



INTERNATIONAL JOURNAL

OF GOVERNMENT AUDITING

*The Role of Financial Audits and Mechanisms
for Oversight of Public Funds*

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The editors invite submissions of articles, special reports, and news items, which should be sent to the editorial offices at:

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E-mail: intosaijournal@gao.gov

Given the Journal's use as a teaching tool, articles most likely to be accepted are those that deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies, or details on audit training programs. Articles that deal primarily with theory would not be appropriate. Submission guidelines are located at <https://intosaijournal.org/submit-an-article/>.

The Journal is distributed electronically to INTOSAI members and other interested parties at no cost. It is available online at intosaijournal.org and intosai.org, and by contacting the Journal via email at intosaijournal@gao.gov.

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TABLE OF CONTENTS

THIS ISSUE

LETTER FROM THE U.S. COMPTROLLER GENERAL

| | |
|--|----------|
| A Letter from the U.S. Comptroller General and Chair of the INTOSAI Journal | 4 |
|--|----------|

EDITORIAL

| | |
|--|-----------|
| Financial Audits as Pillars of Democratic Accountability: State Audit Office of North Macedonia's Journey Toward Transparent Governance | 11 |
|--|-----------|

LETTER FROM THE INTOSAI JOURNAL PRESIDENT

| | |
|--|-----------|
| Letter from the INTOSAI Journal President | 18 |
|--|-----------|

FEATURE ARTICLE

FOCUS ON FINANCIAL AUDITS

| | |
|--|-----------|
| Strengthening Public Fund Governance through Financial Audits: Insights from the Albania Supreme Audit Institution's Practice | 20 |
|--|-----------|

| | |
|---|-----------|
| Evaluating the Sufficiency and Appropriateness of Evidence in Financial Audits: A Case Study on the Cash and Cash Equivalents Accounting Cycle | 24 |
|---|-----------|

| | |
|---|-----------|
| Improving Financial Audit Efficiency: One Report Instead of 27 | 30 |
|---|-----------|

| | |
|---|-----------|
| Integrated Approach for Impactful Financial Audit: Insights from SAI Indonesia | 35 |
|---|-----------|

| | |
|--|-----------|
| Best Practices for Conducting Public Financial Audits | 43 |
|--|-----------|

| | |
|---|-----------|
| Financial Audits and Mechanisms for Good Governance of Public Funds: Levers in the Accountability Ecosystem for Greater Impact | 47 |
|---|-----------|

OTHER ACCOUNTABILITY MECHANISMS AND DIGITALIZATION

| | |
|--|-----------|
| Real-time Auditing: A Tool to Enhance Good Governance and Accountability for Public Funds | 51 |
|--|-----------|

| | |
|---|-----------|
| Enhancing Collaboration between Supreme Audit Institution and Anti-Corruption Agencies: Lessons Learnt from Tanzania | 57 |
|---|-----------|

| | |
|--|-----------|
| Harnessing Real-Time Analytics for Public Accountability: The Digital Evolution of Supreme Audit Institutions | 63 |
|--|-----------|

| | |
|---|-----------|
| Digitalising Contract Oversight: Somalia's Office of the Auditor General Leads the Way | 68 |
|---|-----------|

SPOTLIGHT ON CAPACITY BUILDING

| | |
|---|-----------|
| Canadian Audit and Accountability Foundation Works with SAI Ecuador to Build Capacity in Performance Audit | 74 |
|---|-----------|

SPOTLIGHT ON SCIENCE AND TECHNOLOGY

| | |
|--|-----------|
| The Use of Drones in Financial Audits by Supreme Audit Institutions: A Case Study in São Paulo Municipality Court of Accounts | 76 |
|--|-----------|

LETTER FROM THE U.S. COMPTROLLER GENERAL



U.S. Comptroller General, Gene L. Dodaro. Source: U.S. GAO

A Letter from the U.S. Comptroller General and Chair of the INTOSAI Journal

By Gene L. Dodaro, Comptroller General of the U.S. Government Accountability Office.

Dear Colleagues,

As my 15-year term as Comptroller General of the United States concludes on December 29, 2025, I want to take this opportunity to reflect on my time as Chair of the INTOSAI Journal and key aspects of GAO's international engagement. I also want to express my gratitude for the opportunity to serve in this role and collaborate across INTOSAI in promoting the exchange of knowledge, best practices, and news via the Journal.

Throughout my tenure, I have enjoyed and appreciated the opportunity to engage with the INTOSAI community via the Journal; the INTOSAI Governing Board; the INTOSAI-Donor Cooperation; INTOSAI Committees, Task Forces, and Working Groups; and other forms of multilateral and bilateral engagement.

This engagement has been predicated on my belief that effective public sector accountability requires those in our profession to collaborate across borders, share knowledge and best practices, build capacity, and develop and implement sound professional auditing standards. Fifteen years ago, the Journal was issued quarterly in hard copy and sent via mail to SAI's across the globe. Over time and with the help of the INTOSAI community, we saw opportunities to modernize this model. Through collaboration and innovation, we broadened our reach, leveraged technology, and enhanced the Journal's capacity to serve the global SAI community.

With the support of the INTOSAI Governing Board, the Journal's Board of Editors, its Associate Editors, the Board of Directors, and the GAO leadership team, we have transformed the Journal and now reach a larger readership than ever before.

We shifted from publishing on paper to an exclusively online format that continues our tradition of quarterly publications (available for download in pdf format in all 5 INTOSAI languages) while electronically sharing real-time news and updates via our website and social media. We have also enhanced our efforts to provide in-person coverage of key meetings of INTOSAI and its regional bodies to ensure that the Journal's content reflects the breadth, depth, and knowledge of the entire INTOSAI community.

This approach has enhanced access to the Journal and its valuable resources so that anyone with an internet connection or mobile device can view and download content, and the results speak for themselves.

Since launching a new website in 2023, the number of users has grown 1,365 percent. In the last year, over 141,000 users from nearly every country in the world viewed Journal content. This represents a 73 percent increase in the number of users and a 36 percent increase in the number of pages viewed. Importantly, nearly 30 percent of users access our content using mobile devices and we continually enhance our operations to ensure accessibility across various types of electronic devices.

In addition, the Journal has enhanced its presence at key INTOSAI events, by providing real time coverage via the website and social media. Our social media presence has continued an upward trajectory, with nearly 11,000 followers across platforms.

The Journal also has sharpened its focus on the most important issues facing our profession by publishing thematic issues with useful technical articles that help auditors. These issues have focused on maximizing audit impact, enhancing oversight of public funds through financial audits, use of innovative audit methods, SAI independence, science and technology, women in leadership, severe weather, and the unique circumstances of key segments of our audience, such as SAIs that have jurisdictional duties and those operating on small islands in the Caribbean and Pacific.

This approach has driven interest in the Journal's content across the globe. I am very pleased that the number of technical articles submitted by INTOSAI members has increased 154 percent over just the last two years.

I am very grateful to everyone who has contributed to the Journal's success. I encourage everyone in the INTOSAI community to continue contributing to the Journal and sharing relevant information on your knowledge, experiences and best practices. In the future, I am confident that the Journal will continue to grow on the strong foundation we have built.



U.S. Comptroller General Gene L. Dodaro with the U.S. GAO and INTOSAI Journal team at INCOSAI XXIV. Source: INTOSAI Journal.

In addition to these reflections on the Journal, I would also like to offer perspectives on four key areas that have been among my priorities for engaging with INTOSAI.

First, as a member of the INTOSAI Governing Board, I have appreciated the opportunity to engage and collaborate with other leaders across INTOSAI and its regions to support sound institutional and financial stewardship while adapting to dynamic conditions and global emergencies.

I have seen many positive outcomes as a member of the Governing Board. For example, INTOSAI's response to the COVID-19 pandemic illustrates the very best of how INTOSAI's leadership and members achieved positive outcomes through collaboration and constructive international engagement.

The pandemic posed an unprecedented challenge to the SAI community, as many SAIs around the world were shut down and had limited access to technology. As governments spent the equivalent of trillions of US dollars in responding to the crisis, it was imperative to have well-functioning SAIs to help identify and address possible misuse of public funds and fraud, waste, and abuse.

Working with the INTOSAI Governing Board; the Policy, Finance, and Administration Committee (PFAC); goal chairs; the INTOSAI Development Initiative; and the regions, INTOSAI made available surplus INTOSAI funds to support SAIs in acquiring personal protective equipment and technology to maintain continuity of operations. In total, INTOSAI provided nearly USD 700,000 in grants to 52 SAIs around the world.

As we reported in the Journal in 2022, these efforts yielded positive outcomes across the globe. For example, SAI Nicaragua used the funding to acquire wireless technology, facilitating connectivity across the SAI and its staff while enabling physical distancing. The SAI also acquired key information technology to support video conferences, webinars, and virtual meetings. Similarly, SAI Madagascar was able to acquire information technology that supported remote work, video conferencing, and information sharing via webinars.

Second, I have greatly enjoyed the opportunity to work alongside Dr. Hussam Alangari, President of the General Court of Audit (GAC) of Saudi Arabia and Chair of the PFAC in my role as Vice Chair of the PFAC. Under Dr. Alangari's leadership, the PFAC has successfully executed its duties in advising the Governing Board on key financial and policy matters while supporting all INTOSAI members and working bodies in successfully executing their mandates.

I am especially pleased with several key outcomes by the PFAC. This includes serving as Chair of the INTOSAI Task Force on Strategic Planning through four planning cycles, as well as working with PFAC colleagues to develop INTOSAI's first Performance and Accountability Reports and providing stewardship of the INTOSAI Donor-Cooperation.

I view the Donor-Cooperation as particularly important as it helped elevate the needs of INTOSAI's members with the global development community. INTOSAI established the cooperation in 2009 with the aim of coordinating and facilitating the flow of financial and technical support from donors to INTOSAI members. Working in partnership with IDI, the General Secretariat, GAC Saudi Arabia, the Donor Cooperation Steering Committee, the World Bank and 22 other development partners, the cooperation has now supported over 80 SAIs from all INTOSAI regions.

This support for vital capacity development has leveraged peer-to-peer assistance in areas such as strategic planning, human capital development, enhancements to independence, and specialized training at the regional and SAI levels. For example, the Donor Cooperation is currently supporting SAI Tajikistan in developing a strategic plan, modernizing its audit processes, and forging international partnerships. Similarly, the cooperation is currently helping SAI Belize to enhance its independence while also supporting digitalization of audit and human resources processes.

As we reflect on the Donor Cooperation's many significant accomplishments and global impact, it is critical that INTOSAI continue to engage with donors and other partners to ensure that SAIs receive the financial and technical support they need to successfully fill their mandates.

Third, throughout my tenure, I have emphasized the need for GAO and SAIs to develop and maintain their expertise in key areas as the speed of technological change affects every aspect of government and society, particularly financial systems. I believe that relevant and impactful SAIs will need to keep pace with changes in science, technology, and data analytics that now evolve at the fastest pace in human history. This has been a major focus of my efforts at the US GAO and my international engagement.

To further these goals, I have worked with the INTOSAI Governing Board to establish working bodies focused on big data, science and technology, and modernization of financial systems. I am very pleased with the positive outcomes achieved by these bodies and the robust participation among INTOSAI members. I encourage all SAIs to take advantage of these valuable resources as they seek to execute their mandates in the best interest of their governments and citizens.

Fourth and finally, I want to emphasize the importance of operational and financial independence for SAIs. In recent years, there has been substantial backsliding in the ability of SAIs around the world to conduct their work free from outside influence. This trend has been well documented by the INTOSAI Development Initiative and the World Bank. As a result, I have strongly supported efforts by INTOSAI and key external partners to promote the independent operation of SAIs.

For example, I have worked closely with the INTOSAI Development Initiative to support the SAI Independence Rapid Advocacy Mechanism, which assesses and publicizes cases of outside interference in the work of SAIs. I am very pleased that this effort has successfully resolved threats to independence in Chad, Cyprus, Croatia, Ghana, North Macedonia, and Poland, among others.

I have also strongly supported collaboration with outside partners to address SAI Independence, including the Donor-Cooperation's SAI Independence Goodwill Ambassador, the Honorable Helen Clark, former Prime Minister of New Zealand. Similarly, I led INTOSAI's efforts to engage with the World Bank on this issue, which led to the establishment of the Bank's SAI Independence Index. The index provides a valuable benchmark of SAI independence in developing countries and creates an incentive for governments to improve their ratings.

The General Auditing Commission of Liberia is a key success story from these independence initiatives. Initially, Liberia's legal framework did not allow for an independent SAI. The World Bank's SAI Independence Index drew attention to SAI Liberia's challenges, resulting in the Liberian government implementing independence principles into SAI Liberia's 2014 enabling legislation. Liberia is now the most independent SAI in West Africa and is pursuing greater financial independence, which would make it among the most independent SAIs in the World Bank Index. Engagement with GAO has generated substantial support for SAI Liberia within its government and among civil society.

Most recently, I have worked with the Organization for Economic Cooperation and Development (OECD), IDI, the General Secretariat, President of the General Court of Audit of Saudi Arabia and INTOSAI Donor Cooperation Chair Dr. Hussam Alangari, the World Bank, and the International Monetary Fund to assess the factors influencing SAI Independence globally, and enable OECD to consider adoption of INTOSAI's independence principles as prerequisites for membership. This would provide a strong incentive for governments to ensure that SAIs operate independently.



U.S. Comptroller General Gene L. Dodaro at INCOSAI XXIV. Source: INTOSAI Journal.

In closing, I want to express my gratitude to all INTOSAI colleagues for the opportunity to engage and collaborate on matters of shared interest. I want to thank Dr. Margit Kraker for her leadership of INTOSAI as Secretary General. Dr. Kraker's commitment to the global audit community has strengthened good governance and driven meaningful progress in public-sector accountability worldwide.

I view our collective knowledge, ambition, and commitment to public service as a cornerstone of sound governance, public sector accountability, and transparency across the globe. I encourage all members of the INTOSAI community to take full advantage of the myriad opportunities offered through INTOSAI, its working bodies, and the global community of public sector accountability professionals.

It has been an honor and a pleasure to work with INTOSAI during my tenure as Comptroller General of the United States. I wish you all great success in your future endeavors and am grateful for the opportunity to have served alongside all of you in strengthening government accountability at home and around the world.

