providing inputs for the other two stages (Stages 2 and 4) of integrating environmental inputs and other related information into the economic indices of the country.

Recovery Funding For Climate - Review on Climate Tracking Methods

- SAI Finland

Governments around the world have spent huge sums on economic recovery following the pandemic. Many of these recovery packages address climate action and provide support for example on renewable energy or adaptation measures. A key question from the effectiveness purpose is which spending is accepted as contributing to climate – and whether it really mitigates the climate change or helps to adapt to it.

Recovery spending following the pandemic coincides with growing concerns over the future global threats, including the climate crisis. Many governments' stimulus packages are thus geared to supporting the transition towards a carbon-neutral economic system. For example, the European Union decided that at least 37% of the Next Generation EU recovery instrument amounting to EUR 750 billion should be used to support climate actions.

A key question is how to ensure that the funding really contributes to climate: are funds allocated in line with the climate objectives and are the actions effective? To support this examination, the National Audit Office of Finland commissioned a report from the Institute of European Environmental Policy (IEEP), which is an independent sustainability think tank. This report provides an analytical review of existing practices to track climate-related expenditure, identifying a range of areas where current tracking systems differ in their practical application. The report analyses climate tracking approaches and key methodological questions based on nine case studies from Canada, France, Ireland, the European Union, Norway, Nepal, Chile, Mexico and the World Bank.

Besides targeted spending also harmful subsidies should be identified

The objectives of climate finance tracking methods vary from meeting quantitative climate finance commitments to mainstreaming climate policy by making it relevant to different sectors. It can also improve understanding of the gap between current investment and the level of investment believed to be required. Depending on its level of ambition, the tracking method may also seek to evaluate the effectiveness of finance.

Identifying funding that has a negative impact on climate objectives would also be essential. Only this way can we gain an overall understanding of the budget's climate impacts. Essential aspects of climate finance tracking methods include the extent to which indirect impacts are accounted for, and whether taxation is also included, rather than funding only. Moreover, the EU taxonomy for sustainable economic activity regulating private investors provides here an interesting approach, as it contains the principle of doing no harm, according to which climate actions should not hamper the achievement of other environmental objectives.

The report helps auditors and researchers to verify how climate finance is realised and to better assess its effectiveness, while also providing decision-makers and the wider public with important information on appropriate use of budget funding. This increases transparency on whether climate expenditure is focused on those areas capable of addressing climate challenges most effectively.

Report is available on the website:

Review of approaches to tracking climate expenditure (ieep.eu)

More information:

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About the Author

Mr. Timur Makhmutov, Director of the Department for International and Regional Cooperation, the Accounts Chamber of the Russian Federation

In 2005 Mr. Timur Makhmutov graduated from Moscow State Institute of International Relations (MGIMO) with a degree in International Political Science.

2007-2011 – Professor, administrative work in the University.

2011-2019 – Deputy Program Director of the Russian International Affairs Council (RIAC).

In July 2019, he was appointed Director of the Department for International and Regional Cooperation of the Accounts Chamber of the Russian Federation.

Mr. Makhmutov wrote two monographs and 40 scientific articles on various issues of international relations and domestic policy of Russia. PhD in political science.

Today, more than ever, the international audit community needs to constantly enhance capacities in order to be in line with key global trends. The Moscow Declaration, adopted at the INCOSAI 2019, anticipated the tendency and outlined the importance of nurturing auditors of the future and fostering an experimental mindset. However, as the results of the First INTOSAI Scientific and Practical Conference show, currently we should consider educational process in terms of new normal, created by the COVID-19 pandemic. In this circumstances to support a continuous learning process online education is acting as an inevitable tool to ensure capacity development of the audit community underlining the motto “Mutual Experience Benefits All”.

To achieve these goals, on April 2021 the Accounts Chamber of the Russian Federation (SAI Russia) as the Chair of INTOSAI, launched the **INTOSAI Digital University** (shortly U-INTOSAI).



The INTOSAI Digital University is an open online educational platform, available for the whole INTOSAI community. It is designed to provide digital space for the knowledge and best practices sharing, serving as an integrating tool for educational activities within INTOSAI to create synergy between individual SAIs, regional organizations and INTOSAI bodies.

U-INTOSAI was created under the auspices of the INTOSAI Chair as one of the key projects of the Russian Chairmanship in the Organization, not qualifying as an official INTOSAI organ.

The mission of the INTOSAI Digital University is to:

- unite and systemize on one platform information about existing and future educational activities of the entire INTOSAI community;
- promote the principles of core documents of INCOSAI and major events of INTOSAI regional organizations;
- explain the value of audit for the professional community and citizens.

Since its very establishment in April 2021 U-INTOSAI serves as digital space for capacity development with courses and podcasts on a broad variety of themes, topical for the audit community: SDGs, IT and data analytics, strategic audit, ecological audit, performance audit, public administration, management and soft-skills, etc. Several courses are introduced in the partnership with Google.

INTOSAI bodies (Goal Committees and working groups), regional organizations and individual SAIs are able to join U-INTOSAI not only as “students”, aiming to enhance their knowledge, but also as authors of the courses. The courses may be uploaded to the platform facilities or published at the “Showcase” with active links to the resource, where the educational product is located.

The platform is user-friendly for both students and content authors. In particular, no specific IT skills are required to download courses.

With the constant growth of the platform functionality, apart from courses the users will be able to find:

- Podcasts;
- List of INTOSAI online educational platforms;
- Master-classes, webinars, quizzes;
- Lessons learned & best practices;
- Conferences, workshops, hackathons materials;
- E-library;
- Outreach activities.



U-INTOSAI is available in seven languages: English, Arabic, French, German, Russian, Spanish and Portuguese. It is meant to provide a multilingual communication environment for all members of the international audit community.

It is expected that by 2022 the Digital University of INTOSAI will become a fully functional platform and will consistently follow the principles of openness and inclusiveness to present a complete picture of educational projects and resources of INTOSAI.

ASOSAI members are welcome to join U-INTOSAI. Should your organization wish to create a course, share news or podcasts on educational activities, please visit <https://u-intosai.org/> and feel free to contact U-INTOSAI team: u_intosai@ach.gov.ru.



New Heads of SAIs





Mr. Metin YENER
President of the Turkish Court of Accounts

Mr. Metin YENER, who has been elected as the President of the TCA at the 94th Session of the General Assembly of the Parliament on 22.06.2021, has taken office on 25.06.2021. Mr. YENER, who has begun active duty as the President of the TCA, said "We have taken over the flag. Hopefully, we will leave a good story behind and hand over this office to the succeeding colleague".

Mr. Metin YENER was born in Ankara. He graduated from the Department of Economics of Gazi University.

He started his career as an Assistant Specialist in the Prime Ministry. After that, he worked in the Prime Ministry as Prime Ministry Specialist, Head of Department, Deputy General Director of Laws and Decisions, and General Director of Personnel and Principles. He was appointed as the General Director of Personnel and Principles of the Presidency on 3 August 2018.

He received his master's degrees from the Department of Economic Policy of Gazi University, and from Indiana University/USA.

He is married and has two children.



Mr. Hussain Niyazy
Auditor General of Auditor General Office of Maldives

Mr. Hussain Niyazy was appointed as the Auditor General of Auditor General Office of Maldives on July 13, 2021. Auditor General Hussain Niyazy is a public audit professional with extensive experience in finance, accounting and audit. He is a Chartered Management Accountant (ACMA) and also Chartered Global Management Accountant (CGMA) who counts over 18 years of service experience at the Auditor General's Office (AGO).

Mr. Hussain Niyazy started his career in the AGO, formerly the Maldives Audit Office as an Accounting Officer Trainee in 1997. Since then he has shown a genuine interest in the field and has contributed immensely to the development and strengthening of public audit and public financial management systems in the country.

He played a vital role in the establishment and development of the Institute of Chartered Accountants of the Maldives (CA Maldives) in which he currently holds the position of the President.

Prior to his appointment as the Auditor General, he led the Financial Audit Division as the Assistant Auditor General and presides over the regulation of the private sector audit profession. He was the Chair of the Licensing and Disciplinary Committee of the Auditor General – till the formation of CA Maldives – and the Chair of the Admission and Licensing Committee of CA Maldives till his appointment as the Auditor General.



INTOSAI News



The 30th annual meeting of INTOSAI Working Group on IT Audit (WGITA)

The 30th annual meeting of INTOSAI Working Group on IT Audit (WGITA) was held virtually on 1 September 2021 at 12.30–15.10 UTC by the Secretariat of WGITA, i.e. SAI India. In total, more than 100 participants from WGITA members, observers and partners participated in the virtual meeting.

The WGITA fraternity has now grown upto 60 SAIs/ organisations, including 54 members and six observers.

