A close-up photograph of a pink flower with several large, clear water droplets on its petals. The background is a soft, out-of-focus green and pink. The image is positioned at the top of the page, partially overlapping the white background below.

Reimagining SAI Audit Impact

A reflection paper

In 2020 we began our reflections on SAI audit impact with the launch of the Facilitating Audit Impact initiative. Since then, we have consulted with several stakeholders both within and outside the INTOSAI community, got inputs from the SAI stocktaking report, experimented with interweaving impact considerations in our cooperative audit support, and listened to SAIs share their [impact success stories](#) and key success factors. The insights shared by diverse stakeholders during our journey have enriched our reflections on key questions related to the ‘what’ of SAI audit impact and key success factors that could lead to such impact. This brief paper is a documentation of our reflections so far. As we look to the future, we will continue to bring you more insights and reflections as we explore new landscapes of SAI audit impact.

REFLECTION # 1

SAI audit impact is the contribution of the SAI’s audit work to positive effects on people and planet (a society/on a group/area), especially those left behind, or at risk of being left behind.

Supreme Audit Institutions live by INTOSAI P 12, the principle of making a difference by contributing value and benefits. SAIs deliver value for all by exercising independent external oversight to ensure accountability, transparency, inclusiveness, ethical behaviour and effectiveness of public governance. SAIs provide assurance on financial statements of governments, and government bodies, examine compliance with applicable laws and regulations, and

offer recommendations for enhancing economy, efficiency and effectiveness of service delivery, governance or outcomes that impact people and planet.

The auditing of government and public sector entities by SAIs has a positive impact on trust in society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions and a culture of good governance. Once SAIs' audit results have been made public, citizens are able to hold the custodians of public resources accountable. In this way SAIs promote ethical behaviour, accountability, economy, efficiency, effectiveness, transparency and inclusiveness of public institutions.



Positive effects of SAI Audits

SAIs conduct three types of audits - financial audits, performance audits and compliance audits. Each of this audit type has a specific objective¹. While each of these audits help the SAI in contributing value and benefits for people and planet, based on their objectives the different types of audits help the SAI in contributing value in different ways.

A financial audit focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework.

Financial audits provide independent reasonable assurance on the financial statements of public sector entities. They provide the users of the financial statements audit information that ensures the accountability and transparency of financial information provided by those charged with governance. Government action on financial audit observations will led to financial statements which present a true and fair view of the financial situation of the public entity, thereby enhancing the quality and

credibility of financial information provided by the government. This will in turn enhance public confidence and trust in public financial management.

Performance audits add value by providing insights and recommendations on the economy, efficiency and effectiveness of an entity, project, programme or a cross cutting target or national outcome linked to SDGs. Performance audits have several positive effects. They provide detailed information on the area audited thereby creating awareness and transparency. They ensure performance accountability of those charged with governance. They provide insights and recommendations for improving performance. Government action on performance audit recommendation can contribute to better service delivery and better performing entities. Mainstreaming gender and inclusiveness considerations in performance audits can also lead to positive effects of the audits for those that are marginalized or left behind. In case of performance audits that take a whole of government approach to examine achievement of outcomes e.g. audits of SDGs implementation, the recommendations can lead to greater policy coherence and integration, enhanced means of implementation, better data frameworks and systems, better stakeholder engagement and ensure that government policies and actions are inclusive and they don't leave behind those that are vulnerable or marginalized.

Performance audit focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency, and effectiveness and whether there is room for improvement.

Compliance audit focuses on whether a particular subject matter is in compliance with authorities identified as criteria.