Sincerely,
Gene L. Dodaro

Comptroller General of the United States

Chair, International Journal of Government Auditing



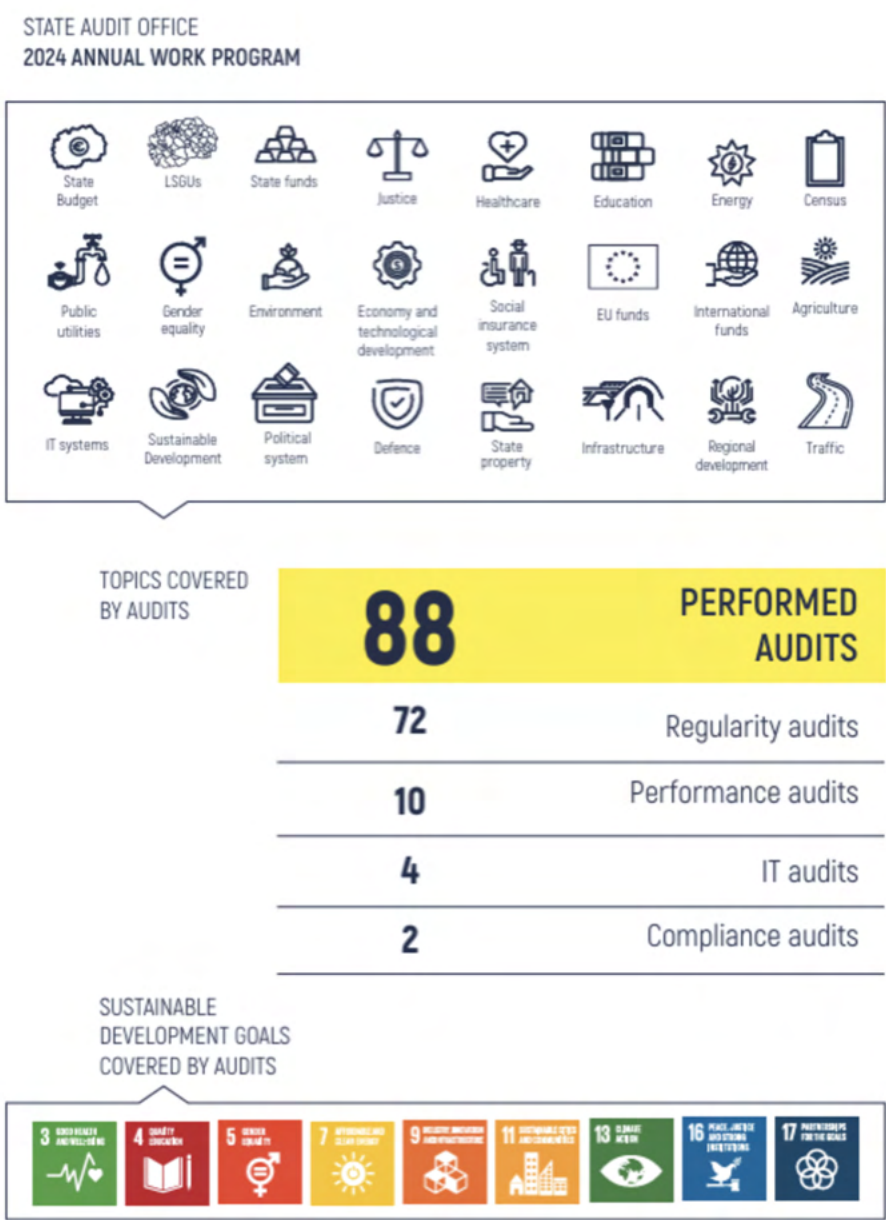
Maksim Acevski, MSc, Auditor General. Source: State Audit Office of Republic of North Macedonia

Financial Audits as Pillars of Democratic Accountability: State Audit Office of North Macedonia's Journey Toward Transparent Governance

By Maksim Acevski, MSc, Auditor General of the State Audit Office of Republic of North Macedonia

In times of growing demand for public accountability and transparency, supreme audit institutions (SAIs) serve as guardians of good governance. At the State Audit Office (SAO) of the Republic of North Macedonia, we remain persistent in our mission to ensure sound stewardship of public resources through financial, compliance and performance audits grounded in international standards and national priorities.

According to the latest [Annual Report for 2024](#), the SAO conducted 88 audits—covering financial statements, compliance, performance, and information technology (IT)—with findings documented in 132 final audit reports. These audits resulted in 882 audit recommendations based on 1,240 findings and issues. While these numbers reflect our operational efficiency, they also underscore our commitment to systemic improvement across the public sector.

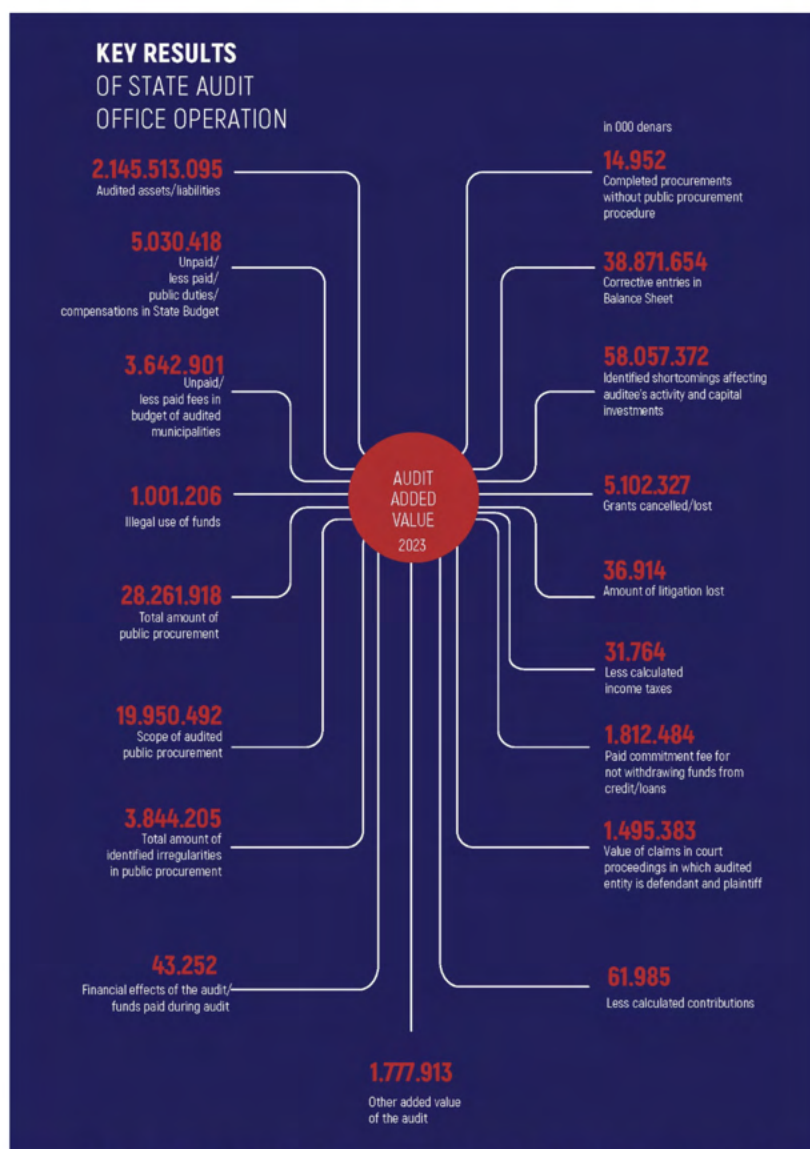


Source: State Audit Office of Republic of North Macedonia

Financial Audits Anchored in Strategic Relevance

The SAO's audit mandate is implemented through a robust Strategic Audit Plan and Development Strategy (2023–2027), aligned with INTOSAI principles and the national Public Finance Management Reform Program “Smart Public Finances.” Our aim is not only to assess financial regularity but to examine value for money in public spending and policy outcomes.

A core tenet of our work is the concept of added value. In 2023, our audits uncovered over 5 billion denars in unpaid or underpaid obligations to the central budget, alongside 3.6 billion denars affecting municipal finances. Moreover, illegal use of funds exceeded 1 billion denars, and identified irregularities in public procurements exceeded 3.8 billion denars, as a result of our findings. These figures not only highlight inefficiencies but also demonstrate the transformative potential of audit interventions when met with institutional responsiveness.



Source: State Audit Office of Republic of North Macedonia

Accountability Through Communication and Stakeholder Engagement

Transparency is a foundational value for SAO North Macedonia. Our updated Communication Strategy (2024–2027) promotes proactive dialogue with stakeholders—ranging from Parliament and the judiciary to civil society and the media. Currently, we reached more than 2,400 stakeholders through briefings, reports and digital platforms. Our social media presence expanded steadily, with our Facebook reach surpassing 2.5 billion visits since its establishment in November 2021 with more than 9,000 regular followers and website traffic exceeding 220,000 visits in the past year.

SAO MAILING LIST AND COMMUNICATION WITH STAKEHOLDERS 2020-2025



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| https://www.facebook.com/DrzavenZavodzaRevizija/ open | | Page Followers 762 31.12.2021 6.967 31.12.2022 9.116 31.12.2023 9.324 31.12.2024 9.557 30.06.2025 | | Total reach for 3 most viewed posts 8.000 31.12.2021 62.869 31.12.2022 76.697 31.12.2023 82.346 31.12.2024 84.632 30.06.2025 | |
| 17.11.2021 | | Total reach for last 10 posts 8.637 31.12.2021 25.021 31.12.2022 56.281 31.12.2023 15.972 31.12.2024 24.200 30.06.2025 | | Different profiles who saw any content from our page 8.982 31.12.2021 104.908 31.12.2022 114.465 31.12.2023 116.273 31.12.2024 117.700 30.06.2025 | |
| Average number of daily visits 518 31.12.2021 2.232 31.12.2022 858 31.12.2023 2.678 31.12.2024 4.668 30.06.2025 | | | | | |
| Total number of visits 2.828.765 22.808 31.12.2021 710.301 31.12.2022 844.417 31.12.2023 500.242 31.12.2024 750.997 30.06.2025 | | | | | |

Source: State Audit Office of Republic of North Macedonia

We actively support public understanding of audit findings through infographics, abstracts, press releases and video materials, ensuring that citizens—not just institutions—are informed participants in the audit ecosystem. According to our satisfaction survey, 93% of stakeholders rated our work as impartial, professional, and transparent.

Cooperation with the Assembly and Justice Institutions

Strong institutional cooperation remains vital. In 2024, we strengthened our engagement with the Assembly of the Republic of North Macedonia through regular reporting and participation in committee sessions. The Finance and Budget Committee expanded its review of individual audit reports, a practice now institutionalized through our Memorandum of Cooperation.

We also advanced our collaboration with the Public Prosecutor's Office. In 2024, we implemented joint guidelines for reporting audit findings with elements of criminal liability and conducted a series of joint workshops with prosecutors to harmonize audit and investigative processes. This initiative has already improved communication flow and expedited legal responses to critical findings.

International Cooperation and Shared Learning

SAO actively participates in the INTOSAI and EUROSAI communities and has signed 43 memorandums of cooperation with supreme audit institutions and entities from international, professional, educational, and governmental sectors, strengthening partnerships and promoting the exchange of knowledge and best practices.



Source: State Audit Office of Republic of North Macedonia

In 2024, we conducted 10 performance audits in cooperation with SAIs and international organisations. These projects covered strategic themes such as gender equality, implementation of the Sustainable Development Goals (SDGs), and digital public services. Our leadership in coordinating a cooperative audit on SDG 5—Gender Equality—resulted in an official presentation at the 68th Commission on the Status of Women at the UN Headquarters in New York. Through such joint efforts, we not only elevate our own standards but contribute to shared international accountability goals.

Building Capacity and Fostering Integrity

No audit institution can thrive without investing in its people. Our Human Resources Strategy (2024–2027) emphasizes continuous learning, ethical integrity, and digital proficiency, in accordance with the Annual Plan for Continuous Professional Development. In 2023, 101 SAO staff received certification and 17 were certified for trainers in corruption risk management — more than any other institution in the country.

In the 2024 National Integrity System assessment conducted by Transparency International, the SAO was ranked as the top institution with an overall score of 87.6 points, including 92 in the governance category and 87.5 regarding anti-corruption, as for its high level of transparency, accountability, and integrity.

SAO has been ranked as the top institution in the 2024 Integrity System Implementation Monitoring Report, published by the State Commission for the Prevention of Corruption. Among 160 assessed institutions from central and government and the judiciary—the SAO secured first place with a 92.3% implementation rate of the integrity system.

We also maintain ISO 9001 certification and are actively preparing for certification under ISO 37001 (anti-corruption) and ISO/IEC 27001 (information security), reinforcing our commitment to quality and ethics.

Looking Ahead: Independence and Reform

Our priorities for 2025 and beyond include securing full constitutional and operational independence for the SAO. The adoption of a new State Audit Law, aligned with EU standards and INTOSAI principles, remains a legislative priority. Institutional independence is not merely a legal ideal—it is a practical necessity for delivering credible, unimpeded audit oversight.

The evolving landscape of public finance presents both challenges and opportunities for SAIs worldwide. Digital transformation, environmental accountability, and crisis response auditing require new methodologies and competencies. SAO is adapting to these realities through continuous learning and introducing innovations in the audit processes.

As we move forward, we reaffirm our belief that financial audits are more than assessments of compliance—they are instruments for democratic accountability, better policymaking, and restored public trust. By addressing weaknesses, advising on reforms, and fostering institutional learning, SAIs can and must lead the way toward more transparent and resilient governance.

Let us continue to collaborate, innovate, and lead by example—true to the values that unite the global INTOSAI community.



Source: Michael Hix

Letter from the INTOSAI Journal President

By Michael Hix, President of the INTOSAI Journal

Greetings from Washington DC and your colleagues at the INTOSAI Journal. I hope this finds you, your colleagues, and families in good spirits and good health. This is an exciting time for the Journal as we publish this issue and prepare for the upcoming INTOSAI Congress in Egypt, where we look forward to engaging with the INTOSAI community.

I am very pleased that the Journal continues on an upward trajectory, with a expanding readership, useful and informative contributions from the INTOSAI community, and continuous improvements in the quality, timeliness, and accessibility of articles and news in all INTOSAI languages.

The Journal's Vice President and Editor, Ms. Jessica Du, deserves substantial credit for the Journal's success. Her dedication, professionalism, and constructive engagement with the INTOSAI community facilitate the ongoing success of the Journal in fulfilling its mandate as INTOSAI's primary communication mechanism.

Under the leadership of the Comptroller General in his role as Journal Chair, our board of directors deserves special recognition for their guidance and stewardship of the Journal and its resources. I would like to express my gratitude to Jessica, and fellow board members Tonita Gillich, Sarah Kaczmarek, and Michelle Sager. Their contributions and guidance provide a strong foundation for our ongoing success.



Bill Anderson. Source: U.S. GAO

This success also stems from the efforts of a departing Board Member, Bill Anderson, who recently completed his GAO career. Mr. Anderson served as GAO's Controller and Deputy Chief Financial Officer in addition to 12 years as a member of our board. Bill played an instrumental role in the Journal's modernization and continuous improvement and deserves recognition for ensuring the sound stewardship of Journal resources, managing our annual audits, and ensuring adherence to Generally Accepted Accounting Principles. I am grateful for Bill's leadership, counsel, and guidance, and wish him and his family great success and happiness in the future.

Thank you and best wishes,

Michael Hix
INTOSAI Journal President



State Supreme Audit of Albania. Source: Adobe Stock Images, Tupungato

Strengthening Public Fund Governance through Financial Audits: Insights from the Albania Supreme Audit Institution's Practice

Authors: Miranda Misini, Auditor, and Krisela Ngjela, Auditor, Albania Supreme Audit Institution

1. Introduction

Public finances are like the lifeblood of a country – they fund social programs, build infrastructure, and provide essential services that people rely on every day. Keeping public administration efficient and transparent is key to earning people's trust – it's about more than just good governance; it's about showing citizens that their institutions truly work for them. Financial audits are the main instrument used by Albania's Supreme Audit Institution (ALSAI) to guarantee efficiency, accountability, and transparency in the administration of public funds.

This article explores how ALSAI has utilized financial audits to strengthen public fund governance in Albania, drawing on data from 2022 to 2024. It provides an analysis of the types of financial irregularities identified, the scope of recommendations issued, and the impact of these audits on the performance and accountability of public institutions.

2. The Role of Financial Audits in Public Fund Governance

Financial audits are not merely a formality; they are a cornerstone of effective public fund governance. In the context of Albania, the Supreme Audit Institution (ALSAI) leverages financial audits as a tool to ensure that public funds are managed responsibly, transparently, and efficiently. These audits are far more than a routine exercise—they are a systematic process of evaluating how public money is spent, identifying gaps, and recommending improvements.