The Comptroller and Auditor General of India (C&AG), Shri Girish Chandra Murmu, as the Chair of WGITA, inaugurated the 30th annual meeting of INTOSAI WGITA.



The Chair of WGITA, in his opening address, pointed out that the success of every government and organisation in the coming days will be measured by their agility in the swift deployment of efficient and effective IT systems and solutions. This would result in enhanced responsibilities for SAIs to identify emerging IT risks, make constructive recommendations to their respective governments, and ensure public trust in governmental IT spending. He further highlighted that over the period, WGITA has been successful in assisting the establishment of an effective IT audit function in the SAI community. Thus, the activities of WGITA stand as testimony to the resilience and agility of the global auditing community towards ensuring continuous sharing of knowledge and experience and building a rich body of IT audit professionals to serve nations and global society.

The virtual meeting reviewed the progress of ongoing WGITA projects.

Also, the WGITA partners, namely, INTOSAI Working Group on Big Data (WGBD) chaired by the National Audit Office of China, INTOSAI Working Group on Impact of Science and Technology in Auditing (WGISTA) chaired by the State Audit Institution (SAI) of the United Arab Emirates, EUROSAI IT Working Group chaired by the National Audit Office of Estonia and INTOSAI Development Initiative (IDI), AFORSAI-E also provided an update on activities carried out by them.

All the materials (presentations, reporting dashboard etc.) relating to the 30th WGITA Meeting are available in the WGITA website at the following link:

<https://www.intosaicommunity.net/wgita/30th-wgita-meeting/>

Article on WGITA e-Seminar

As is the practice of hosting a seminar/webinar in conjunction with the annual meetings of the INTOSAI Working Group on IT Audit (WGITA), this year, the WGITA meeting was followed by an e-seminar on "IT Audit in the Era of Industrial Revolution 4.0: Opportunities and Challenges", hosted virtually on 2 September 2021, by the Audit Board of the Republic of Indonesia.

The e-seminar was inaugurated by Dr. Agung Firman Sampurna, the Chairman of SAI Indonesia. During the e-seminar SAI Indonesia presented their initiative in auditing the National Cybersecurity Resilience. The Information Systems Audit and Control Association (ISACA) presented on Information Security Auditing: New Concerns of IT Auditors. Also, the National Audit Office of Australia and SAI Norway shared their experiences in conducting IT Audit in the Era of fourth Industrial Revolution.

The Comptroller and Auditor General of India (C&AG), Shri Girish Chandra Murmu, as the Chair of the INTOSAI Working Group on IT Audit (WGITA), welcomed the participants of the WGITA e-seminar.



The C&AG of India, while welcoming the participants in the above virtual event, highlighted that India too is witnessing massive digital transformation in the spheres of infrastructure, public policymaking and governance. In India, today, the trinity of mobile telephony, unique biometric identity and electronic banking, is being used for the world's largest direct benefit transfer to millions of people. These developments have helped protect millions of people from poverty during the risks and uncertainties of the Covid-19 pandemic. Such initiatives are now fundamental in making the public service delivery efficient and transparent, as well as ensuring trust in public entities and their governance.

The C&AG of India emphasized that, in the fourth industrial revolution, audit professionals, especially Information Technology auditors, must also be ready to face multi-faceted changes and challenges. For adapting to such changing needs, auditors will have to make far greater use of data analytics and Artificial Intelligence and Machine Learning for optimizing efficient use of their own scarce resources and also effectively meeting the requirements and needs of their stakeholders. Thus, the fourth Industrial Revolution has created an excellent opportunity for INTOSAI and WGITA to equip its members with practical knowledge and work procedures for addressing the emerging IT risks. For this, he thanked the colleagues in WGITA who are engaged in researching and developing standards and other audit guidance material in a variety of IT-related topics.

The C&AG of India thanked SAI Indonesia for hosting the e-seminar and highlighted that the e-seminar is an important milestone in the collective journey of WGITA to facilitate sharing of experiences and best practices for IT auditing in the era of the fourth industrial revolution.

All the materials (video recording, presentations etc.) relating to the WGITA e-seminar are available in the WGITA website at the following link:

<https://www.intosaicommunity.net/wgita/wgita-webinars/intosai-wgita-virtual-seminar-on-it-audit-in-the-era-of-industry-4-0-opportunities-and-challenges/>

25th joint UN/INTOSAI Symposium

The 25th joint UN/INTOSAI Symposium was held virtually from 28 to 30 June 2021. The theme of the Symposium was “Working during and after the pandemic: Building on the experience of supreme audit institutions for strengthening effective institutions and achieving sustainable societies”.

The meeting was organized by the Division for Public Institutions and Digital Government of the United Nations Department of Social and Economic Affairs (DPIDG/UNDESA) and the International Organization of Supreme Audit Institutions (INTOSAI).

The Symposium was organized in the context of the long-standing collaboration between INTOSAI and the United Nations Department for Economic and Social Affairs (UNDESA) through its Division for Public Institutions and Digital Government (DPIDG).

The purpose of the meeting was to discuss the impact of COVID-19 on the operations, working methods and oversight work of Supreme Audit Institutions (SAIs). Discussions also considered how this experience may contribute to building more resilient accountability systems and sustainable societies in the aftermath of the pandemic.

The Sub-themes of the meeting were:

- Sub-theme 1 focused on the impact of COVID-19 on SAIs’ organization, working methods and processes. This sub-theme was divided in two sessions given the large number of SAIs that expressed interest in presenting their experiences under this sub-theme.
- Sub-theme 2 discussed experiences and good practices in the external control of COVID-19 responses and recovery plans.
- Sub-theme 3 focused on innovation in enhancing transparency and accountability on COVID-19 responses.
- Sub-theme 4 discussed resilient accountability systems and institutions in the aftermath of COVID-19.

During the Symposium, SAIs deliberated on

- the impact of COVID-19 on SAIs’ organizational capacities, working methods and processes;
- the experiences and good practices in auditing the COVID-19 responses and recovery plans;
- innovative approaches to enhancing the transparency of and accountability for the COVID-19 responses; and
- ways to support resilient accountability systems and institutions in the aftermath of COVID-19.

The conclusions of the Symposium are that the participants of the Symposium

- Acknowledged that INTOSAI and its member SAIs reacted quickly to the pandemic through the adaptation of their working methods and audit programmes, noting that the SAIs started from different points in terms of their capability and capacity;
- Emphasized that capable, well-resourced, and independent SAIs at the national level will help to substantially strengthen transparency and accountability, and thereby provide key foundations for a rapid and adequate response to future crises;
- Encouraged SAIs to continue to adapt and re-evaluate their audit approaches and priorities, and to closely monitor the changing external conditions;

- Encouraged SAIs to build on their experiences in leveraging new technologies and adopting new, more agile working methods, and to continue integrating new tools and technologies in their future work;
- Encouraged SAIs to find a balance between remote and on-site audits, taking into consideration the importance of the verifiability of information and data;
- Encouraged SAIs, where appropriate, to explore mechanisms to increase communication with and participation of citizens, which can lead to an improved efficiency of their audit work;
- Underlined the importance of continuing the successful cooperation between SAIs and the United Nations as well as with other external partners, inter alia through the exchange of experiences and lessons learned, in order to develop common solutions and strategies for the response to future crises, recovery measures and plans;
- Highlighted the importance of SAI capacity building, for example, through developing online educational programs open to all SAIs and involving external partners.

KSC Enters A New Era Of Collaborative Effort To Achieve The Motto Of 'Mutual Experience Benefits All'

The 13th Steering Committee meeting of Knowledge Sharing and Knowledge Services Committee (KSC) was conducted virtually on September 16, 2021. Representatives from the INTOSAI Chair, the Goal Committees, General Secretariat, INTOSAI Journal for Government Auditing and the IDI participated along with representatives of the twelve working groups of the Committee. Mr. Girish Chandra Murmu, Comptroller and Auditor General of India and Chair, KSC, inaugurated the meeting.

In his inaugural address, the Chair underlined the role of knowledge as a strategic asset in an increasingly complex and challenging environment as ours and opined that sharing and disseminating knowledge, in addition to providing information, should also inspire and instil confidence towards positive action. Innovative thinking, fast decision making, collaborative action, and meaningful reform are the ideals which knowledge dissemination should aim to aspire for. The KSC, with this mandate to generate, share and disseminate knowledge, finds itself in a unique position of great responsibility, promise and potential.

The Chair saw the strength of KSC in the breadth of its domain with its working groups specializing in almost every area of public audit concern but rather than being contented, he reminded that continuous improvement is the only way to progress, stay relevant and be future-ready. In a crisis situation like the present one he encouraged the working groups to take note of developments leading to transformation, reinvention and process re-engineering across the Government and non-Government organisations and develop appropriate guidelines to maintain the agility in the public audit system.