Compliance audits can add value in many ways, through their coverage, through the high-quality audit reports in the public domain, through recommendations leading to more transparent, accountable and inclusive compliance frameworks, decision making and greater compliance with applicable authorities by those charged with governance. Through compliance audits SAIs can ascertain if audited entities comply with transparency requirements. While publication of SAI's

compliance audit reports leads to greater transparency, executive action on the recommendations made by the SAI lead to more transparent compliance systems in the longer run. Compliance audits can ensure SAI accountability by having a deterrent effect through adequate and regular oversight on compliance with authorities, compliance audit reports

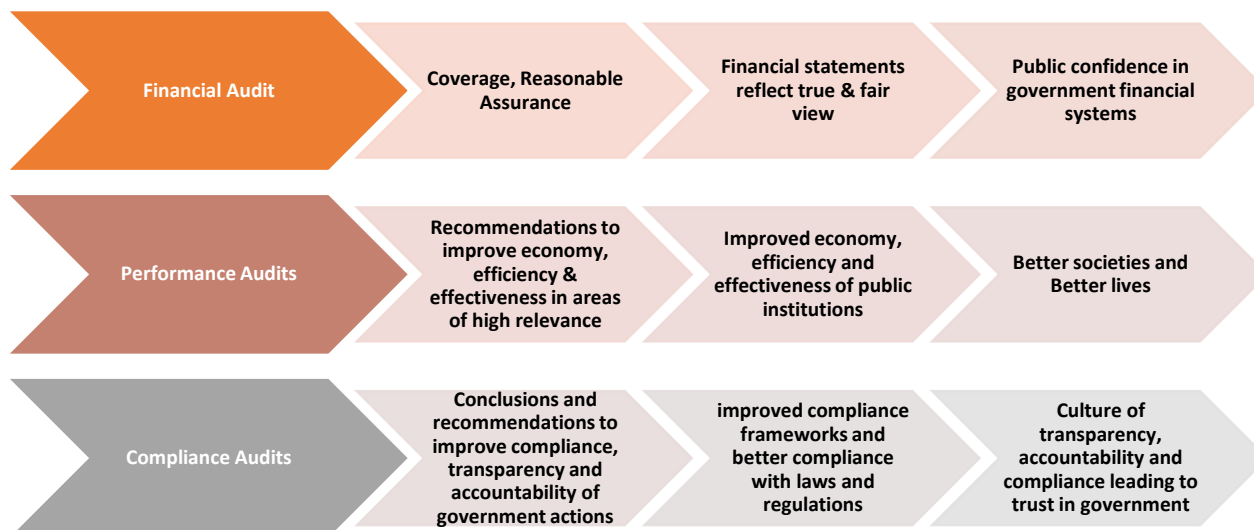
¹ ISSAI 100

can help citizens, in holding those charged with governance to account and action on compliance audit conclusions and recommendations will lead to more accountable systems and actions by government in the future. Compliance auditors can check if the authorities, rules and regulations that provide for inclusion in different areas are complied with by those charged with governance. For example, compliance auditors can check if the socio-economic scheme for beneficiaries from vulnerable groups is being implemented as per requirements and that the beneficiaries are genuine. Compliance audits can also comment on the extent to which inclusion considerations find place in compliance frameworks of the government. Compliance audits contribute to enhanced ethical behaviour in the public sector by providing oversight on the extent to which decisions are made in compliance with the requirements of applicable code of ethics and making recommendations for improving compliance frameworks for ethics.

REFLECTION # 2

SAI audit impact is a shared responsibility, involving a value chain and an ecosystem of state and non-state actors. The value chain and the ecosystem need to work as a whole for SAI audit impact to happen.

As you may have noticed the different positive effects of the three types of audits can either be direct outputs of the SAI or they can be intermediate outcomes or contributions to higher level impact. While the direct outputs of the SAI i.e. high quality and timely audit opinions and reports are mostly within the control of the SAI, the outcomes of SAI's audit work and SAI contribution to impact depend on a number of factors including the actions of key stakeholders e.g. audited entities, legislative bodies etc and political, social, economic and cultural environment in the country. The diagram below shows an illustration of how the value chain could potentially work in case of the three audit streams