Ensuring Accountability. Financial audits directly hold public institutions accountable for their financial practices. By examining financial records, assessing compliance with laws, and verifying the accuracy of financial statements, the Albanian Supreme Audit Institution identifies both good practices and significant shortcomings. Financial audits conducted by ALSAI serve a dual function: enforcing accountability and revealing systemic deficiencies. These audits identify both critical irregularities and compliant practices—such as unauthorized municipal expenditures while also highlighting pervasive structural issues, including misclassification of expenditures, obsolete fixed asset registries, unreconciled treasury, and accounting records, inconsistent recognition of liabilities, fragmented financial reporting across organizational units, and under-resourced internal audit mechanisms. These recurring findings have led to corrective measures and underscore the urgent need to bolster documentation, internal controls, systems integration, and audit capacity to ensure that public funds are managed transparently, accurately, and efficiently.

Promoting Transparency. Transparency is a core principle of good governance, and ALSAI's audits contribute significantly to it. Audit reports are published on the official ALSAI website, making them accessible to the public and stakeholders. In 2024, over 106 audit reports were published online, with more than 50,000 visitors accessing these documents. Media engagement was also significant, with 382 articles in print media and 1,448 reports in audiovisual media. This proactive approach to communication ensures that citizens and stakeholders are informed about the management of public funds.

Enhancing Efficiency. Beyond accountability and transparency, ALSAI's audits promote efficiency by identifying areas for improvement in public financial management. Audit recommendations are not merely criticisms—they are constructive proposals aimed at enhancing processes, reducing waste, and improving resource utilization. In 2024, ALSAI issued 4,378 recommendations, many of which were aimed at optimizing budget management and strengthening internal controls.

3. Audit Insights: A Three-Year Overview

Over the period from 2022 to 2024, ALSAI conducted a total of 151 financial audits across various public institutions, including ministries, municipalities, and state agencies. These audits revealed a range of financial irregularities and deficiencies, as summarized below:

- 2022: 177 audits, including 35 financial audits, identifying unauthorized expenditures and poor budget management.
- 2023: 160 audits, including 71 financial audits, with findings of underreported revenues and weak internal controls.
- 2024: 159 audits, including 45 financial audits, highlighting mismanagement and lack of compliance with financial regulations.

Financial Irregularities Identified

The financial audits conducted by ALSAI revealed a range of irregularities that compromised the effectiveness of public fund management:

1. **Unauthorized Expenditures:** ALSAI uncovered millions of euros in unauthorized spending, including payments made without proper documentation, excessive procurement costs, and misallocation of funds.
2. **Unreported Revenues:** Several public institutions failed to properly declare revenues, leading to significant revenue losses for the state budget.
3. **Inefficient Use of Public Funds:** Weak internal controls and poor financial planning led to inefficient spending, including overlapping expenditures and unplanned financial commitments.
4. **Misclassification of Expenses and Revenues:** Public institutions recorded capital investments as operational expenses and delayed revenue recognition, distorting financial statements and undermining transparency.
5. **Unregistered and Unverified Assets:** A significant portion of fixed assets remained unregistered in accounting ledgers, lacked formal ownership documentation, and were excluded from depreciation schedules, thereby increasing the risk of asset misappropriation and inaccurate financial reporting.
6. **Variances in Treasury and Accounting Records:** Accounting records frequently did not reconcile with Treasury reports, hindering financial statement verification and complicating audits.
7. **Inadequate Financial Reporting Consolidation:** Institutions' failure to combine data from lower-level units resulted in financial reporting that was fragmented and lacking.
8. **Deficient Consolidation in Financial Reporting:** Institutions failed to consolidate data from subordinate units, leading to incomplete and fragmented financial reporting.
9. **Ineffective Internal Audit Functions:** The effectiveness of internal audit units in preventing financial mismanagement was diminished because they were usually dormant or only produced formal, non-risk-based reports.

Turning Findings into Action: ALSAI's Recommendations

One of the most critical aspects of ALSAI's audit process is the issuance of recommendations designed to address the identified deficiencies. These recommendations are not merely procedural—they are strategic measures aimed at strengthening public fund governance:

- **2022:** ALSAI issued 5,420 recommendations, focusing on improving budget planning, strengthening internal controls, and enhancing transparency in financial reporting.
- **2023:** ALSAI issued 5,759 recommendations, including targeted corrective actions for institutions with weak internal controls and insufficient financial management.
- **2024:** ALSAI issued 4,378 recommendations, with an emphasis on ensuring compliance with financial regulations, improving governance structures, and enhancing accountability mechanisms.

ALSAI goes beyond simply issuing recommendations. The institution has established a robust monitoring system to track the implementation of these recommendations. This includes:

- **Follow-up Audits:** Conducting subsequent audits to verify whether institutions have implemented corrective measures.
- **Public Reporting:** Publishing the status of recommendation implementation on ALSAI's website, ensuring transparency.

4. Conclusion

ALSAI's financial audits are a critical mechanism for promoting good governance in Albania. By identifying financial irregularities, issuing corrective recommendations, and promoting transparency, ALSAI strengthens accountability and integrity in public fund management. However, continuous efforts are needed to enhance audit capacity, ensure the implementation of recommendations, and foster a culture of transparency in public administration. To improve audit capacity, guarantee that recommendations are followed, and promote an ethical and transparent culture in public administration, ongoing efforts are necessary. The impact of ALSAI can be further enhanced through increased public participation, digitalization of audit procedures, and inter-institutional cooperation. In the end, maintaining public finances, bolstering democratic accountability, and fostering enduring trust between the people and the government all depend on a strong and independent audit function.



Source: Adobe Stock Images, soleg

Evaluating the Sufficiency and Appropriateness of Evidence in Financial Audits: A Case Study on the Cash and Cash Equivalents Accounting Cycle

Author: Jorge Pinto de Carvalho Júnior

Undoubtedly, evidence is the cornerstone that auditors rely on to substantiate their findings during financial audits. A critical question for auditors is whether the quantity and quality of the evidence gathered during testing unequivocally support their conclusions.

To address this, it is essential to understand what constitutes sufficient and appropriate audit evidence, and the methodological steps required to obtain it in an adequate proportion. This is necessary to effectively support the auditor's conclusions in the context of a specific examination.

In financial audits, at least three International Standards on Auditing (ISA) provide detailed guidance on this subject: ISA 500 – Audit Evidence, ISA 501 – Audit Evidence: Specific Considerations for Selected Items, and ISA 505 – External Confirmations.

To connect theory with practice, this article will explore some nuances of these standards through a hypothetical scenario, in which a newly hired auditor at a Court of Accounts has not undergone effective training programs nor received sufficient support from immediate supervisors regarding audit quality control. This auditor was assigned to conduct a financial audit of a municipality's consolidated accounts, specifically focusing on the Cash and Cash Equivalents accounting cycle¹, and must work by himself on this task.

Due to a lack of the necessary methodological tools for effective professional practice and facing tight deadlines, the auditor, eager to perform well, attempts to gather as much information as possible about the cycle he is responsible for. He accesses the accounting records within the audit scope and issues requests for additional data from the relevant parties. After analyzing the gathered documentation, the auditor plans and executes the tests he considers most appropriate.

Audit Procedure Planned by the Auditor

The auditor identified approximately 500 bank accounts recorded in the responsible party's accounting system, totaling \$ 20 million at the end of the audited period. He decided to select a non-statistical sample of accounts with the highest balances on that date, resulting in 20 sampled items amounting to \$ 3 million, which represents 15% of the total balance.

Unable to map all internal controls associated with the cycle, the auditor opted to perform only substantive procedures. He applied the inspection technique to verify the reconciliation between the accounting balances as of December 31 and the bank statements obtained from the municipality's finance department, along with the respective reconciliation forms.

The auditor did not identify any discrepancies in the examined sample. He completed the test documentation ("working papers") and submitted it to the audit team leader for review.

(1) Accounting cycles are groupings of accounts used in the process of recognizing, measuring, and disclosing specific financial transactions of an entity. For instance, the accounting cycle for provisions includes liability accounts (current and non-current) that represent such obligations, as well as the related expenses associated with them.

Summary of Tests and Findings

| Accounting Cycle | Population | Sample | Audit Procedure | Audit Technique | Evidence Gathered | Misstatement Detected |
|---------------------------|---|--|---|-----------------|---|-----------------------|
| Cash and Cash Equivalents | 500 bank accounts per accounting records; \$ 20 million total balance as of 12/31/XX. | Non-statistical (20 bank accounts totaling \$ 3 million, or 15% of the balance as of 12/31/XX) | Substantive Procedures (Tests of Details) | Inspection | <ul style="list-style-type: none"> – Accounting ledgers; – December bank statements provided by the auditee; – Reconciliation forms. | None |

Source: The author, Jorge Pinto de Carvalho Júnior.

Were the Audit Evidence Sufficient and Appropriate?

The most likely answer is NO.

The key considerations for this conclusion are summarised below. However, before delving into the merits of the evidence obtained in the illustrated hypothetical case, it is essential to emphasize that the definition of the audit approach for the cycle assigned to the auditor is intrinsically dependent on the risk assessment related to it. Decisions regarding the best responses to the identified risks will guide the auditor, among other things, on whether to combine operational effectiveness tests of controls with substantive procedures (thus reducing the sample size in the latter case) or rely exclusively on substantive procedures.

Furthermore, decisions about the audited statistical or non-statistical sample size, consequently, the volume of evidence needed, and their sources to provide relevant evidence to support the auditor's conclusions robustly depend on the process of understanding the entity, identifying its inherent risks, and evaluating the controls it has designed and implemented. With these elements, the audit team could make well-founded decisions, satisfactorily managing the risk of issuing inappropriate opinions and performing their work efficiently. This, for example, would result in effective planning and executing tests in the necessary proportion, neither under-auditing nor over-auditing the assertions subject to examination.

The lack of investment in infrastructure for sorting and processing biodegradable waste has created inefficiencies in achieving waste reduction targets. For example, a municipality in central Latvia received 2 million euros for the development of a modern composting facility. However due to administrative complications, the facility was not operational at the time of the audit. This resulted in increased transportation costs since waste had to be sent to facilities in other regions.

Furthermore, decisions about the audited statistical or non-statistical sample size , consequently, the volume of evidence needed, and their sources to provide relevant evidence to support the auditor's conclusions robustly depend on the process of understanding the entity, identifying its inherent risks, and evaluating the controls it has designed and implemented. With these elements, the audit team could make well-founded decisions, satisfactorily managing the risk of issuing inappropriate opinions and performing their work efficiently. This, for example, would result in effective planning and executing tests in the necessary proportion, neither under-auditing nor over-auditing the assertions subject to examination.

With these preliminary considerations in mind, it's possible to return to the hypothetical example:

Quantity of Evidence: The auditor tested only 20 out of 500 bank accounts, covering just 15% of the total balance as of the cutoff date, and did not correlate the sample to business risks. This does not guarantee that the evidence is sufficient. According to ISA 500:

A32. [...] The quantity of audit evidence needed is affected by the auditor's assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate for its poor quality.

Quality of Evidence: The auditor relied on bank statements provided by the finance department instead of using positive external confirmation techniques with the banks that hold the municipality's funds. This approach would have significantly increased the reliability of the evidence. ISA 500 states:

A35. While recognizing that exceptions may exist, the following generalizations about the reliability of audit evidence may be useful: The reliability of audit evidence is increased when it is obtained from independent sources outside the entity.

Audit evidence obtained directly by the auditor (for example, observation of the application of a control) is more reliable than audit evidence obtained indirectly or by inference (for example, inquiry about the application of a control).

Audit evidence provided by original documents is more reliable than audit evidence provided by photocopies or facsimiles, or documents that have been filmed, digitized or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance.

Assertions Addressed: The auditor focused on the “existence” assertion (verifying that accounting records were supported by bank statements showing the actual existence of financial balances at year-end) and the “accuracy, valuation, and allocation” assertion (cross-checking recorded values with statement balances adjusted for any reconciliations). However, the auditor overlooked other inherent risks associated with the Cash and Cash Equivalents cycle, such as risks related to “completeness” and “rights and obligations”:

Tracing techniques and data from the country’s Central Bank could allow for the identification of unrecorded bank accounts, potentially revealing fraud or material misstatements (completeness assertion).

External confirmations with banks holding recorded balances could uncover improperly recognized amounts that do not belong to the entity (rights and obligations assertion).

Scope Limitations: The auditor tested only year-end balances, neglecting inflows and outflows throughout the fiscal year and omitting necessary disclosure examinations.

Why Not Categorically Conclude on Insufficient and Inappropriate Evidence?

The sufficiency and appropriateness of the evidence are tied to risk assessment, which was absent in this scenario. If the risks of material misstatement related to the addressed assertions were low, it would have been possible to test the effectiveness of operational controls (if validated during the planning phase of the audit) and work with smaller samples without compromising quality. However, the lack of a risk-based approach undermines confidence in the evidence obtained.

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Jorge has served as a Municipal Comptroller and Secretary of Administration, Finance, and Planning in municipalities in Bahia, where he also worked as an entrepreneur. He is a former Internal Control Analyst at the Rio de Janeiro State Treasury (Sefaz-RJ), where he held the position of Superintendent of Technical Standards and served as Acting State General Accountant. Additionally, he was a Technical Advisor to CTCONF – STN, nominated by the Rui Barbosa Institute (IRB), and a former member of the Permanent Committee for Public Sector Accounting in Brazil (CP Casp), established by the Federal Accounting Council (CFC).



Source: SAI Latvia

Improving Financial Audit Efficiency: One Report Instead of 27

Author: Laila Kikuste

Introduction

In response to public demand and global trends, the State Audit Office of Latvia (SAI of Latvia) has initiated the most significant transformation in its audit operations in the past two decades.

To improve efficiency and enhance the specialization of human resources, the financial audit function has been centralized within a single structural unit. Previously, financial audits were carried out across all audit departments. This shift reflects a strategic commitment to modernize audit practices, strengthen institutional capacity, and ensure greater consistency, quality and impact in the financial audit process.

As a result, a single financial audit will be conducted and one audit report will be prepared, containing an opinion on the Consolidated Annual Financial Statements of the Republic of Latvia, which encompasses the annual reports of all state ministries, central government institutions, municipalities and derived public persons.

Background

Each year, in accordance with the State Audit Office Law and the Law on Budget and Financial Management, and within the statutory deadlines, the SAI of Latvia must conduct financial audits of the financial statements of ministries and central government institutions. Moreover, the SAI of Latvia must prepare and submit an audit report and an opinion on the State's consolidated annual financial statement to the Parliament of Latvia.

What was the previous approach?

Each year, the SAI of Latvia engaged 13 audit sectors in conducting financial audits. The institution comprised six departments, further divided into 17 sectors, meaning that three-quarters of all sectors participated in financial audits. These audits were primarily conducted from the summer or autumn of one year until April of the following year. As a result, 27 financial audit reports were produced – 14 covering the annual financial statements of ministries, 12 covering the annual financial statements of central government institutions, and one addressing the State's consolidated annual financial statement. In total, 27 audit reports and opinions were completed. In parallel with financial audit activities, the engaged sectors also conducted performance and compliance audits.

Why was the shift made?

The SAI of Latvia began considering changes to the financial audit process because the most recent financial audit results suggested that the quality of annual financial statements prepared by ministries and central government institutions had improved. For example, the number of unmodified opinions issued by the SAI of Latvia regarding the accuracy of annual financial statements had stabilized, as had the number of audit reports in which the SAI did not identify any deficiencies in their preparation. Each year over the past three years, only one or two cases out of 26 opinions revealed significant errors or scope limitations in the annual financial statements, where the exact amount of the error could not be determined. On average, in 63% of cases, auditors had not identified any issues requiring inclusion in an audit report (audit reports prepared without findings). These improvements resulted from cooperation among ministries, central government institutions and SAI of Latvia. Approximately 95% of errors identified by auditors are corrected or addressed during the financial audit process, and this practice is expected to continue.