Photo 1: The Comptroller and Auditor General of India delivering inaugural address as the KSC Chair

Subsequent to the inaugural address, Mr. Timur Makhmutov, representing the INTOSAI Chair, The Accounts Chamber of the Russian Federation made a presentation briefing the members about the INTOSAI University (U-INTOSAI) initiative. He also outlined the progress made in the past year with respect to working group activities.

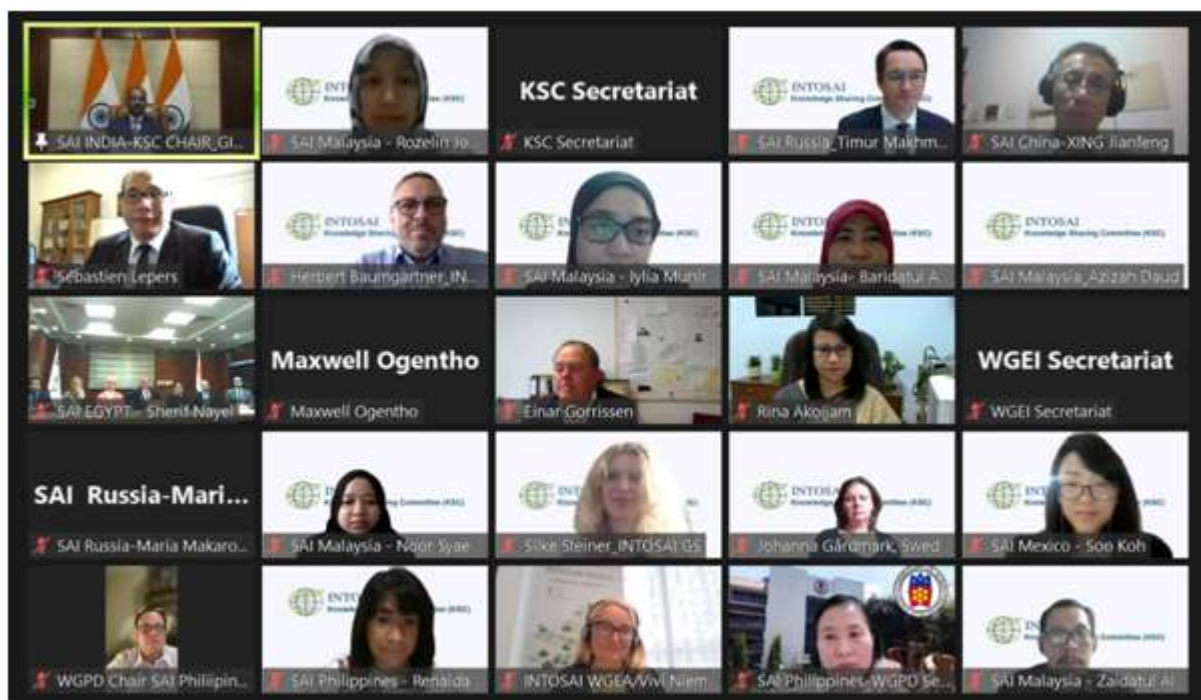
Dr. Silke Steiner in her report of the INTOSAI General Secretariat noted that even in the face of the pandemic, activities of INTOSAI could go reasonably thanks to the transition to the virtual mode. She gave a brief on the 25th UN/INTOSAI symposium organized jointly by the INTOSAI and the United Nations. The key theme of the meeting was the experience of SAIs in working during the pandemic and the lessons learned. INTOSAI has brought out an outcome document discussing the impact of the pandemic on SAI's organizational capacities, working methods and processes, the good practices which could be learned from the experience and approaches for improving accountability and resilience in the aftermath of the crisis. She invited members to refer to the document which is uploaded in the INTOSAI website. She also reported that this year INTOSAI cooperated substantially with the United Nations on the subject of the role of SAIs in the implementation of the Sustainable Development Goals. The INTOSAI Secretary General participated in the UN High Level Political Forum on SDGs held during July 2021 where he highlighted the important role played by SAIs particularly in the achievement of SDG 16 viz., Peace, Justice, and strong Institutions. She also invited individual SAIs to send the results of their SDG Audits to be published on the SDG Atlas in the INTOSAI website. She commended the activities of the Working Group on SDGs and Key Sustainable Development Indicators. She expressed happiness in the successful progress of the Covid-19 Grant Program of INTOSAI. So far 51 SAIs could be supported through the Grant. After the funding for this year was depleted the Governing Board approved the bringing forward of the amount ear-marked for the next year so that aid could be made available immediately.

Mr. Einar Gorrissen, Secretary General, INTOSAI Development Initiative observed that despite the restrictions imposed by the pandemic situation, 2020 turned out to be a record year in terms of IDI outreach. He made a presentation on the initiatives of IDI during the past year. About 126 SAIs participated in 19 long term initiatives of IDI. IDI could launch 5 new flagship programs during 2020. He also reported the launch of the Global Stock Taking Report 2020, which was available on the website of the IDI.

The meeting marked the culmination of an eventful year for the KSC. In line with a commitment made during the previous Steering Committee meeting in September, 2020, it had undertaken an INTOSAI wide survey to assess the extent of its outreach, relevance of its products and usefulness of its work as also to refine its strategies for the present as well as the next strategic plans. The survey garnered good response from SAIs and while being reassuring about the extent of awareness that KSC, its working groups and its products were able to generate in the SAI community, the results of the survey also brought out clarity on areas for greater focus. Of particular note was the regional character of specific challenges like language and relevance. The need for working groups to be need-based, task-driven and flexible, and the importance of objective evaluation clearly emerged from the results. This initiative was positively received by the participants and was acknowledged as such by other Goal Chairs also.

Joint collaborative exercises was seen as a way forward to complement our knowledge and tap into the synergies of associative engagements. This is a key takeaway from CBC's Strategic Brainstorming Document as well. The meeting expressed appreciation for the recent collaborative exercises between working groups on Environmental Audit and Key National Development Indicators and SDGs in the revision of the GUID 5202, and the MoU between KSC and the Internal Control Sub-Committee of PSC with the Institute of Internal Auditors to develop a paper on the application of the 'Three lines model'.

The meeting discussed two approaches towards greater regional inclusivity and outreach, viz., appointing Regional Ambassadors for the Working Groups and creating knowledge centres/Global training centres across the Regions. Participants' views on these ideas were sought.



The meeting provided an opportunity to update the members on the status of development of the INTOSAI Strategic Plan 2023-28. The key refinements contemplated in the plan were discussed. The KSC reporting dashboard was deliberated and approved and will be presented to the 75th INTOSAI Governing Board. The participants were informed about the progress of work of KSC working groups on FIPP and non-FIPP documents, and other activities in the direction of knowledge sharing and dissemination and in cross-cutting priorities. The KSC Budget was also discussed and approved during the meeting. There were presentations on the status of cross-cutting research projects on 'SAI Independence' and 'Audit Communication and Reporting of Audit Results' by SAI France and SAI India, the respective team leads.

Recent updates on the INTOSAI Community Portal were discussed. Most notable of these was the launching of a Community of Practice on Sustainable Development Goals. The Community of Practice will act as a forum for field auditors from across the SAIs to meet and exchange ideas and information with experts, academics and other groups on how to contribute to the 2030 agenda of the United Nations. Member SAIs were encouraged to nominate officials to the CoP on SDGs to profit from the collective experience of the community and to guide the SDG audit efforts of their respective SAIs. It was decided that KSC shall organize a series of webinars on the use of the INTOSAI Community Portal to enable greater outreach of the information available there among the audit community. The first webinar of this series was held on 7 October 2021.

The next KSC Steering Committee meeting will be hosted by the Accountability State Authority of Egypt in 2022.

The Special Session of the United Nations General Assembly Against Corruption (UNGAAC) on 2 June 2021

During the eighth session of the Conference of State Parties to the United Nations Convention against Corruption in December 2019, the Abu Dhabi declaration on enhancing collaboration between the SAIs and anti-corruption bodies, was proposed to ensure more effective prevention and fight against corruption. The Abu Dhabi declaration on enhancing collaboration between the SAIs and anti-corruption bodies was, later, adopted in the Special Session of the United Nations General Assembly against Corruption (UNGAAC) on 2 June 2021.

The C&AG of India participated in the panel discussion held on 2 June 2021 during the the virtual side event on "Imperative role of Supreme Audit Institution in the Prevention and Fight against Corruption in modern times" at the Special Session of UNGAAC.

During discussion, the C&AG of India highlighted that, there is an increasing expectation that SAIs should, through concerted action, play an influential role in promoting a culture that values honesty and accountability in the exercise of authority and utilisation of national resources. Towards this direction, SAI India plays an essential role in the accountability cycle through independent scrutiny of the revenue and expenditure, thereby ensuring accountability of the executive. SAI India continuously pursue developing a networking relationship with other enforcement agencies by sharing information and training personnel on a reciprocal basis.