SAI audit impact is a shared responsibility. It is not something that the SAI can achieve on its own. It takes a complex ecosystem of interdependent state and non-state actors. It requires several actors, across different functions to work together in a coherent and coordinated manner. These actors include both state and non-state actors as shown in the diagram. In order to contribute and deliver value a SAI auditor needs to scan the ecosystem in which she/he operates and determine the actors and processes that need to be engaged with throughout the audit. In addition to integral components of effective oversight such as an institutional framework or mandate that ensures public auditors have the independence and resources to do their job and producing high quality audit reports, SAIs depend on legislative oversight by a dedicated committee that deliberates on the audit report in a timely matter, and an executive response that demonstrates government's attention to the audit findings and action on the recommendations in the audit report. Moreover, the SAI relies on follow-up, usually by the SAI or the legislature, on whether the actions deemed necessary by the audit were implemented. In addition, opportunities for public participation – by civil society organizations, the

Value and Benefits for All



media and citizens – to engage, influence and bolster the entire audit process is pertinent.²

As SAIs rely upon the support of this eco-system and can only contribute to the logical chain of events to achieve audit impact, SAIs need to find ways of conducting its work that can *facilitate* such impact, leveraging off this ecosystem, and not just wait (and hope) for the other stakeholders to take up audit reports and audit impact to take place based on producing audit reports and supporting activities.

REFLECTION # 3

Every SAI can contribute to audit impact and make a difference in its local context.

We believe that every SAI has audit impact. SAI's contribution and delivery of value are shaped by their local context, which includes SAI's institutional framework, capacities and resources and the environment in which the SAI operates. For example, while the value delivered by SAIs in countries with robust financial systems maybe that of providing positive assurance and enhancing public confidence, in challenged environments the value delivered by an SAI maybe that of urging governments to prepare financial statements, where there aren't any! SAI Somalia's story of its efforts to urge governments to produce financial statements shared in [the FAI Global Summit in 2021](#) is a good example in this regard. Similarly, in countries with substantial compliance challenges, SAIs conducting basic compliance audits does have huge deterrent and corrective value. SAI audit efforts need to be fit for purpose for the environment in which they operate.

Reflection # 4

Strategise to enhance SAI audit impact

SAIs need to think strategically about the impact that they want their SAI work to contribute to. This will involve having a clear vision of the impact, formulated after wide stakeholder conversations to ascertain expectations, scanning horizons to ascertain emerging trends, assess risks and significance of the trends, determine what will keep the SAI relevant and mobilizing resources to get the work done! In short, SAIs need to ensure an impact-driven culture of work, starting with a committed leadership that sets the tone at the top to enable such a culture to grow – within the SAI as well as to bring culture change in organisations the SAI works with. As we increasingly live in an uncertain and fast changing world, SAI would also need to strategise on how their audit portfolios remain flexible and agile such that they can quickly pick up emerging trends. SAIs may consider using strategic foresight and futuring techniques as the strategise for audit impact. Strategising for impact is also relevant at the audit engagement level, where the audit team needs to strategise for contributing audit impact. Thinking audit impact is not something that starts after the audit is completed. Strategising for audit impact requires actions throughout the audit process, right from planning the audit to follow up actions. To make this effort sustainable, SAIs may think of mainstreaming audit impact considerations throughout the audit process by including key audit impact questions in the SAIs audit methodology and building capacities of SAI auditors in this area.

Reflection # 5

Form powerful coalitions for SAI audit impact

It might be an idea to take a leaf out of change management playbook and build powerful coalitions of internal and external stakeholders to enhance audit impact. This action would require strong participation of SAI leadership, ability to identify key stakeholders, reaching out to and engaging with stakeholder throughout the audit process, communicating to create a common vision of impact and the value of SAIs audit work. Audited entities, legislative bodies, civil society organisations, media, citizens, anti-corruption agencies could be some of the key stakeholders to consider reaching out to for forming such a coalition. The coalition could bring new insights into the audit process, provide alternate sources of information and data, create advocacy and positive influence for SAI's audit work. For the relationship to work, SAIs need to think beyond providing and receiving information to a true cooperation and working

² See IDI/IBP report.

together based on mutual trust. In building such coalitions it is important to be inclusive and ensure that those that may not have a voice are included and heard.