Moreover, the State Treasury and State institutions have undertaken a series of actions over the past several years to implement many significant recommendations, such as: enhancing the regulatory framework by adopting a substantial part of the International Public Sector Accounting Standards (IPSAS), and improving the number of processes which are prerequisites for a well-organized internal control system and the proper preparation of annual financial statements. The Treasury is also implementing a project for the centralization of the accounting of state institutions.

The number of recommendations provided in financial audits has also been decreasing in recent years. In its assessments of the 2021 annual financial statement, SAI of Latvia issued 20 recommendations for improvement, and in 2022, provided 21 recommendations. This is a relatively small number compared to the period from 2016 to 2020, when 180 recommendations were issued over the entire period.

International experiences have also shown that centralizing the financial audit function within a single unit of the SAI can lead to positive outcomes, including improved consistency and efficiency.

The aforementioned facts determined the grounds for SAI of Latvia to review and optimize its approach to financial audits, aiming to achieve the correctness of the annual financial statements with a lower resource input, thereby redirecting the saved resources towards performance audits.

How were the changes carried out?

Formally, the entire process lasted from June 2022 to May 2025; however, on the practical level the process started much earlier with feasibility studies, discussions and estimates.

During the period from June 2022 to May 2025, it was necessary to amend the State Audit Office Law, followed by corresponding adjustments to internal regulatory acts. Overall, it was necessary to:

- Change the audit approach, which included revising the materiality and assurance levels, as well as changing the way the audit scope is determined;
- Optimize the audit process itself, which involved centralizing as many audit steps and procedures as possible, standardizing audit programs;
- Implement structural changes, including staff rotation and specialisation.

As part of the audit process optimization, substantial efforts were dedicated to the standardization of audit programs and the development of automated data analysis solutions. Multiple internal working groups composed of SAI of Latvia auditors were formed, culminating in the development of eight standardized audit programs and seven automated data analysis tools. Three audit tools were also purchased from an external programme developer. This represents an important step towards ensuring that the team operate according to a unified approach and handles a larger volume of data.

The structural reform of the SAI was equally important, whereby the previous structure of 13 sectors involved in financial audits was consolidated into a single department comprising three sectors, functioning as one unified financial audit group. While previously 93 employees, including auditors and management), were involved in financial audits, either partially or fully, and at various levels, including at the management level, currently 31 employees are involved full-time, including four in management roles.

Lessons learnt

Financial audits will be conducted by a single department, consisting of three sectors, and will operate as one unified audit group. Upon completion of the audit, a single report will be prepared, which will also include the opinion. We have learned that:

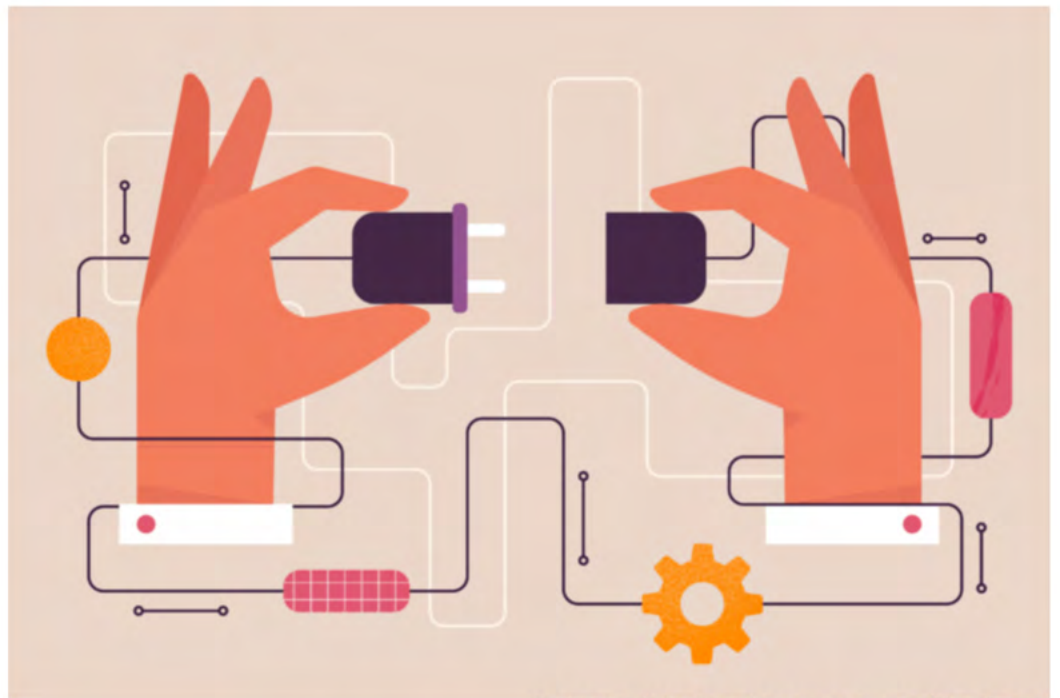
1. Time Matters. Significant changes in organizational structure and processes require time to implement effectively, as they involve not only procedural adjustments, but also shifts in mindset, roles and collaboration practices across the organization. Moreover, these changes affect and require the alignment of external stakeholders, including the need for legislative amendments – a process that is inherently time-consuming.

2. Employees Matter. It is crucial to communicate with employees openly and provide thorough explanations about upcoming changes to prevent uncertainty and misunderstandings. By addressing concerns and fostering a transparent dialogue, we can ensure that everyone is on the same page, in order to ultimately reduce the number of qualified personnel which may leave the institution under uncertainty. Equally important was the active involvement of staff in the practical aspects of the transformation. Their participation in activities, such as the standardization of audit programs, enabled employees to better understand and accept the purpose of the changes, and to recognize the benefits these changes would bring. Experienced employees are our greatest asset, and their knowledge and expertise will play a key role in successfully navigating this transformation.

3. Resources Matter. By implementing changes, we can allocate more resources to performance and compliance audits and use financial audit resources more efficiently.

4. Innovation Matters. The standardization of audit programs and the development of automated data analysis solutions is a significant step forward in enhancing efficiency and accuracy. It ensures that larger volumes can be audited more effectively while maintaining consistency, allowing all teams to work according to a unified approach. This modernization not only streamlines the process but also strengthens the overall quality of the audits.

We embarked on this challenging transformation as we began a new chapter on 1 May 1, 2025. What remains certain, however, is our strong commitment to progress and to delivering greater value through our work for the benefit of society.



Source: Adobe Stock Images, everything bagel

Integrated Approach for Impactful Financial Audit: Insights from SAI Indonesia

Authors: Mokhamad Meydiansyah Ashari and Normas Andi Ahmad

Abstract

This paper examines the integration of performance audit perspectives into financial audits on the Audit Board of the Republic of Indonesia's (BPK) by using the Financial Audit with Performance Audit Perspective (FAPA) framework. This paper demonstrates how FAPA approach, documented through Long-Form Audit Reports, enhances audit impact by evaluating both financial accuracy and operational effectiveness. Despite challenges in methodological alignment, stakeholder management, timing, and coordination, we present a structured workflow model for effective implementation of the FAPA framework. The paper advocates for further integration of sustainability and foresight elements to promote long-term value creation in public financial management, better meeting evolving stakeholder expectations and supporting Sustainable Development Goals.

I. Introduction – Financial Audit of Public Funds

The scope of audits expanded into the public domain with the signing of the Lima Declaration during the IX International Congress of Supreme Audit Institutions (INCOSAI) in 1977, establishing the foundation for public accountability and transparency (INTOSAI, 1977). While financial audits serve a critical role in the private sector by mitigating information risk for decision makers (Arens et al., 2012), achieving impactful audits in public administration, especially the interplay between audit methodology and good governance of public funds, needs greater attention among SAIs (Páramo, 2023). Some SAIs, such as SAI Latvia, offered an alternative to measure the impact of Latvia's governments budget by quantifying their audit recommendation from the monetary perspective (SAO Latvia, 2019). Others believe that good governance of public funds could be achieved by auditing consolidated financial statements to analyze financial situation of the public sector as a whole and its financial performance (Turkish COA, 2019). This paper explores the best approaches to enhance financial audit impact in public administration.

II. Audit in BPK

Audit Board of the Republic of Indonesia's (BPK), as the mandated institution, performs three primary types of audits on government entities: (1) financial audits, (2) performance audits, and (3) special purpose audits. Each type serves a distinct function in ensuring good governance, transparency, and accountability in the public sector.

- Financial audits assess the fairness of financial statements, building public trust and ensuring accurate budget accounting (INTOSAI, 2019a).
- Performance audits evaluate the economy, efficiency, and effectiveness of government programs (INTOSAI, 2019b).
- Special purpose audits, including compliance and investigative audits, ensure adherence to regulations and uncover potential fraud or misuse of public funds (INTOSAI, 2019d).

These comprehensive audit functions are crucial for maintaining accountability and optimizing resource use in government operations. These audits are guided by the State Financial Audit Standards (SPKN) which provide the ethical, professional, and technical foundation for audit practices in Indonesia (BPK, 2017). SPKN is developed in alignment with the International Standards of Supreme Audit Institutions (ISSAI), ensuring that BPK's audits meet globally accepted standards.

BPK emphasizes the importance of delivering substantial value to stakeholders through its audits, aligning with its vision of being a trusted institution that actively fosters high-quality financial governance to achieve state objectives. Beyond this vision, BPK actively promotes the strategic importance of audits in supporting SDGs through knowledge sharing and multi-stakeholder collaboration (BPK, 2023).

BPK's audit opinions carry significant implications for Indonesia's financial credibility in domestic and international contexts. Wijayanti and Suryandari (2020) observed that higher-quality audit opinions correlate with stronger financial performance among local governments. Favorable audit opinions help reduce perceived risk, thereby lowering the yield on government bonds and eventually boost investor confidence (Adinata & Ling, 2022). This relationship between audit quality and capital market performance underscores the strategic value of BPK's financial audits throughout Indonesia.

Furthermore, BPK audit findings significantly influence government financial performance. According to Indriani and Komala, (2024) these findings play a crucial role in guiding efficient and well-targeted regional expenditure allocations. When audit recommendations are implemented, local governments are better able to prioritize spending based on needs and outcomes, ultimately leading to improved public services and financial sustainability.

III. Integrating Performance-Audit Perspective in Financial Audits

A financial audit provides reasonable assurance over the fairness of an entity's financial statements by verifying transactions and evaluating internal control processes. By contrast, a performance audit evaluates the economy, efficiency, and effectiveness of resource use against predetermined criteria (INTOSAI, 2019a). Incorporating performance audit procedures helps auditors identify latent risks such as inefficient processes or misaligned objectives that might not surface through purely financial testing (Fano, 2024). By adopting this dual, financial audit and performance audit perspective, organizations can reveal cost savings opportunities and strengthen controls by pinpointing inefficient practices before they impact financial results. As public auditing evolves to meet complex stakeholder demands, Financial Audit with Performance Audit Perspective (FAPA) methodology will be essential to deliver deeper assurance and drive continuous improvement.

Recommendations are tailored to address both corrective actions for financial controls and strategic improvements for enhancing economy, efficiency, and effectiveness in operations. Ultimately, such integration enhances the quality of insights provided to management, enabling stronger governance and strategic decision-making. It also aligns audit work with evolving regulatory and societal expectations that demand sustainability, social impact, and prudent use of funds alongside financial compliance.

Audit reports typically come in two formats: the short-form and the long-form. A short-form report is a concise document that outlines the scope of the audit and the auditor's opinion on whether the financial statements present a fair and accurate view. By contrast, a long-form report is an expanded audit deliverable that details key risks identified and contextual narrative around internal controls and performance metrics. BPK formally adopted the integrated long-form audit report (LFAR) approach in alignment with INTOSAI-P 12, which calls on SAIs to deliver audits that demonstrate both compliance and value for money by combining financial and performance audit questions into a comprehensive report.

BPK has issued a dedicated LFAR guideline to steer pilot engagements at five regional offices during the first half of 2020. These pilot LFAR reports have delivered richer, multi-dimensional insights: stakeholders receive not only an audit opinion on financial statements, but also evaluations of program efficiency, effectiveness, and economy. Feedback from regional governments indicated that LFAR findings were more actionable and easier to understand, fostering stronger management commitment to corrective actions and service improvements (Fitrianto, 2023). BPK extends its influence globally by issuing LFARs for international organizations like the International Atomic Energy Agency (IAEA) and the International Maritime Organization (IMO) as their appointed external auditor. This role showcases Indonesia's credibility in public sector auditing, enhances transparency in these organizations, and strengthens the country's reputation in international governance and multilateral cooperation.

For example, in the audit of International Maritime Organization, BPK scrutinized the implementation of the Organization's technical cooperation in three critical areas: resources management, risk management, and result-based management. BPK assessed how effectively the IMO allocated and utilized its financial and human resources to support its technical cooperation objectives, evaluated the adequacy of its risk identification and mitigation strategies to ensure program resilience and sustainability, and reviewed the extent to which the organization applied a results-based management approach to measure outcomes, track progress, and ensure accountability.

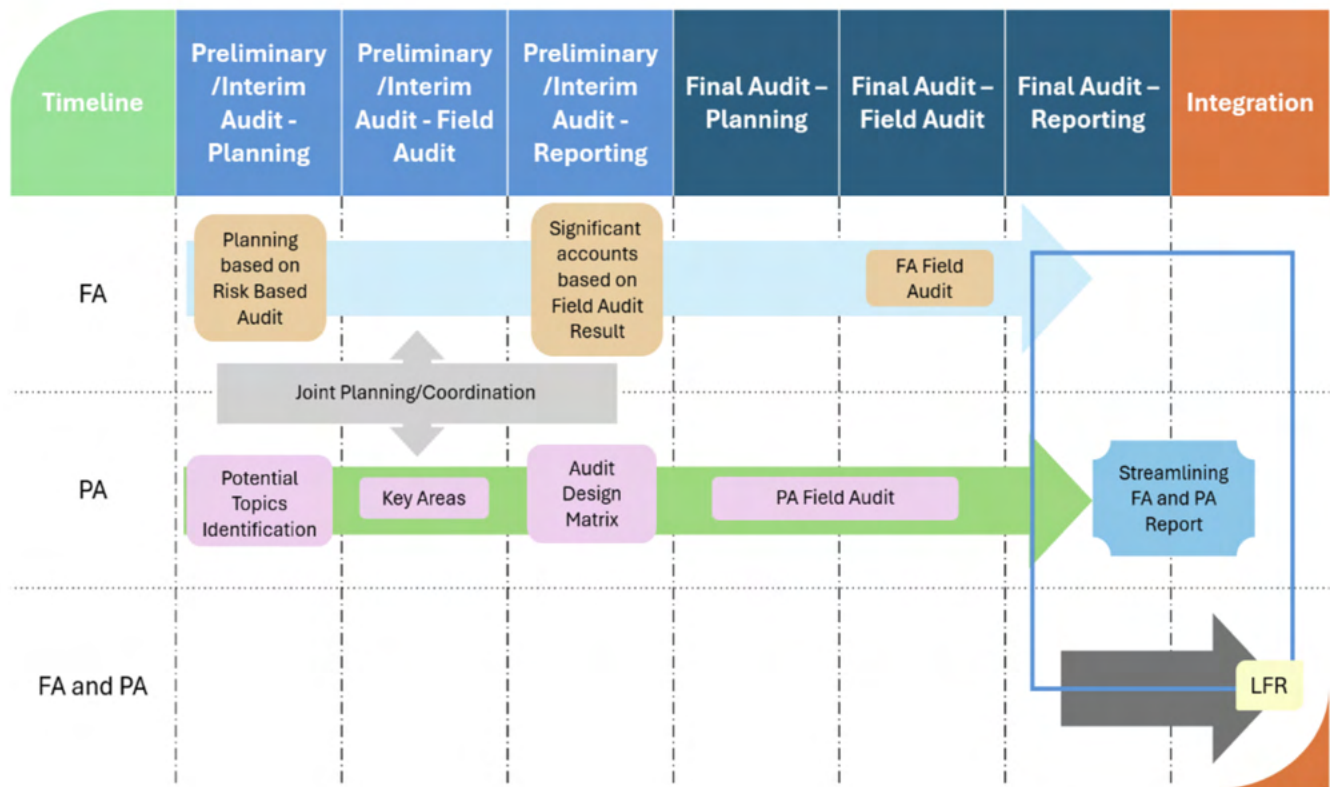
IV. Results and Analysis

Implementing FAPA enhances comprehensiveness by adding performance metrics to traditional financial assurance. However, performance audit methodologies diverge substantially from financial audit practices, necessitating that the performance audit team to develop and apply unique criteria, metrics, and data-analysis techniques, which need to be reconciled to produce coherent, integrated findings. ISSAI 3000 underscores the need for clarity in standard selection when audits overlap, advising that "all relevant standards should be observed" (INTOSAI, 2019b). It also notes that audit statements may need adjustment to reflect both financial and performance criteria—an aspect currently not fully integrated into BPK's FAPA process, where financial audit and performance audit teams operate with separate agendas.