The First Online International Scientific and Practical Conference was held on April, 21–22, 2021

The First Online International Scientific and Practical Conference was held on April, 21–22, 2021 under the auspices of the Chair of the International Organisation of Supreme Audit Institutions (INTOSAI), i.e. SAI Russia.

The International Scientific and Practical Conference is presented as a discussion forum for the international auditing and expert community, business and civil society that is aimed at finding effective solutions to the most pressing problems of the day after the adoption of the Moscow Declaration.

The theme of the first day of the Conference was “Public Sector Auditing and Evolution of Governance Practices During and Post Emergency” and for the second day of the conference was “Online Education: New Normal or Temporary Solution?”.

The discussions after the plenary session, on the second day, was in the form of separate sessions on the topics of health audit, public debt and inclusiveness, wherein the audience were divided into small groups. Some of the topics identified were Strategic Audit, Data Analytics, Openness and SDGs.

SAI India representatives, namely, Mr. Kattalai Ramachandran Sriram, Deputy Comptroller and Auditor General-cum-Chief Technology Officer and Mr. Virender Kulharia, Director, participated in the discussion team on Data Analytics.

Second Day of The Conference.

The screenshot shows a YouTube video player with the following content:

First online INTOSAI International Scientific and Practical Conference (eng) 22/04/21

Data analysis in SAIs

Group: 1
Moderator: James Behunin
Question: How to ensure data security in an emergency situation?

PRACTICAL CASES	Challenges & Key Issues	Measures & Solutions	Expected Outcomes
<ul style="list-style-type: none"> Info from drives can be saved on a computer - safe method (Spain) Download directly from agency's servers (Malaysia) Manual systems, access to data is difficult - systematic data inventory, similar interfaces, check logs and formats (Pakistan) Data systems are not accessible, paper based Read only access (South Africa) Use of the cloud, copy in electronic form (Lithuania) Strict policies, cant use drives, Aud agencies to provide data in electronic form. Problem - need contact with vendors for external servers (Japan) 	<ol style="list-style-type: none"> Some agencies are not prepared to give data in secure fashion Manually recorded data is not available remotely. Need for sleeking office even in the emergency situation Not enough budget, VPN by request 	<ul style="list-style-type: none"> Education for agencies, how to keep data secure Using external drives Copy data in separate file, no live data Encrypted devices Read only access Increasing information Updated technology Governments need policy covering modern technology that allows accessing data during the emergency and remote work Upgrade the system for a long term perspective future ready systems Finer available resources the budget should be diverted relating to technology Priority activities and technology should be prioritized in the budget, especially as future oriented 	<ul style="list-style-type: none"> Restricted access to data Data is more useful and can be audited remotely Expenditures for technology are prioritized, so institutions have more possibilities to work with data remotely

Video player controls: 3:52:22 / 4:13:45, YouTube logo, Watch later, Share.

Photo 1: Mr. K.R. Sriram, as the moderator of the discussion group on Data Analysis in SAIs, is presenting the result of the discussion

Also, Mr. Sunil Shreekrishna Dadhe, Director General participated in the event as moderator for the session on SDGs and Ms. Hansha Mishra, Senior Deputy Accountant General made a presentation on SDGs.

Second Day of The Conference.



Photo 2: Mr. S.S. Dadhe, as the moderator of the discussion group on SDGs, is presenting the result of the discussion

The Conference provided a unique platform for exchange of experience, bringing together experts in public audit, members of the business and academic communities. The practical focus of the discussions allowed the participants to consider in detail the implementation of the principles of the Moscow Declaration adopted at the XXIII INTOSAI Congress in 2019. The online format enabled a large-scale event to take place in the pandemic conditions, with around 700 participants from 102 SAIs.



ASOSAI News



Report on the Results of the Hanoi Declaration in the Period of 2018-2021

I. The background of the Report

At the 14th ASOSAI Assembly in 2018 hosted by SAI Vietnam, for the first time, the Hanoi Declaration was created under the main theme “Environmental Auditing for Sustainable Development”. The Hanoi Declaration has become an important document of ASOSAI on the strategic vision for the next stage of development in order to realize the 2030 Agenda for Sustainable Development Goals (SDGs) of the United Nations. After 3 years of implementation, it is time for us to look back and evaluate the achievements and results obtained by ASOSAI and its member SAIs in implementing the recommendations on Environmental Auditing (EA) and SDGs. Therefore, we will jointly seek effective solutions to successfully implement the Hanoi Declaration in particular and the strategic goals of ASOSAI in the next period.

Up to now, we have received 16 reports from 14 SAIs out of 47 member SAIs, 01 Committee and 01 ASOSAI Working Group. If there is any information sent by any SAIs which could not reach us due to technical problems, please notify us promptly so that we can continue updating the information. In addition, this report is a general summary of what ASOSAI and its members have done, to date, on the recommendations of the Hanoi Declaration. Therefore, we are still looking forward to receiving reports and suggestions from all member SAIs in this regard for our most complete and comprehensive picture.

In the current complicated situation of the COVID-19 pandemic in most Asian countries, we sincerely appreciate and extend our grateful thanks for member SAIs’ efforts, contributions and sense of responsibility. **The reports contributed by Committees, Working Groups and member SAIs of ASOSAI have been included in Draft Report on the results of the Hanoi Declaration by the State Audit Office of Vietnam (SAV) which was then circulated to the Secretariat and all ASOSAI members for further comments/contributions as well as published on the ASOSAI website on 31 August, 2021.**

The main parts of the Report are presented as follows:

II. The results of the implementation of the Hanoi Declaration

1. The first strategic pillar “To promote knowledge sharing and capacity development in ASOSAI community in the field of environmental auditing for sustainable development”

ASOSAI’s achievements

ASOSAI has continuously been playing an active role in the activities of the international audit community through ASOSAI WGEA and CDC. Since the 14th ASOSAI Assembly, the ASOSAI WGEA has always vigorously contributed to the sharing of knowledge and experience among member SAIs, encouraged the implementation of cross-border collaborative audits, carried out surveys on member SAIs’ needs regarding EA, approved the 2020-2022 Work Plan and established the “Green Vision” award. This award was first initiated in order to recognize and encourage ASOSAI WGEA members to better perform their role in EA, contribute to improving Asia's ecological and environmental governance, and create favorable conditions for the implementation of the United Nations SDGs.

ASOSAI, through its Capacity Development Program, has conducted the ASOSAI capacity building needs survey for the period 2022-2024 to assist its member SAIs in performing the following tasks: emerging issues of auditing such as information technology and SDGs. In implementation of the Hanoi Declaration, ASOSAI CDC also carried out the second Pilot ASOSAI Capacity Development Program during 2020-2021, focusing on the topic “Audit on Implementation of SDGs” in line with IDI’s SDGs Audit Model (ISAM). This is a new methodology and a practical “how to” guidance on auditing on SDGs implementation which supports auditors in conducting high quality audits of SDG implementation. In its framework, ASOSAI organized the workshop “Audit on the implementation of the SDGs”.

In addition, professional training workshops are provided to auditors, including the training course on the topic of Solid Waste by ASOSAI WGEA. Furthermore, SAI India has hosted many training programs including 03 international training programs for 107 participants from different SAIs under the INTOSAI WGEA Program; 03 international workshops on audit of waste management, SDGs and climate change for 116 participants and 01 international training program on audit of Extractive Industries for 87 participants from 26 SAIs under the INTOSAI WGEI Program. Particularly, SAI Indonesia, with many years of experience in the field of EA, has regularly provided training courses for member SAIs namely "Audit on the preparedness of the implementation of SDGs" and coordinated with INTOSAI WGEA to organize an online training course on SDGs. ASOSAI seminars, workshops and training courses are one of the most useful means to help share and exchange knowledge among member SAIs and improve the skills and competencies of auditors in the field of SDGs assessment.

Member SAIs' achievements

Member SAIs have actively applied science and information technology to EA activities by increasing the use of global positioning system (GIS) and remote sensing technology to evaluate the impact of mining activities; using remote sensing data to study land use activities; using unmanned aerial vehicle to calculate the scope and volume of sand mining, etc. In particular, the iCED – International Center for Environment Audit and Sustainable Development of SAI India has developed risk assessment templates and paper based on Drivers – Pressure – States– Impacts – Responses (DPSIR), the relevant SDGs indicators and criteria in line with SAI India's Performance Audit Guidelines to identify audit areas and topics of environmental potential.

Other SAIs have continuously trained and updated auditing expertise for auditors. Typically, SAI India has organized 29 national training programs for 634 participants since the 14th ASOSAI Assembly and provided capacity building programs on data analysis in EA for 1,543 participants.