Reflection # 6

Use coaching techniques to build trust

A change strategy recently implemented by one of our SAI Young Leaders from SAI Costa Rica showed that using coaching techniques with audited entities can lead to realistic and robust recommendations, greater acceptance and implementation of SAI recommendations and more importantly build a relationship of trust between the auditor and the audited entities. Using these techniques involves not only developing SAI auditors coaching skills, but more importantly it involves a change in the mindset where there is a belief in the capacity of the audited entity to find fit for purpose solutions for the issues that face them. Coaching techniques may not work in every situation and the SAI auditor would need to exercise professional judgement while deciding on their use.

Reflection # 7

Clarify expected action and follow up

According to an IDI/IBP joint report 'All hands-on deck: Harnessing accountability through external public audits', the weakest component of the oversight ecosystem is executive responses to audit findings (13 out of 100).³



The 2020 Global Survey data shows that on average 65% of respondent SAs have an internal system to follow-up on the observations and recommendations made to the audited entities in financial, performance and compliance audits. This represents a sharp decrease from 86% in 2017. In the Global Survey, 63% of SAs report that they communicate regularly with the Executive, while numbers are higher for audited entities (85%). However, less than half of all SAs state that they involve the Executive in their follow-up system by asking for feedback on recommendations or requesting evidence for implementation of recommendations. This suggests that the regular interaction with audited entities may be less strategic, both in terms of addressing systemic weakness in performance, and in finding ways to establish a dialogue that nurtures understanding of the results presented. These weaknesses can also be observed in OBS data where independent follow-up, as part of the audit and oversight ecosystem, has a global average of 28 of 100. Given the negative developments reported on follow-up systems by SAs, these low figures on consultations with and follow-up of Executive responses, suggest that impact of audit results will not improve as long as follow-up of audits is not prioritised by SAI as a way of holding the Executive accountable.⁴

We believe that extensive communication and consultation with the audited entity throughout the audit process, use of above-mentioned coaching techniques, involvement of the audited entity in formulating realistic recommendations, clarifying expected corrective action and strong follow-up would enhance the chances of implementation of audit recommendations leading to audit impact.

Reflection # 8

Quantitative and Qualitative measurement & reporting on SAI audit impact

³ <https://www.idi.no/elibrary/reports/1096-all-hands-on-deck-harnessing-accountability-through-external-public-audits/file>

⁴ Global SAI Stocktaking Report 2020

<https://www.idi.no/elibrary/global-sai-stocktaking-reports-and-research/2020-global-sai-stocktaking/1364-idi-global-sai-stocktaking-report-2020/file>

Closing the loop, it is important for the SAI to visualize what success looks like by determining the manner in which the SAI will measure the contribution of SAI audit work to impact. A SAI can adopt both quantitative as well as qualitative measures. SAIs can report on their audit impact as a part of their annual reporting. Many SAIs report on measures like % recommendations accepted and implemented by the audited entities, descriptions of implementation actions, telling success stories etc. Some issue separate follow up audit reports while others provide consolidated reporting or others provide status overviews in dashboards or by use of similar techniques.

Reflection # 9

Leverage on technology for enhancing audit impact

In current times, SAIs have access to a number of technological tools that can assist them in enhancing audit impact. These could include use of technology to enable a more data driven process for selection of audits and focus areas within audits, use of technology for evidence gathering, using data visualization tools to communicate key messages, building database of recommendations and using data analytics to keep track, using technology-based communication tools for connecting with audited entities to follow up on recommendations, social media and electronic platforms for greater outreach during an audit and for communicating the results of audit. There are good examples of use of electronic dashboards to not only track follow up action, but make the information available for all in a transparent way, as exemplified by SAI Georgia and SAI Malaysia in [our FAI Summit](#).