When auditing an organization, aligning the financial and performance audit teams mostly means agreeing on sampling and evidence rules, something that can be handled with cross-training and joint planning. However, when the performance audit focuses on complex initiatives such as SDG implementation, aligning the objectives, data sources, and stakeholders' expectation requires extensive consultation and meticulous planning processes. These audits engage a wide array of stakeholders, including government ministries, development partners, civil society, and private sector actors as well as involve multiple layers of targets and indicators, significantly complicating standard selection and application compared to internal organizational audits (IDI, 2024).

Another challenge stems from the differing timeframes of financial and performance audits. Financial audits typically follow an annual cycle, with auditors conducting a full review of an entity's financial statements once per fiscal year. Performance audits, by contrast, are designed to assess programs and activities over a period often exceeding two years, requiring extensive planning and periodic risk reassessments. This disparity in time scope creates significant coordination challenges when integrating audit teams. To mitigate the challenges above and optimize the output from both perspectives, we proposed the integrated FAPA workflow, shown in the figure below.

Figure 1: Proposed Workflow of FAPA



Source: The authors, Mokhamad Meydiansyah Ashari and Normas Andi Ahmad.

V. Outlook and Conclusion

The integration of performance audit perspectives into financial audits through the FAPA framework represents a significant advancement in public sector assurance practices. By combining traditional financial verification with assessments of the economy, efficiency, and effectiveness, SAIs can deliver more comprehensive and impactful oversight. The long-form audit report serves as an effective vehicle for communicating these multidimensional insights to stakeholders.

Implementing this integrated approach presents challenges—methodological differences, stakeholder complexity, and misaligned timelines—but these can be overcome through the structured workflow model proposed. The dual-team approach, with clear roles, joint planning, and shared platforms, enables auditors to fulfill both financial and performance objectives within a single engagement.

As audit practices continue to evolve, SAIs should expand beyond the FAPA framework to incorporate emerging priorities. Embedding aspects such as sustainability and foresight into audit criteria will become increasingly critical. By embracing forward-looking dimensions in their integrated audit approach, SAIs can position themselves as strategic partners in promoting not only fiscal accountability but also long-term sustainable value creation. This evolution will ensure that public sector auditing remains relevant and impactful in addressing the complex challenges facing governments in the coming decades.

About the Authors

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Mr. Ahmad is a senior auditor with a master's degree in Environment and Sustainable Development from the University of Glasgow. He has extensive experience leading audit teams in the areas of energy, environmental, and natural resource management, as well as audits related to the Sustainable Development Goals (SDGs). He is also actively involved in the activities of the INTOSAI Working Group on Environmental Auditing (WGEA).

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Source: Adobe Stock Images, FAHMI

Best Practices for Conducting Public Financial Audits

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Effective public financial audits are vital tools in promoting transparency, accountability, and good governance in the public sector. Supreme Audit Institutions (SAIs) play a key role in evaluating how public funds are managed and ensuring that public officials act in accordance with laws, policies, and ethical standards. This article outlines best practices for conducting public financial audits, grounded in the International Standards of Supreme Audit Institutions (ISSAIs).

1. Planning and Risk Assessment

Audit planning forms the backbone of any successful public financial audit, just like any other audit. Auditors must begin by understanding the audited entity's operations, environment, and internal control systems, then carry out a risk assessment and then design audit procedures to answer the question **“Are the financial statements free from material misstatement, whether due to fraud or error?”**

An auditor should understand the ISSAI guidance in carrying out every stage of an audit, including:

1. **ISSAI 1310 Identifying and Assessing the Risks of Material Misstatement (ISA 315)**. Auditors can only identify and assess risks if they understand the environment they are auditing. It is important for an auditor to understand the environment of their auditee. This understanding helps auditors design appropriate audit procedures to mitigate risks and ensure the reliability of financial reporting.
2. **ISSAI 100 Fundamental Principles of Public-Sector Auditing**. This ISSAI underscores the importance of risk-based approaches in public auditing.
3. **ISSAI 2315 Identifying and Assessing Risks through Understanding the Entity and Its Environment**

Failing to conduct proper planning and risk assessment in an audit can lead to several serious consequences that compromise audit quality and the credibility of findings. Key dangers include:

- Incomplete Audit Coverage
- Inefficient Use of Resources
- Failure to Detect Material Misstatements
- Non-Compliance with Standards
- Weak Stakeholder Confidence, and
- Higher Likelihood of Audit Failures

Poorly planned audits increase the risk of errors in procedures, documentation, and reporting, potentially exposing the auditor and the SAI to reputational or legal risk.

Planning and risk assessment are the foundation of a high-quality, credible, and efficient audit. Skipping or minimizing this step exposes both the auditor and the audited entity to avoidable risks.

2. Gathering Audit Evidence and Documentation

High-quality audits depend on sufficient and appropriate audit evidence. In line with ISSAI 1500 Audit Evidence¹ and [ISSAI 2300 Audit Documentation](#), auditors should employ a variety of techniques, including analytical procedures, document reviews, and interviews, to collect credible information. Proper documentation ensures audit trail integrity and supports audit conclusions. Borrowing from the Association of Certified Fraud Examiners (ACFE) principle concerning chain of custody, auditors should handle all evidence with the same level of care as if it were to be presented in court. This means maintaining a clear, documented trail of how evidence is collected, stored, and transferred to preserve its integrity and admissibility. Treating audit evidence as potentially forensic enhances its credibility and reinforces the audit's objectivity. The key words for gathering audit evidence and documentation are sufficiency and appropriateness.

3. Reporting Findings and Recommendations

An audit's impact is significantly shaped by how findings are communicated. ISSAI 1700 Forming an Opinion and Reporting on Financial Statements² highlights the importance of timely, clear, and objective reporting. Audit reports should not only highlight irregularities, but also provide actionable recommendations that management can implement. An audit's value addition is reliant on the ability to present recommendations to change the situation and close control gaps.

4. Follow-Up Mechanisms

A robust follow-up process ensures that corrective actions are taken on audit findings. [ISSAI 3000 Performance Auditing Standards](#) encourages auditors to assess the implementation of recommendations as part of the audit cycle. Additionally, [ISSAI 140 Quality Control for SAIs](#) emphasizes maintaining audit quality through systematic follow-up reviews.

5. Upholding Ethical Standards and Independence

Maintaining the integrity and independence of the audit process is important. ISSAI 30 Code of Ethics³ and [ISSAI 10 Mexico Declaration on SAI Independence](#) points to the need for auditors to be free from undue influence and to conduct their work with integrity, objectivity, and professionalism.

6. Conclusion

By adhering to these best practices and aligning with the ISSAI framework, public auditors can enhance the credibility, effectiveness, and impact of their work. In doing so, they strengthen public trust and contribute meaningfully to the sound governance of public resources.

The key to effective audit is credibility. When audits are conducted with integrity and professionalism, they foster trust in both the auditor and the SAI they represent. This trust, in turn, enhances the perceived value of the audit and strengthens public confidence in oversight mechanisms.



The Author, Esnart Namukoko. Source: Esnart Namukoko

Footnotes

1. ISSAI 1200-1810 Financial Audit Practice Note was withdrawn from the INTOSAI framework. The Practice Note provides supplementary guidance on ISA 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing. The practice notes are still informative and helpful in terms of application of the international standards, and can be found here: World Economic Forum, "Closing the Global Infrastructure Investment Gap."
2. ISSAI 1200-1810 Financial Audit Practice Note was withdrawn from the INTOSAI framework. Please see the link in footnote 1. [🔗](#)
3. ISSAI 30 was withdrawn from the INTOSAI framework, but can be found here: Nisa and Khalid, "Impact of Infrastructure on Economic Growth."



The author. Source: Khalid Hamid

Financial Audits and Mechanisms for Good Governance of Public Funds: Levers in the Accountability Ecosystem for Greater Impact

Author: Khalid Hamid, International Director at CIPFA

Like many people, when I travel, I often take a taxi from the airport into the city center where I'm visiting or working. In my experience, taxi rides are a fantastic opportunity to learn about the local culture, find out which sights are worth a visit, or get recommendations about where to eat. What's more, these drives are a prime opportunity to find out some more nuanced (and personal) information: how people perceive their government. In many instances, issues of corruption, inefficiency, and waste are openly shared by the driver, alongside personal perceptions of particular politicians. It's a great, albeit anecdotal, way to get a feel for what local people are thinking or feeling.

How... you may be wondering... is this related to the issue of financial audit and good governance? Good question. The indirect relationship between public services and technical audits is often opaque. In my experience, I have found that many stakeholders assume there is a positive correlation between good audits and strong public financial management. This isn't always the case. I'm going to attempt to break down the aspects of financial auditing, and why additional support of compliance and performance considerations are needed to complete the circle for ensuring good governance – and ultimately how this might impact the views of local people, like the taxi driver.

Back to basics

Financial auditing requires a few elements to be performed. The first is an accounting framework against which the audit is performed. An accounting framework is a highly technical issue that often gets conflated with audit standards. In the INTOSAI world, there are a range of accounting frameworks. At the basic framework level, there are simple cash accounts that show the budget execution results, as well as salaries and procurement payments made over the year. In this case, this simply shows the tax receipts and how they've been used to fund government services.

At the other end of the spectrum are sophisticated accounting frameworks that are designed with multinational companies' operations in mind. This is known as the International Reporting Financial Standards (IFRS) and is controlled by a private sector foundation of the same name. A specific framework, similar to IFRS, for the public sector is known as the International Public Sector Accounting Standards (IPSAS). IPSAS is widely supported by the international community as the gold standard for public sector accounting.

Public vs. private sector audit

Linking the audit discipline is the next thing to consider. Public sector financial audit relies on private sector standards issued by the International Accounting and Assurance Standards Board (IAASB). This is unlike the accounting discipline, where the IPSAS framework has been developed. Put simply, auditing is seen as no different for the public sector. What this means is that INTOSAI Standards of Supreme Audit Institutions (ISSAI) for financial auditing are simply the private sector standards with a commentary on the public sector perspective. The implications for treating public and private sector audit the same are profound.

Professionalization

Currently, financial audit can only add credibility to the accounting function. It doesn't stand alone as a practice and/or function – it provides an opinion on the financial statements prepared by the accountants and audited entity. This means relying on the professionalism and capacity of the preparers of accounts and the finance staff involved in recording and approving transactions, events, and activities.

In accounting and auditing frameworks, it is implicit that these functions are carried out by representatives of organizations aligned to the International Federation of Accountants (IFAC) – these are your typical Chartered Accountants or Certified Public Accountants. To qualify for membership, individuals are required to pass onerous exams that cover the IFRS and IAASB standards. Worth noting, these exams do not typically cover IPSAS standards. Therefore, the public sector is generally less qualified to undertake the auditing and accounting functions in-line with complex international standards (ie. IPSAS).

New Zealand is often highlighted as the poster child for IPSAS implementation, and by association, represents a professional auditing establishment. However, in my experience, there are a majority of SAls somewhere the journey towards full IPSAS implementation. This journey can be (and often is) ongoing for decades, and has seen significant support from the likes of international financial institutions. A simple reason for the frequently seen delays in IPSAS implementation the mismatch of skills and expectations; IFAC member accountants' skills and experience are often not commensurate with the salaries and career paths offered by governments, including in some cases the Supreme Audit Institutions. Capacity remains an issue in most jurisdictions.

Good governance and public trust

The question at this stage is: how has the professionalization of financial accounting and auditing in the public sector contributed to the wider good governance mechanism(s)? To illustrate this, I'm going to focus on public trust.

Recent trends and challenges linked to declining levels of trust in government is a recurring topic that frequently comes up in professional conversations. The OECD recently published its survey of its member countries showing declining trust in governments. You put these results alongside the latest Transparency International Corruption Perception Index (CPI) and it leads to a depressing picture. Along with self-interested actors and a lack of political will, I think another factor is contributing to this alarming trend: financial audit's negligible impact on policy and political priorities and decisions.

A fundamental limitation

In my view, all the accounting and auditing initiatives of the past thirty years have not improved the situation on a macro basis. The financial illiteracy of key stakeholders, like politicians and civil society leaders, can and does limit the understanding of the information provided in financial audit reports.

It's telling that the only result in the public domain of financial audits in the private sector is the audit report – a highly technical document that provides credibility that the financial statements incorporated into the annual report created by the audited entity are reliable. This report allows investors to make decisions about their future engagement with the audited entity through the buying and selling of shares.

Conversely, the typical audit reports from public sector entities are often linked with compliance matters, and in many jurisdictions are published by the SAI itself. For example, the South African audit outcomes report includes a high impact report that summarizes the audit outcomes from financial and compliance audits conducted across a particular sector, such as local government. This is a perfect example that illustrates the unique value and landscape for public sector audit, and how different it is from the private sector.

Let's consider in more detail how the private sector use of accounting and auditing departs from the public sector's use. In the public sphere, we are not intending to move resources from health to education if education is performing better (as capital markets would react to two peer companies' performance, for example). Therefore, the accountability of using public resources is the crucial output from the process. This financial audit will only take you so far.

Another example is that public money could be spent on the item recorded in the financial statements, but it may have been entirely wasted. This would technically still be a 'correct' recording, but we need other lenses – performance considerations – to scrutinize the waste. During the COVID-19 pandemic, we saw real concerns arise around public procurement in emergency situations, and SAIs stepped up by using real time auditing that didn't rely on historical financial information for financial auditing.

The limitation of financial audit is also exacerbated in an environment of corruption. The compilation of financial statements can certainly illustrate that expenditure and income are recorded correctly. But this fails to quell public perception concerns in many jurisdictions that the fundamental bases of most transactions are linked to cronyism, bribery, or nepotism. Again, this practical reality reduces the respect for the audit function.

No silver bullet

These real-world challenges of course require more analysis. However, the point I'm trying to make is that financial audit is a valuable, but incomplete and dependent, service for the public sector. It's not a silver bullet. Financial audit uniquely overlaps with a wide range of public sector functions and organizations.

If we only rely on financial auditing, we can't meaningfully respond to a taxi driver's valid concerns in a comprehensive and accurate way. We could tell them how money is being spent and used, but not why they're feeling like their government (or its services) are not working in their favor. Financial audit is one important lever in the wider public financial management and accountability ecosystem, but to maximise its impact, you have to conduct financial audits with performance and compliance audits in mind.