2. The second strategic goal "To implement SDGs and address global environmental challenges"

ASOSAI's achievements

An important milestone of ASOSAI in the 2018-2021 period is the decision-making on the Proposal of establishment of a Working Group on SDGs implementation at the 54th ASOSAI Governing Board Meeting in July 2019 in Kuwait. This is the first pioneering initiative of the INTOSAI Regional Working Group on the implementation of the SDGs. The decision to approve the establishment of the Working Group on SDGs at its 15th Assembly demonstrates ASOSAI's readiness and pro-activeness in addressing topical global issues.

In the period of 2020-2022, ASOSAI has coordinated with IDI-KSC to implement the SDGs Collaborative Audit Program under the theme "Audit of Strong & Resilient National Public Health Systems" according to a comprehensive and closed model on sustainable development of INTOSAI (ISAM) with the participation of 26 Asian countries and 03 countries in the Pacific region. This is a large-scale, collaborative pilot program, working towards the goal and achievement of more equal access to national health systems and priority given to vulnerable sectors such as women, persons with disabilities, the poor, etc. The results of the collaborative audit are expected to contribute to the sustainability of the national public health system through recommendations based on INTOSAI's international audit standards on government efforts to strengthen early warning capacity, risk reduction and national and global health risk management. This can be seen as a great effort of ASOSAI in general and member SAIs in particular in the context that the COVID-19 pandemic is causing global crisis and unpredictable consequences worldwide.

In addition, through ASOSAI WGEA, ASOSAI has made efforts to promote collaborative audits and research projects, notably the collaborative audit on water environment protection and 02 research projects on water environment protection namely i) application of big data in environmental audit and ii) audit of poverty reduction and improvement of rural living environment which have been successfully carried out.

In 2020, ASOSAI WGEA conducted 02 cooperative audits on Audit of the water resource management in the Mekong River Basin and Audit of the Sustainable Transport and at the same time started a research project on the topic of Audit of Green finance.

Regarding promoting cooperation in the field of EA, the 3rd ASOSAI-EUROSAI Joint Conference on "Emerging issues and emergency situations" held in Israel in 2019 was also a success of ASOSAI in implementing the Hanoi Declaration. The Discussion papers presented at the conference, besides the subject of EA, also focused on auditing SDGs, environmental challenges, particularly the issues of environmental pollution and waste usage. For example, according to the Report of SAI Israel at the Conference, Israel has created a revolution by recycling wastewater and saved up to 60% on water costs. Moreover, Israel has successfully applied high technology in developing agriculture. Unfortunately, we have not received SAI Israel's Report on this matter, which I am sure that there will be quite a lot of interesting information. In addition, ASOSAI WGEA has been proactive in many projects of INTOSAI WGEA, in which 9 Member SAIs of the ASOSAI WGEA participated in 03 activities of INTOSAI WGEA in the period of 2020-2022 under the theme of Sustainable Transport, Plastic Waste and Green Finance (04 SAIs of: China, India, Indonesia and Thailand play the role of Team Leader or Co-Leader of the aforementioned programs). ASOSAI WGEA also attended 14th Annual Meeting of EUROSAI WGEA in 2020 and a special seminar on Solid Waste Management in April 2021. In May 2019, SAI China hosted the 6th Meeting of Global Audit Leadership Forum, in which "Improve Public Accountability through Environmental Auditing" was included as one of the meeting themes. In the discussion, member SAIs of ASOSAI WGEA, such as SAI China, Japan, India and Russia exchanged their views regarding this topic and sharing their practices as well as recommendations, which provided beneficial inputs for our resource and environment audit work in future.

Member SAIs' achievements

From the information of 14 reports sent by member SAIs, it has been concluded that nearly 84 environmental audits have been carried out, mainly in the form of performance audits, with highly diverse topics, covering almost all areas of the environment such as air quality, sea, water resources management, waste treatment, medical waste management, imported waste, renewable energy, nature conservation, anti-desertification, climate change, biodiversity and land degradation, etc. In addition, a total of 35 SDGs-relevant audits were conducted during the period of 2018-2021. The audit topic focuses on areas of great significance in bringing value and benefits to the people, such as improving the efficiency of health care and providing welfare services to the people; sustainable development in the field of public education; sustainable food security; sustainable national financial management; sustainable management of population and demographic policy; readiness for the implementation of the SDGs in 2018-2019 in line with the UN 2030 agenda at the national level; national programs contributing to each aspect of the SDGs, etc. This has demonstrated the dedication of the SAIs in the implementation of the United Nations 2030 Agenda, particularly Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels in an ever-changing world like today.

The aforementioned figure has also become the concrete evidence that SDGs contribute significantly to the role of SAIs in improving the transparency, efficiency and accountability of public administration agencies, contributing to affirm the International Standards of Supreme Audit Institutions of INTOSAI (ISSAI), including ISSAI 12 on The Value and Benefits of Supreme Audit Institutions and ISSAI 20 on Principles of Transparency and Accountability.

These audit programs/projects have supported member SAIs in contributing and supporting national agencies to achieve important policies related to SDGs. Through SDGs audits, SAIs have once again affirmed their important position in the public sector by ensuring the audits' ability to respond to emerging situations. Therefore, many audit programs/projects on SDGs are being planned in the near future.

III. The impacts

The achievements of the ASOSAI Working Groups as well as their member SAIs have demonstrated that ASOSAI is becoming a model regional group and dynamic organization, pursuing the core values of “professionalism, cooperation, inclusiveness, innovation and responsiveness”.

The implementation of recommendations in the Hanoi Declaration by ASOSAI and its member SAIs shows the seriousness and proactiveness in responding to common regional challenges in the field of public audit, including the environmental audit and audit on the implementation of SDGs - one of the top priorities of the government of each country in the Asia region and the world today. The abovementioned audits have created great progress in environmental audit and contributed to the realization of SDGs in a stronger, more comprehensive manner, providing valuable audit findings and recommendations both in terms of professionalism and policy management.

Firstly, the audits help the government apply increasingly powerful and timely measures to protect the ecological environment, at the same time raise the awareness of relevant agencies in taking serious and active measures to overcome the problems.

Secondly, the audits help establish a long-term mechanism and facilitate the promulgation, revision and improvement of the legal system and policy framework on national environmental issues (typically the development of an ecological flow system and fishing ban along the Yangtze River have been included in the Yangtze River Protection Law – the first law on river basin in China). (*See Report by SAI China*)

Thirdly, the above mentioned audits assist in comprehensively assessing the suitability of government actions and programs from the perspective of sustainable development (particularly transparency, effectiveness and accountability); carrying out the general environmental planning; implementing programs/projects to manage objectives; establishing management standards and regulations and forming mechanisms for implementing environmental policies (organizations, institutions, laws, budgets, etc.)

Fourthly, SAIs have shifted its approach from performing a fragmented, single audit to focusing the audit capabilities on examining the whole policy process (planning – implementation – follow-up) through performance audits to assess the achievement of desired policy goals. Many SAIs tend to pursue “real-time” audits that help monitor the implementation of the policy/program and offer improvement measures in the course of the implementation instead of evaluating performance at the completion of the policy/program.

Finally, these audit programs/projects have made a great impact on the performance of SAIs by promoting knowledge sharing, applying good practices as well as supporting SAIs in building both professional capacity and organizational capacity. SAIs will actively respond to emerging challenges and emergencies, particularly pioneering environmental audits and SDGs audits in accordance with the national context and general trends of the region and the world.

The above impacts show the continuous efforts and contributions of each ASOSAI member to the process of perfecting and developing the organization itself, and at the same time creating an increasingly prestigious, responsible and professional regional professional organization, contributing to creating an increasingly green and sustainable Asia. It can be said that, in the 3-year period from October 2018 to September 2021, despite great obstacles due to the COVID-19 pandemic for 2 consecutive years (2020-2021), ASOSAI has walked a long way and has been ceaselessly encouraging the implementation of the recommendations of the Hanoi Declaration.

Although several actions in the Hanoi Declaration have not been fully implemented as expected, such as lack of the provision of adequate and in-depth guidance on environmental audits and SDGs audits for member SAIs, training courses still limited in number and topics; lack of promulgation of regulations on environmental audit for a legal basis for SAI's functions and mandates of conducting audits more openly and effectively and so on, we recognize and appreciate the efforts of member SAIs to collectively overcome the difficult period of the pandemic and affirm to continue to devote themselves to a growing ASOSAI and an increasingly green and sustainable Asia. From the reality and challenges encountered in the process of implementing EA and SDGs audits in each country and the general development trend of the region, the member SAIs have made recommendations and suggestions for improving auditing activities in the future.

IV. Recommendations and the way forward

1. Promoting environmental audits for sustainable development

1.1. Increase knowledge sharing amongst member SAIs by leveraging digital platforms. This recommendation is fully in line with Crosscutting Priority 3 of the ASOSAI Strategic Plan 2022-2027: Leveraging opportunities brought by technological advancement.

1.2. Promote the sharing of experiences and dissemination of knowledge through seminars, workshops and sharing of experts, etc. particularly among SAIs taking up audits of related themes/ subjects. Workshops, training programmes on important environmental and sustainable development issues specific to the Asian Region may be held utilizing the facilities available at iCED of SAI India and its other member SAIs. Moreover, "online and face-to-face" blended themed training on environmental audit should be continually pursued in view of COVID-19 pandemic. Also, for better participation in future trainings, especially through virtual, copies of the presentations and/or training materials be disseminated in advance to enable the participants to have an idea of the topic beforehand.

1.3. Launch a cooperative action among SAIs and practitioners (auditees and civil society) to collectively develop a comprehensive picture of the relevant components of environmental audit, to be presented in a graphical format.

1.4. Organize activities in different forms to raise the awareness and understanding of environmental audit and the importance of environmental protection of relevant organizations to facilitate their cooperation and help create favorable conditions for auditors during the audit.

1.5. In terms of ASOSAI WGEA, make more efforts to fulfill its responsibilities, proactively implement the Work Plan 2020-2022 to promote Asian ecological and environmental governance; at the same time, actively coordinate with stakeholders to promote inter-regional cooperation programs in sharing experiences, implement capacity building programs for member SAIs on environmental audits.

2. Implementing SDGs

2.1. Ensure the availability of credible and reliable data, both for decision making and for audit because in today's data-driven world, the 'form and manner' of accounts must be driven by a data standards approach that is rooted in technology.

2.2. Establish a proper framework and dictionary to help capture, record, report, publish, analyse this data, consistently and accurately, both vertically across levels of Government and horizontally across entities that perform functions on behalf of the Government by bringing these transactions and entities under an IT-led financial reporting framework.

2.3. Incorporate the Moscow Declaration from 2019 INTOSAI Congress (INCOSAI), which proclaimed that the future directions for public auditing depend on the strong commitment by INTOSAI and SAIs to provide independent external oversight on the achievement of nationally agreed targets, including those linked to the SDGs.

2.4. Consider the cross-cutting priority 2 in the INTOSAI Strategic Plan 2017-2022, which called upon member SAIs to “contribute to the follow-up and review of the SDGs within the context of each nation’s specific sustainable development efforts and SAI’s individual mandates”.

2.5. Discuss the decisions and observations made by SAIs in their related work, and evaluate the influence of the crisis of Covid-19 on the 2030 Agenda or the SDGs because the COVID-19 pandemic had a serious impact on achieving the SDGs, which may affect the momentum of progress of the previous years.

2.6. Make use of the IDI SDGs Audit Model (ISAM) as a practical “how to” guidance aimed to support SAIs in conducting high quality audits of SDG implementation based on the ISSAIs. It is based on five principles: focus on outcome; recognize SAI diversity; ISSAI-based; inclusiveness; and add value. The performance audit does not focus on entities, projects, programmers or processes, but rather the interplay between them for achievement of cross-cutting results. (IDI ISAM Handbook, March 2020 version)

2.7. Consider key observations within the “Auditing SDGs” small group of unique online platform for exchanging experiences of specialists in government auditing and business with representatives of the scientific community during the First INTOSAI International Scientific and Practical Conference was held on 21–22 April 2021 under the auspices of the INTOSAI Chair.

(https://www.intosai.org/fileadmin/downloads/news/2021/07/300721_WG_SDG_KSDI_Newsletter_Third_Issue.pdf)

2.8. In terms of ASOSAI, make more efforts in promoting capacity building activities for member SAIs on SDGs such as the development of a Strategic Plan, Working Plan or Capacity Building Program which should be based on a thorough, comprehensive survey of needs of all members and should be discussed at important meetings of ASOSAI; strengthening the sharing of experiences on SDGs audits on a regular and continuous basis, including performing remote audits; providing guidance on SDGs audits; deepening the specialized information of online training courses for members on SDGs audit, particularly on how to exploit and effectively use data analysis techniques; promoting the implementation of cooperative audits, etc.

2.9. In terms of member SAIs, actively participate in international forums; apply a combination of various audit methods and techniques such as using information survey tools, selecting SDGs audit topics with direct impact and integrating them into SAI's Strategic Audit Plan, thereby incorporating them into the National Medium-Term Development Plan; develop audit procedures, standards, methods and plans and strengthen internal auditors’ training on SDGs audits; participate in collaborative audits; set up SDGs coordination center, etc.

Proposals and recommendations of member SAIs in improving ASOSAI's activities on environmental audits and SDGs audits will be recorded and reflected in the Bangkok Declaration, specifically in Chapter II. SAIs and encouraging for the achievement of SDGs including i) Recognize the importance of the Hanoi Declaration on environmental auditing for sustainable development; ii) Emphasize the Whole of Government (WoG) approach for the audit of SDGs implementation; iii) Consider multi-stakeholders engagement in the audit of SDGs implementation and iv) Consider the concept of Leave No One Behind (LNOB) in the audit of SDGs implementation.

At the same time, these recommendations continue to be absorbed and specified in the ASOSAI Strategic Plan Task Force for the period of 2022-2027, particularly: Crosscutting Priority 2: Encouraging SAIs’ efforts for the achievement of the SDGs, including i) SDGs-related knowledge sharing and capacity development of SAIs; ii) Audits regarding the national implementation of SDGs and iii) SDGs-related cooperative audits in the ASOSAI region for enhancing values and benefits of SAIs.

V. Conclusion

The Hanoi Declaration is an important document expressing and affirming the interest, efforts and contributions of ASOSAI in general and member SAIs in particular in pursuing the goal of sustainable development. All the efforts of ASOSAI Working Groups, Committee, and member SAIs in implementing the two strategic pillars of the Hanoi Declaration are of great value to the development of ASOSAI.

The sustainable development of each country and the global economy in the future always requires the balance between economic growth and environmental protection. Therefore, the content of the Hanoi Declaration on Environmental audits and the audit of implementation of SDGs have and will always be inherited and developed as a priority pillar in the Strategic Plan as well as in other important documents of ASOSAI in the next stages, most recently the ASOSAI Strategic Plan 2022-2027 and Bangkok Declaration.

The ASOSAI Strategic Plan 2022-2027 continues to affirm the importance of implementing the SDGs in Crosscutting Priority 2: "Encouraging SAIs' efforts for the achievement of the SDGs", with specific actions in the Implementation Matrix set by The ASOSAI Working Group on SDGs, the implementation of which was led by SAI Kuwait. In addition, the goal of implementing SDGs was once again inherited and developed in the Bangkok Declaration drafted by SAI Thailand - ASOSAI Chairman for the 2021-2024 term – as follows: "The Hanoi Declaration was an important document in the 14th ASOSAI assembly in 2018. This document affirms ASOSAI's interests, efforts, and contribution to the pursuit of SDGs. The recommendation of the Hanoi Declaration is to promote knowledge sharing and capacity development in the ASOSAI community in the field of environmental auditing for sustainable development. SAIs should recognize the concept of Building Back Better to implement the auditing SDGs in the next normal. With the SDGs framework, SAIs could give constructive recommendations for economic recovery and the opportunity to redesign a sustainable world, also resilient in better harmony".

With these achievements, inheritance and development of the Hanoi Declaration in the strategic direction of ASOSAI in the future, we can be proud of the proactive and valuable contributions of ASOSAI and its member SAIs in the pursuit of the United Nations Millennium Development Goals of SDGs, contributing to the creation of an increasingly green and sustainable environment both in Asia and in the world.

The 15th ASOSAI Assembly in a nutshell



During the challenging time, international activities have been adapted by online conferences or virtual meetings. Likewise, the important event of the ASOSAI community is the ASOSAI Assembly, which will be held every three years. Even though the Covid-19 pandemic has been concerned, the 15th ASOSAI Assembly was held during 6-8 September 2021. The State Audit Office of the Kingdom of Thailand was the host of this meeting. SAI Thailand summarized eight highlights of the 15th ASOSAI Assembly as follows.