Source: Adobe Stock Images, IMG visuals icons

Real-time Auditing: A Tool to Enhance Good Governance and Accountability for Public Funds

Author: Phillip R. Herr, Ph.D., Senior Adviser, Center for Audit Excellence

Overview

Real-time audits can complement and add to the scope of work undertaken by national, state and local audit organizations, providing timely insights and enhancing oversight and decision-making. As reflected in the INTOSAI Journal's recent discussion of responses to the COVID-19 pandemic, real-time audits helped to track contracts, funding, and services. Against the backdrop of the pandemic as well as tracking government interventions after financial crises and responding to natural disaster recovery efforts, real-time auditing experience offers lessons learned about how Supreme Audit Institutions (SAIs) can contribute to good governance and accountability for public funds.

All organizations need to periodically adapt to remain relevant and audit offices are not an exception. Audit offices are uniquely situated to provide insights into government spending and project outcomes. As such they benefit from public trust to provide objective, fact-based reports. However, audit offices must also periodically reinvent themselves as technology and software advances, permitting data mining on increasingly available information on program outcomes; likewise, gains from carefully employing artificial intelligence (AI) offer other possibilities. These advances also mean that policy makers and the public can become impatient for audit results to become available.

Audit organizations are also competing for talent. The opportunity to work on real-time challenges that can have a more immediate impact on program operations can help with hiring and retaining team members.

Attributes of Real-time Audits

Real-time audits do not look back on prior years except to provide context and background and, as the term implies, provide active oversight of ongoing programs. This can encourage corrections while emergency programs are being implemented or insights before programs are underway. Real-time audits can focus on financial, compliance, or performance or a combination of these three. Some audit offices focus on various stages of a project or program's life cycle, as discussed below, depending on the unique challenges each auditee faces. As such, real-time audits may last three- to six-months or audit offices may take a longer-term view and report periodically over several years on progress and challenges.

Pre-award reviews

- Reviewing beneficiary eligibility before contract decisions are made.
- Determining if award decisions adhere to established criteria and procurement practices.

Reviews of new or ongoing programs

- Monitoring outputs, outcomes, and data as auditees complete tasks to assess progress against timelines, benchmarks, and budgets.
- Conducting field visits to document that services are being delivered as stipulated in contracts.
 - For example, assessing if supplies such as vaccines being handled, stored, and safeguarded properly. This can be complemented by reviewing contracts, bills, and available stock.
- Forming teams that monitor, plan and undertake case studies, perform analytics on trends, and meet with implementing officials to cross-check information in real time.

Real-time Auditing Advantages and Contributions to Good Governance

Real-time audits can be very useful when crises occur or timely information is required to safeguard government-purchased supplies and assets; monitor public health service delivery; track disaster recovery efforts and rebuilding following hurricanes, earthquakes and natural disasters; monitor financial stabilization efforts; undertake more routine audits of ongoing programs deemed at high risk of waste, fraud, and abuse; and review newly created high-profile programs to determine whether appropriate financial and management safeguards have been established. Reporting on real-time audits can identify and correct problems quickly and identify opportunities to build in additional safeguards, as warranted.

The U.S. Government Accountability Office (GAO) has implemented a variety of real-time audits, leveraging expertise to ensure efficiency and effectiveness in various sectors. For example, during the 2008-2009 financial crisis, GAO teams actively monitored and reported on Recovery Act efforts every 60 days, forming cross-functional teams to track spending and outcomes across 16 states and collecting data from multiple federal and state agencies on broader outcomes. More recently, GAO tracked the federal COVID-19 response funded by the Coronavirus Aid, Relief, and Economic Security act (CARES) and coordinated with other SAIs and domestic audit offices.

GAO's real-time audits are characterized by their timeliness and the formation of cross-functional teams. These teams leverage subject matter expertise, such as in housing and transportation, as well technical support from engineers, attorneys, and methodologists. This approach ensures that audits are thorough and provide valuable insights. The following table offers some examples of real-time auditing benefits.

| | |
|--------------------------|--|
| Enhanced decision making | Support auditees and oversight bodies in making informed decisions quickly, improving overall responsiveness to emerging issues and detecting errors or compliance problems early. Identifying errors can also help prevent minor issues from escalating into more significant problems. |
| Efficiency improvements | More quickly identify auditee inefficiencies and streamline processes for better productivity and control. |
| Improved compliance | Help to ensure that auditees adhere to relevant guidelines. |
| Cost savings | Early detection of errors and inefficiencies can reduce rework, minimize waste, and lead to cost savings and better resource allocation. |
| Greater transparency | Provide timely views of operations and foster a culture of accountability. |

Real-time Audit Approaches

SAIs can conduct real-time audits on systems, problems, and results. As outlined in INTOSAI guidance², these approaches can be pursued from a top-down or bottom-up perspective, depending on the objectives and scope.

- A systems-oriented approach does not focus primarily on the policy or goals, but on well-functioning management systems as a condition for effective and efficient policies. (GUID 3910:54)
- A problem-oriented approach verifies stated problems and analyzes causes. (GUID 3910:52)
- A results-oriented approach studies actual performance, results and outcomes and relates those to criteria based on policy goals and objectives. Findings often focus on a deviation from criteria and recommendations aim to eliminate such deviations. (GUID 3910:51)

Focusing Real-time Audits on Program Operations

When conducting real-time audits, auditors need to consider various operational risks, such as financial mismanagement, fraud, poor procurement practices, vague contract provisions, and internal control deficiencies. It is also essential to take a fair and balanced approach, being open to information that auditees are adhering to laws and regulations, meeting performance goals, and finding innovative ways to deliver services.

Risks and Challenges SAIs May Encounter

Real-time audits can present several challenges, including access-related issues following a natural disaster or health-related emergency, poor quality data and information management, privacy concerns, and the potential for hasty decision-making. Auditors must be prepared to address these challenges and ensure accurate and complete data collection and analysis.

Managing and Conducting Real-time Audits

Effective management and communication are crucial for conducting and managing real-time audits. Setting key dates, regular check-ins, and tracking progress toward project plans can help ensure timely and accurate reporting.

Real-time Audit Strategies

SAIs can enhance their audit strategies by using data collection instruments, mixed audit methods, and in-depth case studies. These tools provide valuable insights into program operations and help identify areas for improvement as well as program successes. Sampling considerations and understanding the possibility of generalizing to the universe of program beneficiaries is also crucial. Likewise, time series data can be used to analyze patterns, identify trends, and inform predictions about likely future outcomes as well as any changes that can be recommended.

Managing Data

Prioritizing data quality, focusing on key performance indicators, and ensuring data security and privacy are essential for managing information in real-time audits. Regularly reviewing and adjusting metrics, indicators, and performance materiality thresholds can help to target scarce audit resources. Auditors can use data dashboards to manage information and identify areas where progress is being made and areas where performance has lagged. Data analytics and AI may be able to provide additional insights to target resources.

Things to be Mindful of When Conducting Real-time Audits

Data overload can be a challenge for an audit team. Real-time auditing can generate a large volume of information, overwhelming teams if not managed properly. Filtering relevant insights from noise requires clear objectives and robust data management practices. Privacy and security concerns must also be managed because continuous monitoring may raise unexpected issues. For example, auditors must safeguard beneficiary information, locations of sensitive sites, such as where costly supplies are stored, and be cautious about the potential for creating a sense that audited entities are being micromanaged.

Auditee resistance is real, and those implementing real-time audits can face pushback. Auditors must also be aware of the Hawthorne Effect. Briefly, the Hawthorne effect refers to the possibility that people change their behavior or performance because they are aware they are being audited.

Increased audit complexity can also be a potential concern. Real-time audits can be complex in rapidly evolving situations, which can influence ongoing data collection. False positives or negatives can also occur. There is also the risk of teams quickly forming negative judgements based on limited interaction with auditees or too quickly reviewing data and reaching erroneous conclusions, leading to potentially hasty decision-making.

As with any audit, accurate and complete data—the bedrock of the profession—is crucial. Any flaws in data collection and analysis can lead to incorrect assessments or faulty conclusions.

Working with Auditees

Engaging with auditees to set expectations for how real-time auditing differs from more traditional work. Maintaining transparency and fostering trust is crucial for success in this type of audit. Setting clear expectations for how real-time audits differ from more routine work, explaining data needs, and setting ground rules for the need to conduct timely fieldwork can help ensure cooperation and accurate data collection.

Reporting on Real-time Audits

Timely recommendations, perhaps the key benefit of real-time audits, allow problems to be identified and corrected as they arise. Reporting and engaging with oversight authorities on findings and recommendations or presenting facts to inform public debate allow real-time audit work to have an impact, leading to higher visibility of findings and recommendations.

Reporting timeframes will vary based on the nature and scope of the audit. Factors such as the scale of problems identified, the need for immediate action, and audit staff availability can influence reporting. Some audit offices may prefer to send periodic management letters while others will issue full reports and obtain auditees' comments. Setting a positive tone with auditees and identifying best practices can help to improve rapport and lead to better implementation of recommendations.

Conclusion

Real-time audits offer numerous benefits, including enhanced decision-making, improved compliance, cost savings, and greater transparency. By leveraging strengths and addressing challenges, SAIs can conduct effective real-time audits that contribute to better governance and public sector accountability.

Footnotes

- 1.Recovery Act refers to the [American Recovery and Reinvestment Act of 2009](#). It was a U.S. federal law passed in response to the Great Recession with the goal of stimulating economic activity, creating or saving jobs, and investing in projects to spur long-term growth. [↗](#)
- 2.INTOSAI Guid 3910, Central Concepts for Performance Auditing, 2019. Downloaded April 25, 2025, at <https://www.issai.org/wp-content/uploads/2019/08/GUID-3910-Central-Concepts-for-Performance-Auditing.pdf>. [↗](#)



(L) Charles Edward Kichere, Controller and Auditor General of the United Republic of Tanzania and (R) Frank Sina. Source: The author, Frank Sina

Enhancing Collaboration between Supreme Audit Institution and Anti-Corruption Agencies: Lessons Learnt from Tanzania

Author: Frank Sina (PhD)

The views, opinions, and interpretations expressed in this paper are solely those of the author and do not necessarily reflect the official policies or positions of the National Audit Office of Tanzania nor the Prevention and Combating of Corruption Bureau. Any conclusions or recommendations made in this paper are the author's own and do not represent the ideas or views of the institution.

1. Introduction: About Tanzania

Tanzania is one of the East African countries vested with stunning landscapes, rich culture, and iconic tourist attractions. Tanzania's economy is classified as lower-middle-income, with a Gross Domestic Product (GDP) of around \$75 billion US dollars. The economy is diverse, with agriculture, mining, and tourism being key contributors.

In recent years, Tanzania has made significant strides in infrastructure development, energy production, and social services, which have collectively bolstered economic growth. Despite these advancements, the country continues to grapple with challenges related to corruption and financial crimes. The government has intensified efforts in combating these issues, corruption remains a significant impediment to development and poverty reduction. The country's ranking on international anti-corruption indexes reflects ongoing challenges, with Transparency International placing Tanzania at 94th out of 180 countries in its Corruption Perceptions Index (CPI) for 2023.

The fight against corruption in Tanzania is spearheaded by several key bodies, including the Prevention and Combating of Corruption Bureau (PCCB) and the National Audit Office of Tanzania (NAOT). These institutions play a crucial role in investigating and prosecuting corrupt practices, promoting transparency, and ensuring the proper use of public resources. Recent initiatives have focused on enhancing the capacity of these institutions and fostering greater public awareness and participation in anti-corruption efforts. In this article, an expose of the current collaborative framework is shared and lessons from the existing framework are discussed as an insight to other similar organisations to follow the suit.

2. Overview of the Entities

National Audit Office-Tanzania (NAOT) and the Prevention and Combating of Corruption Bureau (PCCB) are among key oversight and watchdog institutions within the accountability framework of the country. Whereas the effective Supreme Audit Institution (SAI) promotes and enhances transparency accountability and predictability of government performance, anti-corruption authorities are essential for promoting good governance, protecting human rights, fostering economic development, and preserving the integrity of institutions. Their role is critical in combating corruption and building more transparent, accountable, and just societies.

2.1 The Controller and Auditor General and the National Audit Office of Tanzania

The Controller and Auditor General (CAG) is one of the Constitutional Authorities of the United Republic of Tanzania. The CAG is established under Article 143(1) of the Constitution of the United Republic of Tanzania, 1977 (hereinafter 'the Constitution'). The CAG is the Head of the National Audit Office of Tanzania (NAOT), which is recognized under sections 20(1) and 20(2) (a) of the Public Audit Act, Cap. 418 as the Supreme Audit Institution of the United Republic of Tanzania.

Under Article 143(2) (c) of the Constitution, the CAG is mandated to examine, inquire into and audit the accounts of the Government of the United Republic, the accounts managed by all officers of the Government of the United Republic and the accounts of all courts of the United Republic and the accounts managed by the Clerk of the National Assembly. Under Section 5(c) and Part IV of the Public Audit Act, the CAG is mandated to undertake various kinds of audits to public Organizations including financial and compliance audit (Section 26), and Performance Audit (Section 28). Further, the CAG is also mandated to undertake compliance audit including procurement audit.

Among audits conducted by the NAOT are special and forensic audits, which usually review suspicion of fraud, mismanagement and other corrupt practices. CAG conducts these audits on his own discretion or upon request by legal organisations or persons including the PCCB. Upon conclusion of these audits, CAG typically shares such reports with PCCB even when the same are requested by other bodies or authorities. PCCB uses audit reports for investigations and, where tenable, calls NAOT auditors to clarify issues during investigations and to testify in courts as witnesses for the Republic where the reports are tendered.

2.2 The Prevention and Combating of Corruption Bureau (PCCB)

The PCCB is a law enforcement agency vested with powers to prevent, investigate, educate, and prosecute all corruption offenses within the United Republic of Tanzania. These powers are exercised in public and private sectors. Section 7 of the Prevention and Combating of Corruption Act, Cap.329 (PCCB Act) vests the PCCB with the powers to: examine and advise the practices and procedures of public, parastatals, and private organizations; facilitate the detection of corruption or prevent corruption and secure the revision of methods of work or procedure which appear to add to the efficiency and transparency of the institution concerned; cooperate and collaborate with international institutions, agencies or organizations in the fight against corruption.

PCCB uses audit reports to prevent corruption as per section 7(a) and (c) or investigate subject to the directions of the Director of Public Prosecutions, and prosecute offenses as provided under section 7(e) of the PCCB Act and other offences involving corruption. Further, PCCB has a crucial role under section 45 of the PCCB Act, to establish and maintain a system of collaboration, consultation and cooperation with law enforcement agencies and other national authorities within the United Republic engaged in investigation and prosecution.

3. Collaboration Frameworks

PCCB and NAOT have been collaborating in various spheres since PCCB was established. The collaboration was put into a legal framework in 2008, when the Public Audit Act was enacted. The Act, under section 27, requires persons working on behalf of CAG to report suspicion of fraud or related offences to CAG. CAG is required to study the matter and communicate the incidences reported by his subordinates to investigative organs and serve a notice to the Director of Public Prosecutions (DPP).

Investigative organs are required to investigate the matter within 60 days and report their findings to DPP for a determination of tenability of such matter for criminal prosecutions. In case the same is not tenable in law, DPP is obliged to notify the CAG and recommend alternative measures of redress. CAG may apply the measures recommended to pursue and enforce alternative measures of redress as recommended by the DPP against the audited entity.