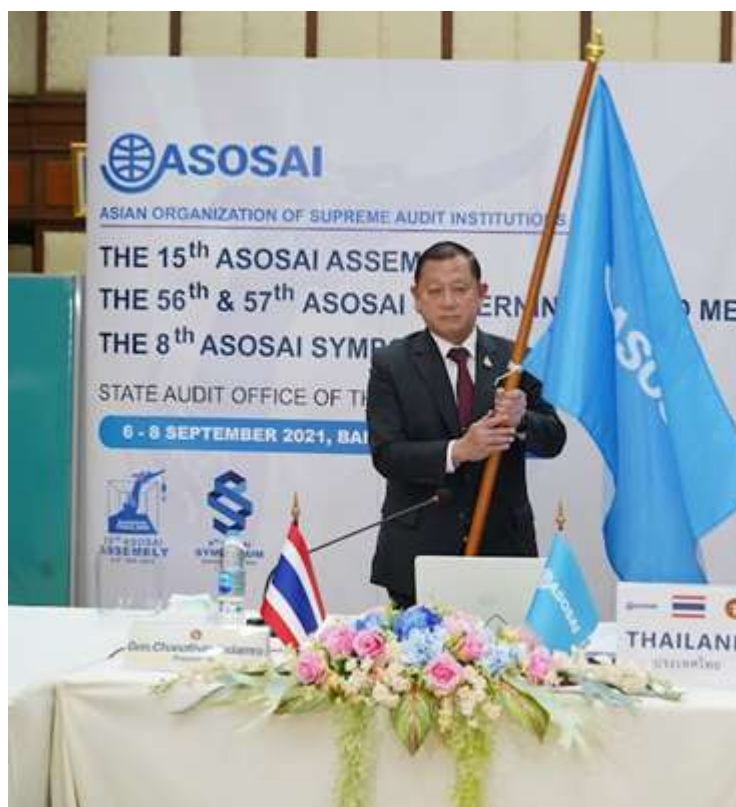
1. The 15th ASOSAI Assembly was the first time to hold a virtual assembly. The global pandemic effects could open the chance to use the online conference through the digital platform. Therefore, SAI Thailand (Host), SAI Vietnam (Chairman), and SAI China (ASOSAI Secretariate) decided together to hold the 15th ASOSAI Assembly via virtual meetings. This meeting ran by Zoom and Slido platforms. The assembly reflected the new normal and resilient way to resolve the emerging challenges.



Mr. Tran Sy Thanh (right) and General Chanathap Indamra in the 15th ASOSAI Assembly (virtual meeting)

2. SAI Vietnam and the success of the Hanoi Declaration, the 14th ASOSAI Assembly was held at Hanoi, Vietnam, in 2018. The assembly approved the Hanoi Declaration, which focused on Environmental Auditing for Sustainable Development. During 2018-2021, the Hanoi Declaration was an important document expressing and affirming the interest, efforts, and contributions of ASOSAI in general and member SAIs in particular in pursuing sustainable development. All the efforts of ASOSAI Working Groups, Committee, and member SAIs in implementing the pillars of the Hanoi Declaration are of great value to the development of ASOSAI.

3. SAI Thailand is the new Chairman of ASOSAI. The agenda 20 of the 15th ASOSAI assembly on 7th September 2021, the virtual ceremony of the ASOSAI flag hand over, Mr. Tran Sy Thanh, Auditor General of Vietnam, Chairman of ASOSAI, handed over the ASOSAI flag to General Chanathap Indamra, the President of State Audit Commission. This ceremony is the symbol of moving to the new Chairman of ASOSAI. Therefore, SAI Thailand, led by General Chanathap Indamra, will be the new Chairman of ASOSAI during 2021-2024.



General Chanathap Indamra is the new Chairman of ASOSAI (2021-2024)

4. SAI Thailand proposed the Bangkok Declaration 2021. ASOSAI members approved the Bangkok Declaration in the 15th ASOSAI virtual assembly. The key message of the declaration shows that the ASOSAI community prepares for the next normal in public sector auditing, announced by the Bangkok Declaration 2021: SAIs, and preparing for the next normal. The Bangkok Declaration 2021 is based on documentary reviews from five necessary international declarations: Lima Declaration 1977, Beijing Declaration 2013, Hanoi Declaration 2018, Abu Dhabi Declaration 2019, and Moscow Declaration 2019. These declarations represent the robust concept as the core concept for public sector auditing development. Meanwhile, the main chapters of the Bangkok Declaration 2021 follow the ASOSAI strategic plan 2022-2027, giving a whole picture of ASOSAI in the future.

5. SAI Thailand and preparing Bangkok Declaration; the draft of the declaration was circulated in July 2021. All ASOSAI members were interested in this draft and provided constructive feedback and recommendations. SAI Thailand recognized all feedback also adapted these recommendations for the final version of the Bangkok Declaration, which represented the robust concept for public sector auditing development. As a result, the Bangkok Declaration 2021 consisted of four chapters as follows; Chapter I: SAIs and promoting good governance in the next normal; Chapter II: SAIs and encouraging for the achievement of SDGs; Chapter III: SAIs and leveraging by using advanced technologies for public sector auditing; and Chapter IV: SAIs and responding to disaster and pandemic issues.



Symbol of Bangkok Declaration 2021

6. The host of the 16th ASOSAI Assembly will be in India. The 56th ASOSAI Governing Board Meeting was held on the first day (6th September 2021). The Governing Board members used the Slido platform conducted by ASOSAI Secretariate (SAI China) to elect online for the next host of the 16th ASOSAI Assembly. SAI India got the highest votes. Therefore, SAI India will be the next host of the ASOSAI Assembly and be the next Chairman of ASOSAI (2024-2027). In the assembly, the ASOSAI members voted online for new Governing board members and Audit Committee. The seven SAIs were elected as the new ASOSAI Governing Board members consisted of SAI Saudi Arabia, South Korea, Malaysia, Philippines, Turkey, Russia, and Pakistan. Meanwhile, ASOSAI members elected SAI Kazakhstan and Azerbaijan as the new Audit Committee.

7. The report of ASOSAI activities during three years, even though the global pandemic has existed, the ASOSAI activities still have been progressed and successful. For example, SAI China represented the implementation of the ASOSAI Strategic Plan 2016-2021, the support of the ASOSAI Grant, and the ASOSAI Working Group's growth on Environmental Auditing. SAI India showed the improvement of ASOSAI Journal. In the meantime, SAI Japan reported the activities of the ASOSAI Capacity Development Committee. SAI UAE reported the success of the 12th ASOSAI Research project (2018-2021), studied under Audit on Implementation of SDGs: Leveraging Digital or Big Data achieve the SDGs to related to three perspectives: policy coherence, information technology, and accountability line. Furthermore, the ASOSAI members approved the establishment of the Working Group on SDGs (proposed by SAI Kuwait) and the Working Group on Crisis Management Crisis (proposed by SAI Korea).



The logo of the 8th ASOSAI Symposium

8. The accomplishment of the 8th ASOSAI Symposium, SAI Thailand proposed the ASOSAI and the Next Normal: Resilience amidst Challenges as the main theme for the symposium. In addition, the sub-themes follow the cross-cutting priorities of ASOSAI strategic plan 2022-2027, giving a whole picture of ASOSAI in the future. Likewise, they align with four chapters of the Bangkok Declaration 2021 as follows, (a) SAIs and promoting good governance in the next normal; (b) SAIs and encouraging for the achievement of SDGs; (c) SAIs and leveraging by using advanced technologies for public sector auditing, and (d) SAIs and responding to disaster and pandemic issues. Thus, the objective of this symposium is to share knowledge, experiences, visions, and perspectives of ASOSAI members about coping SAIs during a pandemic and preparing SAIs for the post-pandemic. The compendium report will be published on the ASOSAI website. The symposium date was held an online symposium on 8th September 2021. There are 38 papers to submit for this symposium. After the symposium, SAI Thailand will summarize these presentations to provide the compendium report, published through the ASOSAI website and www.asosaithailand.org.



Please visit our website asosaithailand.org

The background is a solid brown color with several white icons scattered around. At the top center is a circular icon containing four smaller circles. To the right, there is a large, faint Venn diagram with two overlapping circles. Below it is a circular icon of a laboratory flask with two bubbles. To the left of the central text is a circular icon of an atom. At the bottom left is a circular icon of a pie chart. The bottom of the page features a white, scalloped-edge border.

Activities in member SAIs



Capacity-Building and Occupational Development Oman State Audit Institution Conducts Several Auditing Workshops and Training Programs

Oman State Audit Institution (SAI), represented in the Training Center, conducted a group of auditing workshops and training programs during 2021. These programs come as translation for SAI keenness to provide its employees with modern knowledge related to auditing areas, which contributes to building their functional and professional competencies and enhances their role in increasing the efficiency of institutional performance.

In cooperation with Comptroller and Auditor General of India, Oman-SAI conducted a training program entitled “Digital Data Analysis”, during 23th-25th August 2021. Different auditing units at SAI participated in the program. It aims to enable the participants to use computer systems and programs in analyzing online data.