Following this enactment, several consultative actions on how best the two organisations can collaborate have been undertaken. Among these actions is the conclusion of the Memorandum of Understanding (MoU) between NAOT and PCCB on the 18th December 2017. The MoU was revised and updated on 17th December 2020 and now focuses on improving collaboration particularly in execution of special audits, information sharing and capacity building among its officers. Following this, heads of the institutions developed and approved a joint implementation plan and appointed a liaison officer's working group

4. Existing Collaboration Practices

NAOT and PCCB complement each other's work. The societal value of NAOT as a SAI and its contribution can be easily evidenced through successful investigation, prosecution of cases originating from audit findings and the recovery of mismanaged public resources by authorities charged with responsibility to do so, including the PCCB. PCCB, on the other hand, depends on the NAOT's audit reports as indicators of red flags for corrupt practices, and requires expert evidence for cases of financial misappropriation and loss to specified organisations.

NAOT communicates suspicions of wrong doings that it comes across during the audit or after completion of audits, specifically forensic and special audits, to PCCB. The latter is obliged to undertake investigations within 60 days, or about 2 months. Upon completion, the investigations are communicated to the Director of Public Prosecutions (DPP) to determine appropriate legal actions, including prosecutions of suspects of wrongdoing. NAOT auditors frequently appear as expert witnesses in cases emanating from audit findings.

The two organisations are part of the national, regional, and international coordination and cooperation bodies involved in the prevention and fight against corruption and enhancing accountability. Officers of these organisations frequently hold Technical Teams and Liaison Officers Meetings to discuss key issues that affect working relations and how to best collaborate to achieve their strategic objectives.

Both organizations usually invite experts from the above-mentioned bodies for capacity building to its officers, particularly in areas of their mandate and technical expertise. NAOT shares information regarding audits conducted (apart from those requested by PCCB) if they have indication of corrupt practices that could be subjected to in-depth investigations.

The two organizations are working to develop a joint Standard Operating Procedures (SoPs) with the aim of documenting existing practices of collaboration for consistency, predictability and sustainability. SoPs will provide guidance for how the officers in field can actually work together to enable the organisations achieve the desired objective , while being mindful of statutory frameworks governing their affairs. SoPs will have a particular focus on the areas of execution of audit and investigation mandate, information sharing and capacity building, and will complement the existing framework.

5. Key Lessons Learned for Effective Collaboration

While there are still several areas for improvement within the existing from collaboration framework between Tanzania's SAI and the Anti-Corruption Agency, the progress realised gives some lessons for an ideal collaboration between similar institutions in other jurisdiction. Key lessons learnt include:

5.1 Successful Collaboration Requires a Strong and Well Organized Collaboration Framework

As discussed above, the collaboration between the NAOT and the PCCB is significantly strengthened by a robust legal and institutional framework. The Public Audit Act of 2008 provides a solid legal foundation for this partnership, which is further reinforced by the Memorandum of Understanding (MoU) signed in 2017 and revised in 2020. A well-defined framework such as this present in Tanzania ensures that both organizations have a clear understanding of their roles, responsibilities, and the processes for collaboration, facilitating a systematic and structured approach to their joint efforts.

5.2 Leadership Support and Emphasis on Collaboration

The strong support from the highest levels of leadership, including the President of the United Republic of Tanzania, Her Excellence Samia Suluhu Hassan has been an important factor that has contributed towards deepening of the existing collaboration between NAOT and PCCB. The President's emphasis on the importance of these institutions working together sets a clear tone from the top, encouraging cooperation and the resolution of challenges at all levels. This leadership-driven mandate has empowered the CEOs of both organizations to prioritize collaboration, ensuring that their respective officers are aligned with the overarching goal of combating corruption and enhancing accountability. This generally sends a clear message for that the SAI and anti-corruption body to work together and achieve their common objectives, there must be not only political will, but actual support from the top leadership, which cascades to lower level officials.

5.3 Existence of Regular Feedback and Working Sessions

Officers from PCCB and NAOT regularly hold feedback and working sessions, which have been instrumental in maintaining a productive partnership between the two organizations. These sessions provide a platform for both entities to share information, discuss ongoing issues, and strategize on more effective approaches.

The iterative feedback process enables the identification and resolution of challenges, ensuring that the collaboration remains dynamic and responsive to emerging needs. While these meetings and sessions may require financial resources, their presence plays an important role in bolstering technical level collaboration at field levels.

5.4 Presence of Dedicated Liaison Officers

The appointment of dedicated liaison officers has proven to be a critical element in the success of the collaboration between NAOT and PCCB. These officers act as essential conduits for information sharing, ensuring that communication flows smoothly between the two organizations. Their role in expediting the resolution of issues and facilitating coordination at the operational level has been key to achieving timely and effective outcomes. Appointment of such officers needs to be meticulously done to ensure that the officers are reasonably senior, have deeper understanding of the two organisations' processes, and command respect among peers.

5.5 Provision of Financial Resources for Joint Capacity Building

The allocation of financial resources, particularly through initiatives like the Building Sustainable Anti-Corruption Tanzania (BSAAT) program, has been fundamental in supporting the joint efforts of NAOT and PCCB. These resources have enabled both organizations to invest in capacity building and regular meetings, which are crucial for enhancing the skills and knowledge of their officers. This signifies a key lesson that, effective and efficient collaboration requires financial resources to enable officers frequently meet, share knowledge and conduct other joint operations. This financial backing ensures that the collaboration is not only sustained, but also continuously improved, with both organizations benefiting from shared learning and development opportunities.

6. Conclusion

In summary, the collaboration between NAOT and PCCB is a testament to the importance of a well-organized framework, strong leadership, regular communication, dedicated personnel, and sufficient financial support. These elements, when combined, create a vigorous foundation for a successful partnership that significantly contributes to the fight against corruption and the promotion of accountability in Tanzania.

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Source: Adobe Stock Images, tadamichi

Harnessing Real-Time Analytics for Public Accountability: The Digital Evolution of Supreme Audit Institutions

Author: Emmanouil Kalaintzis

I. From Slow Scrutiny to Instant Vigilance

Classic financial audits arrive long after the money has moved. By the time ledgers are reconciled and reports are tabled, fraudulent transfers may be laundered beyond recovery. Government data, however, now travels through digital highways—treasury platforms, tax APIs, banking gateways, platforms, even the cloud—where each transaction leaves a time-stamped footprint.

When Supreme Audit Institutions (SAIs) input those streams into analytical engines, they compress the audit cycle from months to minutes. Moreover, machine learning can be trained by accumulating the data to aggregate and adapt into locating patterns¹. Suspicious patterns then can emerge and be detected almost as soon as they form, and auditors gain a chance to act while public funds are still within reach. As government finances become fully digital, classic auditing needs to adapt quickly, otherwise risks can be deemed anachronistic.

Today the same application-programming interfaces that power treasury, procurement, tax and banking systems can feed a continuous stream of transactions to SAIs through interoperability. By mining those flows for statistical anomalies, auditors can spot illicit enrichment patterns virtually as they emerge, shrinking the window in which funds can be hidden or laundered. Data visualizations, live dashboards, and automated alerts allow SAIs to share insights more immediately with stakeholders and, in some cases, with the public itself. This contributes to a more open audit process and empowers civil society to monitor public sector performance in a dynamic, data-driven environment. As the OECD (2024) observes, real-time systems enhance both the assurance function and the external legitimacy of public oversight by improving visibility and enabling more timely interventions².

A real-time detection system is built in layers. Secure pipelines first ingest banking, procurement, customs and tax feeds. It is a layered ecosystem in which raw data are ingested, aliases are resolved, risk signals are engineered, models assign scores, alerts are triaged and every decision is logged for evidentiary integrity. Many variants can also be detected, holding companies and beneficial owners, based on the chain of transaction which is broken down and chartered, to disclose the bank transfers, tax declarations, customs declarations and other dealings that complete the big picture. Raw numbers can be easily “interpreted” into behavioural signals—unusual growth rates, atypical peer-group ratios, emergent payment networks. Machine-learning models or expertly crafted rule sets score each event, ranking it by risk. Finally, a case-management module routes the highest-risk items to human auditors, signaling the risk areas with accuracy in order to accurately construct the audit plan. Auditors, of course, have the oversight using their power to dismiss an alert or follow up, thus allowing data science and professional judgment to reinforce one another.

II. Legal challenges : Re-wiring the Audit Process

Despite advantages, the deployment of algorithms raises complex legal and ethical questions. Powerful analytics can overwhelm or mislead if left unchecked – without human oversight³. Excessive false alarms exhaust staff; hidden data gaps skew models; black-box algorithms risk uneven treatment; issues pertinent to the protection of personal data arise. Mitigation of risks begins with transparency: every alert should display the evidence that triggered it. Review responsibility must be tiered, and logs must record who accessed what and when, preserving the chain of command.

Many SAIs lack the technical infrastructure or expertise to implement sophisticated artificial intelligence (AI) auditing frameworks. Moreover, tensions often arise between the need for transparency and the protection of commercial confidentiality or intellectual property, especially when auditing private-sector contractors or embedded algorithms in public systems. To address these limitations, SAIs must develop robust digital governance strategies, invest in cross-disciplinary capacity-building, and adopt ethical-by-design principles when deploying real-time analytical tools. The digital evolution of SAIs will depend not only on technological readiness but also on institutional commitment to upholding integrity, independence, and citizens' rights in a rapidly changing oversight landscape.

The European Union Artificial Intelligence Act (EU AI Act), adopted in July 2024, establishes a harmonized legal framework for the development, deployment, and use of artificial intelligence systems across Member States. Grounded in a risk-based approach, the Act categorizes AI systems into four tiers—unacceptable, high, limited, and minimal risk—each associated with specific compliance obligations. Systems considered high-risk, such as those used in law enforcement, financial services, and healthcare, must meet rigorous requirements concerning transparency, human oversight, risk management, and data governance⁴.

While the Act does not explicitly mandate AI audits by providers or deployers, it strongly aligns with audit-related practices by emphasizing principles such as fairness, human oversight, accuracy, and transparency. Furthermore, provisions like Article 9 (risk management) and Article 11 (technical documentation) imply procedural and operational needs that may be fulfilled through structured auditing practices⁵.

III. Greek SAI's Example of modernization

SAIs may be called upon to audit the public sector's use of AI systems, particularly in areas such as automated decision-making or AI-assisted resource allocation, but they must also ensure that their own use of AI-based analytics respects data protection laws, procedural fairness, and the principle of explainability. The Hellenic Court of Audit of Greece offers a contribution on addressing both sides of the same coin. According to the Greek Constitution, the Hellenic Court of Audit (Elegktiko Synedrio) is the Supreme Financial Court of the Hellenic Republic, functioning as the Supreme Audit Institution of the state, auditing the use of public funds.

Currently, the Hellenic Court of Audit is entering a new era of digital transformation through the implementation of its Integrated Information System (IIS), a flagship reform initiative funded by the Recovery and Resilience Facility of the European Union. The project is designed to modernize the Court's operational and judicial functions by embedding cutting-edge digital technologies and artificial intelligence tools into its daily workflow.

The new system introduces functionalities such as the digitization of extensive judicial archives, automated document processing, and the development of an electronic case file to centralize all procedural elements in a single digital environment. Crucially, the system includes AI-based components, such as automatic anonymization of decisions, thematic case classification, and the real-time suggestion of relevant case law and legislation to support the adjudicating judge. These features aim not only to accelerate adjudication processes and reduce backlog, but also to enhance the quality, consistency, and accountability of judicial outcomes. The tools are intended to assist, not replace, judicial discretion, thereby preserving the independence and integrity of adjudication.

Furthermore, the IIS will be interoperable with other public administration and judicial platforms, significantly reducing procedural redundancies and enabling a more streamlined, data-driven approach to justice. The new digital portal of the Court, launching officially on 16 September 2025, will also improve accessibility and provide citizen-facing services, reflecting a broader shift towards institutional transparency and civic engagement.

In this context, the digital evolution of the Hellenic Court of Audit strengthens the performance of its competences, both judicial and auditing. The integration of intelligent systems facilitates more timely and effective oversight, while ensuring alignment with principles of legality, proportionality, and respect for fundamental rights. It marks a decisive step toward a more modern, efficient, and accountable justice system.

Finally – given the EU AI Act’s emphasis on fundamental rights, transparency, and human oversight—particularly in high-risk AI systems—it may be reasonably expected that a Court of Audit vested with jurisdictional powers could exercise its competence to review acts of imputation involving AI systems. In such cases, the Court would be entitled to assess whether the deployment of the AI system respected applicable human rights standards, including safeguards against discrimination, the right to due process, and data protection principles. This oversight aligns with the broader objective of the AI Act to ensure that AI technologies operate in accordance with the Union’s foundational rights framework, thereby reinforcing the legitimacy and accountability of automated public decision-making. In the case of the Court of Audit, liability is minimum to zero as it functions as a Supreme Financial Court, vested with all necessary powers of impartiality and independence and employed with judges empowered to ensure the necessary overview of the requisite legal soundness. Its new Statute (law No. 4820/2021) and constitutional vetting immunizes the Hellenic Court of Audit and empowers it to deal effectively with those threats.






Turning now to auditing of AI systems utilized by audited bodies, the Hellenic Court of Audit is currently reviewing the national asset-declaration regime—a system that requires hundreds of thousands of office-holders to disclose income, property and liabilities each year. The system of asset declarations was recently revised, including a modern, fully digital filing platform became recently fully operational. It is designed to draw information from tax, land-registry and banking databases, creating the technical basis for transaction analytics. The Hellenic Court of Audit has audited the functioning of this system, that is considered by the Organization for Economic Cooperation and Development (OECD) a prime tool fighting corruption in the public sector. The outcome is soon to be published within this year, 2025.

IV. Conclusion

Many jurisdictions have digitized oversight—e-invoicing, electronic declarations—yet still rely on labor-intensive sampling to test integrity and enforce accountability. Continuous transaction analytics closes that gap. A shared library of open-source red-flag models—conflict-of-interest detection, procurement-collusion mapping, VAT-carousel tracing—would let resource-constrained SAIs leapfrog years of experimentation. Transaction analytics does not replace professional skepticism or judicial overview; it amplifies it. By converting a torrent of digital exhaust into credible red flags, SAIs can move from manual risk identification to vigilant guardianship.

The lesson is universal: secure the legal powers, open the data flows, blend audit craft with data science and iterate quickly under strong ethical guard-rails and exchange, or even better, pool best practices and information technology (IT) expertise. The reward is a rise in both deterrence and detection—long before the ink dries on the audit report. Any SAI contemplating the journey begins with the upgrading and shielding the mandate to ensure due process.

Footnotes:

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Source: Adobe Stock Images, alexdndz

Digitalising Contract Oversight: Somalia's Office of the Auditor General Leads the Way

By Noor Ali Farah, Public Relations Manager, OAG Somalia

A Milestone in Public Sector Reform

Office of the Auditor General of Somalia (OAGS) has achieved a significant milestone by implementing a digital Contract Management System (CMS), representing a pivotal step toward promoting transparency, accountability, and operational efficiency across public institutions. As part of a broader public financial management reform agenda, the CMS signals Somalia's commitment to modernising governance structures and aligns with the global drive to digitalise public sector oversight. This experience offers valuable lessons to other members of the International Organization of Supreme Audit Institutions (INTOSAI), particularly those in developing or fragile states where building transparent systems remains a pressing priority.

Overcoming Legacy Challenges

Prior to this initiative, contract management within Somalia's public sector was heavily reliant on manual systems. Manual, paper-based processes presented widespread inefficiencies, frequent delays, and heightened risks of fraud and non-compliance. Inconsistent tracking of contracts and the lack of a unified system made it difficult to verify compliance or perform timely audits, undermining effective oversight and enabling potential mismanagement of public resources. These issues were further compounded by a lack of institutional memory, as documentation was often incomplete or difficult to retrieve during audits.