In addition, in cooperation with Arab Organization of Supreme Audit Institutions (ARABOSAI), Oman-SAI has conducted a virtual 3-day training program on “The application of compliance control standards in the field of government procurement audit”. Along with SAI participants, there were other 32 participants from Palestine, Lebanon, Yemen, Qatar, Jordan, Morocco, Syria, Bahrain, Kuwait, KSA, Iraq, Sudan, Egypt, Algeria, Libya, and Tunisia. The program is intended to familiarize participants with the basic principles of the procurement process, as well as with the use of compliance control to audit procurement process procedures.



In cooperation with some international entities, Oman-SAI also participated in implementing training programs on combating and detecting corruption in government sector as well as studying the means to prevent it.

SAI Training Center has implemented several training programs for its employees particularly on internal auditor skills, which aims to provide the participants with different standards and principles on internal audit. Furthermore, another training program was held on assessing risks and internal audit systems, which handled different areas such as, the mechanism of understanding the entity subject to audit and how to prepare risk analysis template.



Furthermore, Oman-SAI conducted several workshops and programs such as Public office crimes, bank account analysis, international accounting standards, big data, performance control, value added tax etc.

Aiming to enhance the employees' skills in performing their tasks, Oman-SAI has also conducted training programs for internal audit and financial staff in some of the entities subject to its audit. SAI aims to promote cooperation and integrate its roles along with other state administrative apparatuses.

SAI is also participating in ARABOSAI thinking group that studies creating new auditing technologies in exceptional circumstances, such as the spread of diseases and pandemics. It is also worth mentioning that Oman-SAI chairs the Institutional Capacity Development Committee for the period (2020-2022).

International conference leading by the Accounts Chamber of the Republic of Tajikistan



On October 2021 on the initiative of the Accounts Chamber of the Republic of Tajikistan was held international scientific and practical conference dedicated to "Actual problems of IT audit in the process of transition to the digital economy."

The representatives of companies from Russian Federation, as well as representatives of ministries and departments, universities of the country and employees of the Accounts Chamber of the Republic of Tajikistan participated on the conference.

The purpose of the forum was the bringing the activities of the Accounts Chamber in line with international standards.



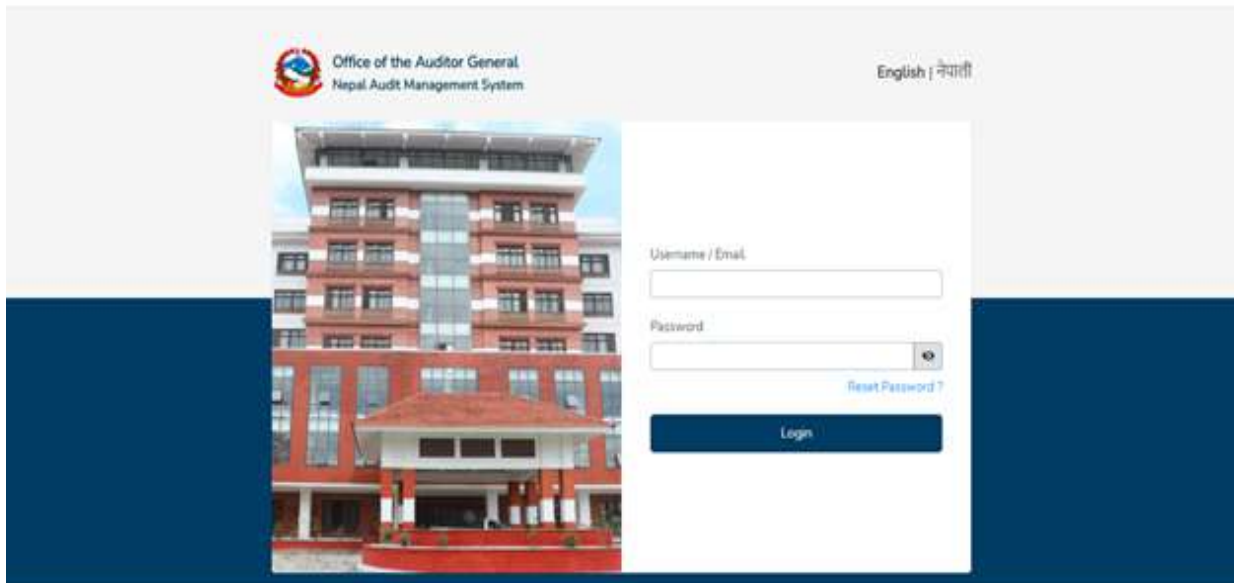
The Accounts Chamber carried out a number of activities within the framework of the second project "Improving public financial management" with the aim of introducing elements of e-government, the development of which is the e-audit program and electronic internal documentation. The electronic audit program was developed by the international company "Keysystems" of the Russian Federation as part of the financing of this project. These innovations would facilitate audit activities, most of which will be automated.

During the conference, the director of "Keysystems" tell about the company's activities and expressed his satisfaction with the mutually beneficial cooperation. Representatives from governmental entities and universities also discussed issues of benefits of switching to e-government, efficiency and compliance with standard requirements.

The scientific forum ended in a favorable atmosphere, constructive dialogue and mutual understanding.

OAG Nepal Launches Audit Management System

- SAI Nepal



The Office of the Auditor General (OAG) of Nepal has launched its much-anticipated Nepal Audit Management System (NAMS), as part of an effort to strengthen the OAG. NAMS is a software that streamlines the audit process in order to accurately identify and reduce risks, thereby saving time, space, and money. This new system marks the beginning of a digital audit regime in Nepal.

The OAG has issued a directive and formed a unit to manage NAMS, which leverages information and communications technology (ICT) and integrated government applications to automate the audit life cycle. The system supports all audit activities, including:

- Risk-based audit planning at all levels (federal, provincial, and local)
- Data migration from different government ICT systems
- Online access to the audited entity
- Execution of audits (based on checklists and templates)
- Online audit quality control and quality assurance mechanism
- Online transmission of system-generated audit reports
- Archiving of audit documents

“Government auditors will have to move along with technologies, and must know how to audit in today’s digital environment,” said Mr. Tankamani Sharma Dangal, Honorable Auditor General of Nepal, at the inaugural ceremony for NAMS. “As the globe is going digital, there is no alternative but for auditors to adopt software-based auditing practices. Having the right level of expertise in new technology allows auditors to provide the highest quality of audit.”

At the ceremony, Deputy Auditor General Mr. Ramu Prasad Dotel emphasized that adopting digital technologies would improve audit quality and ensure greater transparency, shorter audit cycles, and fewer errors. “It will move the office in the direction of remote auditing,” he added.

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Mauritius	aud@govmu.org philisetse@gmail.com	www.nao.govmu.org
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Nepal	oagnep@ntc.net.np , hrd_ir@oagnep.gov.np, sharmatm@gmail.com	www.oagnep.gov.np
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Qatar	info@sab.gov.qa, tech.dep@sab.gov.qa	www.sab.gov.qa
Russia	intrel@ach.gov.ru, terehina@ach.gov.ru,	www.ach.gov.ru/en/
Saudi Arabia	ird@gab.gov.sa	www.gab.gov.sa
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Yemen	tech_coop2007@yahoo.com, gogo13026@gmail.com	www.coca.gov.ye

Electronic communication between Supreme Audit Institutions is increasing rapidly. In view of this, a list of e-mail and World Web Site Address of ASOSAI members (as available with us) have been compiled and shown in the above table. It is requested that addresses of those SAIs that do not appear in the table may please be intimated to the Editor for incorporating in the future issues of the Journal. Please also let us know in case there are any modifications to the addresses listed above.

Other Important Email/webpage Addresses

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INTOSAI	intosai@rechnungshof.gv.at	www.intosai.org
ASOSAI	gs@asosai.org	www.asosai.org
EUROSAI	eurosai@tcu.es	www.eurosai.org
OLACEF	relacionesinternacionales@contral (Executive Secretariat, SAI of Chile) PresidenciaOLACEFS@sf.gob.mx (Presidency of OLACEFS, SAI of Mexico)	www.olacefs.comoria.cl
PASAI	enquiry@oag.govt.nz	www.pasai.org
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INTOSAI Development Initiative (IDI)	idi@idi.no	www.idi.no
INTOSAI Community Portal	ir@cag.gov.in	www.IntosaiCommunity.net

Tentative Schedule of ASOSAI Capacity Development Activities for 2021-2022
As of the end of October 2021

Year	Date	Event	Venue
2021	(Continued from November 2020)	eLearning Course of "IDI-KSC-ASOSAI Cooperative Audit of SDG Implementation"	Online
	December	ASOSAI Seminar on "Improvement of Audit Process for More Effective Audit"	Online
2021	First half of 2022	Audit Planning Meeting for ASOSAI Pilot Capacity Development Program on "Audit on Implementation of Sustainable Development Goals (SDGs)"	Online
	Latter half of 2022	Audit Review Meeting for ASOSAI Pilot Capacity Development Program on "Audit on Implementation of Sustainable Development Goals (SDGs)"	(TBD)