Recognising these systemic issues, the OAGS led the development and implementation of the CMS, firmly establishing it as a cornerstone in Somalia's broader public sector reform agenda. Auditor General of Federal Republic of Somalia. H.E. Ahmed Isse Gutale, remarked that the CMS "represents a critical step in strengthening governance and ensuring that public resources are managed with integrity". The decision to move toward digital oversight was strategic, designed to eliminate inefficiencies and build systems that can evolve alongside the country's growing governance capacity.

Building a System Tailored for Impact

The CMS was developed through extensive consultations involving public institutions, international development partners, and auditing experts to ensure its design met both international standards and Somalia's specific institutional needs. The CMS is more than a technological solution—it is a strategic enabler for strengthening oversight and restoring public trust in governance. Its user-friendly interface and role-based access provide authorised personnel with secure, real-time access to contract data. This has not only improved contract visibility but has also strengthened cross-agency collaboration.

As part of the system development process, stakeholder engagement played a crucial role. Public officials, procurement officers, legal advisors, and information technology (IT) experts participated in system testing and feedback loops. This inclusive approach ensured that the CMS was not only technically sound but also practically aligned with the workflows and realities of public service delivery in Somalia. The outcome is a robust system that supports accountability from the point of contract initiation through to contract closure.

Driving Efficiency and Transparency

Since its launch, the CMS has introduced critical improvements across several dimensions. First, the system incorporates automated checks to verify compliance with legal and regulatory standards, which has substantially reduced opportunities for fraud. Irregularities, such as missing approvals or duplicate contract entries, are now flagged early, enabling auditors to intervene before issues escalate. For example, in one case, a large procurement contract that lacked proper authorisation was automatically flagged by the CMS, prompting timely audit and corrective measures before any funds were disbursed.

Efficiency improvements have been considerable; what once took weeks or months for contract approvals can now be completed within days. The centralised digital platform allows for quick documentation, immediate updates, and streamlined approvals, significantly reducing administrative burdens. This shift from manual to automated workflows has allowed auditors and finance officers to reallocate time to strategic oversight and performance evaluation tasks.

Moreover, the CMS has improved transparency by providing a central repository for contract information, accessible to authorised stakeholders. This has fostered openness across public institutions and contributed to a culture of accountability. The ability to generate real-time reports and analytics has further empowered the OAGS to make data-driven decisions. By identifying contracting trends, outliers, and compliance gaps, auditors can now prioritise risk-based audits and focus on systemic weaknesses rather than administrative minutiae.

Strengthening Capacity and Oversight

The implementation of the CMS has also had a transformative impact on institutional capacity. The rollout included comprehensive training for OAGS staff, which has improved digital literacy and fostered a culture of continuous learning. This investment in human capital has strengthened the institution's ability to manage and sustain the system in the long term. Additionally, training sessions extended beyond the OAGS to include staff from other ministries and government departments, helping to institutionalise digital oversight practices across the broader public sector.

Each transaction and modification is meticulously logged by the CMS, creating a tamper-proof audit trail. This has proven particularly useful in tracing contract lifecycles and ensuring that no unauthorised changes go undetected. In practice, this means that every entry in the system is time-stamped and linked to a specific user, enabling forensic-level accountability that was previously impossible. Such traceability is instrumental in post-audit investigations and has strengthened the deterrent effect against manipulation.



Training for Office of the Auditor General of Somalia staff. Source: Office of the Auditor General of Somalia.

Notable Early Successes

Early results have been encouraging. To date, more than 100 contracts have been processed through the CMS, with the average approval time dropping from over 30 days to fewer than 10. The system has already helped flag several contracts for non-compliance, all of which were promptly investigated. This newfound efficiency has translated into faster service delivery across key sectors such as healthcare, education, and infrastructure, where delays can have a direct impact on the well-being of citizens.

In addition, the CMS has facilitated stronger inter-agency coordination. Public institutions now work from a unified source of data, eliminating redundancies and inconsistencies that previously plagued contract management. For example, contracts jointly managed by ministries of finance and health can now be tracked seamlessly through the CMS, allowing for better coordination of procurement timelines, budgeting, and delivery.

One notable case involved a ministry where CMS implementation led to the early detection of cost discrepancies between planned and actual expenditures. By using the CMS's analytical dashboard, auditors were able to intervene quickly, leading to renegotiations that saved the public treasury considerable funds.

Lessons for the INTOSAI Community

The experience of the OAGS offers practical insights for other INTOSAI members considering similar digital reforms. One critical lesson is the value of starting small. Piloting the system within a limited scope allowed for early identification of issues and gradual refinement before a full-scale rollout. The phased implementation approach ensured that users gained confidence with the system while developers collected feedback to fine-tune its functionalities.

Investment in training proved equally important. Ensuring that both auditors and users understood the system's functionalities encouraged smoother adoption and more effective usage. A user support team was established to respond to queries, conduct refresher trainings, and gather feedback for continuous improvement. This support system helped bridge the digital divide and encouraged long-term user engagement.

Another key takeaway is the importance of context. While drawing on international best practices, the CMS was tailored to fit Somalia's legal framework and institutional capacity. This localisation ensured the system's relevance and usability. Additionally, engaging with stakeholders throughout the design and implementation process fostered a sense of ownership and trust, which has been vital to the system's success.

For other INTOSAI members, particularly those operating in fragile environments, the Somali experience highlights the feasibility and benefits of digital oversight, even amid resource constraints. By adopting a step-by-step approach grounded in collaboration and context sensitivity, Supreme Audit Institutions (SAIs) can effectively harness technology to enhance accountability.

Looking Ahead: A Vision for Integration and Innovation

OAGS plans to expand the CMS's integration with other national digital platforms, including public procurement and financial management systems. This will provide a more comprehensive view of public expenditure and strengthen overall accountability in service delivery. The integration of procurement and payment data will allow auditors to trace the full financial lifecycle of a contract – from tendering and selection to disbursement and completion. Auditor General Gutale has also expressed interest in leveraging advanced technologies such as artificial intelligence and machine learning to further bolster the CMS's predictive analytics and fraud detection capabilities. These innovations could help detect patterns of irregularities across multiple contracts, offering auditors early warning signals of systemic issues before they manifest as financial losses.

Furthermore, the OAGS is considering the establishment of a public-facing dashboard that would allow citizens and civil society organizations to view key contract information. Such a move would not only promote transparency but also encourage civic engagement in public resource monitoring.

The journey of the OAGS in digitalizing contract oversight demonstrates how technology can empower SAs to fulfill their mandates more effectively. In a fragile context such as Somalia, the CMS is a powerful example of how innovation, commitment, and collaboration can bring about meaningful institutional change. As reforms continue, the CMS stands as a symbol of Somalia's determination to build a more transparent, accountable, and efficient public sector.



Source: CAAF

Canadian Audit and Accountability Foundation Works with SAI Ecuador to Build Capacity in Performance Audit

By Sharon Clark (sclark@caaf-fcar.ca)

The Canadian Audit and Accountability Foundation (CAAF) is proud to be collaborating with the Ecuador Office of the Controller General (“SAI Ecuador”) to strengthen their capacity to conduct performance audits. The goal is to bring performance audit practices in alignment with the International Standards of Supreme Audit Institutions (ISSAIs), in order to improve transparency, efficiency, and accountability in the administration of resources and public policies in Ecuador. The project is being delivered through the Technical Assistance Partnership – Expert Deployment Mechanism (TAP-EDM) with funding from Global Affairs Canada, in partnership with Alinea International. The CAAF team is fluent in Spanish and highly experienced in capacity building in Latin American Supreme Audit Institutions.

We are excited to be working in Ecuador and its capital, Quito, at 2,850 meters altitude. Ecuador's volcanoes, flora and fauna are famous around the world. The country has gone through significant change in the last 20 years, with recent energy shortages, increasing rates of violence, and political uncertainty. In 2024, the worst drought in 60 years led to blackouts and electricity rationing nationwide. Improving citizen security and ensuring energy availability in the short term are therefore crucial priority areas.

Our work began with a visit to the SAI in January 2025. Our goals were to understand how the SAI is organized and the types of audits they currently do, and to identify the most important aspects to focus on in our training and mentoring. We came away with a better understanding of the challenges facing the SAI – including the determination to improve its reputation after several difficult years. We met with representatives in all the audit sections, listened to presentations on previous audits, and were suitably impressed by the rigor of the work and the intelligence of the audit staff.

We returned to Quito in March 2025 to deliver five days of training on performance audit methodology and a 2-day train-the-trainer workshop. The training was very well-received. However, questions remained as to how to put it into practice in a challenging context. We held several virtual sessions with the group to support work to update their performance audit manual and start pilot performance audits and made significant progress. We made a final visit in June 2025 to provide in-person support and feedback on planning for the two pilot performance audits, which focus on thermal energy stations and the National Financial Corporation.

SAI Ecuador has a jurisdictional model, which means it can impose sanctions such as fines or suspend pay for responsible managers when there are negative findings. This can make it difficult to develop relationships with auditees that are sometimes crucial for buy-in to audit findings and recommendations. But it does make it very clear who is responsible and what can happen if programs are not carried out economically, efficiently, and effectively. Ecuador does not yet have a legislative committee with responsibility for ensuring audit recommendations are implemented, so this responsibility falls to the SAI itself.

The project ended at the end of June 2025. We hope to have the opportunity to work with SAI Ecuador again in the future!



Source: Adobe Stock Images, Alessandro Biascioli

The Use of Drones in Financial Audits by Supreme Audit Institutions: A Case Study in São Paulo Municipality Court of Accounts

Author: Jorge de Carvalho

Introduction

In the ever-evolving landscape of financial auditing, the integration of technology has become not just advantageous but essential. This article explores how the use of drones in financial audits, particularly by the São Paulo Municipality Court of Accounts (TCMSP), can enhance accountability and improve the integrity of public resources. The focus will be on the assertion of integrity as cited in International Standards on Auditing (ISA) 315 (Identifying and Assessing the Risks of Material Misstatement), specifically regarding the accounting cycle of real estate assets. The case study illustrates a pragmatic approach to auditing that not only adheres to established norms but also introduces innovative methodologies to address significant issues in public financial management.

The Challenge of Real Estate Asset Recognition

The key issue at hand is that the City Hall of São Paulo substantially underreports real estate assets, which has been estimated at a minimum of R\$ 10.5 billion. The lack of comprehensive recognition of these assets raises critical questions about the integrity of financial reporting and public accountability. According to International Public Sector Accounting Standards (IPSAS) 17, an asset must be recognized if it is probable that future economic benefits will flow to the entity and its cost or fair value can be measured reliably. However, in the financial audit for the year ended 2022, the TCMSP identified a significant risk of material misstatement due to the incomplete accounting of municipal real estate, which relates to the assertion of integrity.

The Role of Drones in Auditing

The conventional methods of auditing real estate assets often fall short in providing the necessary assurance regarding the completeness and accuracy of recorded assets. The integration of drone technology offers several advantages:

1. **Enhanced Visibility:** Drones can capture high-resolution images and videos of properties, providing auditors with a comprehensive view of the assets that may not be readily accessible through traditional inspection methods.
2. **Efficiency:** Drones can cover large areas in a fraction of the time it would take to conduct manual inspections, allowing auditors to gather more data in less time.
3. **Improved Evidence Collection:** The visual evidence collected by drones can strengthen the findings of audits, providing clear documentation that supports the recognition of real estate assets.
4. **Cost-Effectiveness:** While initial investments in drone technology may be significant, the long-term savings in labor costs and time can be substantial.

Case Study: TCMSP's Implementation of Drone Technology

In 2022, the TCMSP conducted a financial audit in which the integrity assertion related to real estate assets was included in the scope, due to their significant value within the fixed assets transaction. The audit aimed to address the risk of significant underreporting of assets and to ensure compliance with the applicable auditing standards. The use of drone technology was a key tool in this assessment.

Screenshot from Drone Videos in the Fixed Assets Audit (eTCM 015710/2022): Apparently Abandoned Property: Rua Prof. Cardozo M. Neto, no number, Cidade Ademar



Source: Drone inspection conducted on 28/02/23. São Paulo Municipality Court of Accounts.

Audit Planning

Before the fieldwork commenced, the TCMSP developed a risk matrix that identified the risk of material misstatement due to the undervaluation of real estate assets. This risk assessment highlighted the necessity of achieving a 95% confidence level in the audit results, necessitating a specific sample-based approach due to operational limitations.

Sample Selection and Inspection

The team selected a sample of 20 properties from a population of 6,343 unaccounted assets (using tracing technique, by referring to the municipal real estate registry maintained for tax purposes, managed by the Department of Finance), focusing on those with significant value and relevance to municipal operations. Given the operational constraints, the TCMSP decided to leverage drone technology to inspect several selected locations.

The inspections conducted between November 2022 and March 2023 revealed critical insights into the utilization and condition of these properties. For example, properties not recorded as Property, Plant and Equipment (PP&E), identified as parks, schools, and municipal buildings were confirmed through visual evidence captured by drones.

The visual confirmations served as the starting point for the audit team to proceed with the execution of additional audit procedures, such as document inspection, aimed at analysing the legal ownership of assets, thereby enhancing the robustness of the evidence related to the undervaluation of asset representation in the municipality's accounting records.

Screenshot from Drone Videos in the Fixed Assets Audit (eTCM 015710/2022): Sharp Reservoir: Estrada do Campo Limpo, 6,197, Vila Pirajussara, Campo Limpo



Source: Drone inspection conducted on 28/02/23. São Paulo Municipality Court of Accounts.

Results of Drone Inspections

The drone inspections yielded significant findings:

- 1. Confirmation of Assets:** Several properties, previously unaccounted for in municipal records, were visually confirmed as active municipal assets. This included educational facilities and public parks, which were crucial for the municipality's operations.
- 2. Evidence of Condition:** The aerial footage provided insights into the physical condition of the properties, allowing auditors to assess whether they met the criteria for recognition as assets, including considerations for impairment under IPSAS 21 (Impairment of Non-cash Generating Assets).
- 3. Strengthened Reporting:** The visual evidence collected supported the auditors' assessments regarding the ownership and control of the assets, reinforcing the integrity of the financial statements.

Discussion: Implications for Accountability and Methodology

The integration of drones into the auditing process by the TCMSP not only demonstrates a successful application of technology but also sets a precedent for future audits. This methodology encourages a shift towards more innovative and effective practices in public financial management.

Enhancing Accountability

By utilizing drones, the TCMSP has taken proactive steps to enhance accountability in public resource management. The ability to verify the existence and condition of municipal assets directly contributes to the integrity of financial reporting. It also empowers the auditing body to make informed recommendations regarding asset management and recognition.

Methodological Advancements

The case study illustrates how drone technology can be systematically integrated into audit methodologies to improve the quality of evidence and the efficiency of the audit process. Future audits can benefit from:

- **Standardized Procedures:** Developing standardized protocols for drone inspections within the auditing framework can ensure consistency and reliability in findings.
- **Training and Development:** Investing in training for auditors to effectively utilize drone technology will enhance the overall capability of auditing teams.
- **Collaboration with Technology Providers:** Establishing partnerships with technology firms specializing in drone operations can provide auditors with the necessary support and expertise.

Conclusion

The use of drones in financial audits conducted by the São Paulo Municipality Court of Accounts represents a significant advancement in auditing practices. By proposing recommendations aimed at addressing the challenges of real estate asset recognition and the integrity assertion, the TCMSP has set a benchmark for accountability in public financial management. This case study not only highlights the benefits of technological integration but also serves as a model for other auditing institutions seeking to improve their methodologies and outcomes.

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