

ECOSAI CIRCULAR



**SPRING
2025**



**Economic Co-operation Organization
Supreme Audit Institutions**





The ECOSAI is a regional forum of the Supreme Audit Institutions of South and Central Asian regions. Founded in 1994, ECOSAI aims at promoting the state auditing profession in member countries through exchange of ideas, experiences and by holding seminars, conferences, workshops and training courses.

ECOSAI Governing Board

The governing board of ECOSAI comprises of five Member SAIs, including Iran, Kazakhstan, Kyrgyz Republic, Pakistan and Türkiye. The term of the Governing Board Members will expire during 10th ECOSAI Assembly to be held in 2025. The ECOSAI Circular is the official organ of ECOSAI and has the objective of providing member SAIs with the forum of sharing experiences in different areas of public sector auditing.

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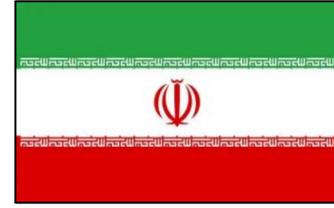
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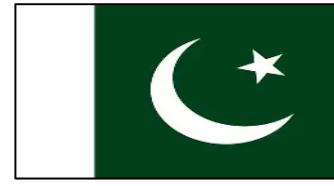
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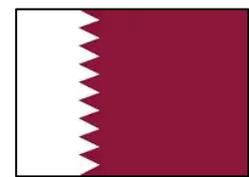
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Table of Contents

Message of the Secretary General ECOSAI.....1

NEWS FROM THE SAIs

SAI Azerbaijan Delegation Visited Tbilisi, Georgia.....4

MoU Signed Between the SAI Azerbaijan and the Supreme Audit Institution of Albania.....5

SAI Azerbaijan Hosts the 62nd ASOSAI Governing Board Meeting6

ASOSAI-ARABOSAI Joint Meeting Held in Baku, Azerbaijan.....8

Online Training Courses on Performance and IT Auditing by SAC Iran.....10

ECOSAI Seminar on Performance Audit of Water Resources.....12

Visit of the President General Court of Audit (GCA) Kingdom of Saudi Arabia to Islamabad.....14

Peer Review of the Department of Auditor-General of Pakistan.....16

Online ECOSAI Training Course on Audit of Disaster Management, 14th-16th January, 2025.....17

Seminar on Citizen Participatory Audits 28th April, 2025.....18

Online ECOSAI Training Course on Impact Audit.....19

President Turkish Court of Accounts paid a study visit to the SAI of Uzbekistan.....20

ARTICLES FROM THE SAIs

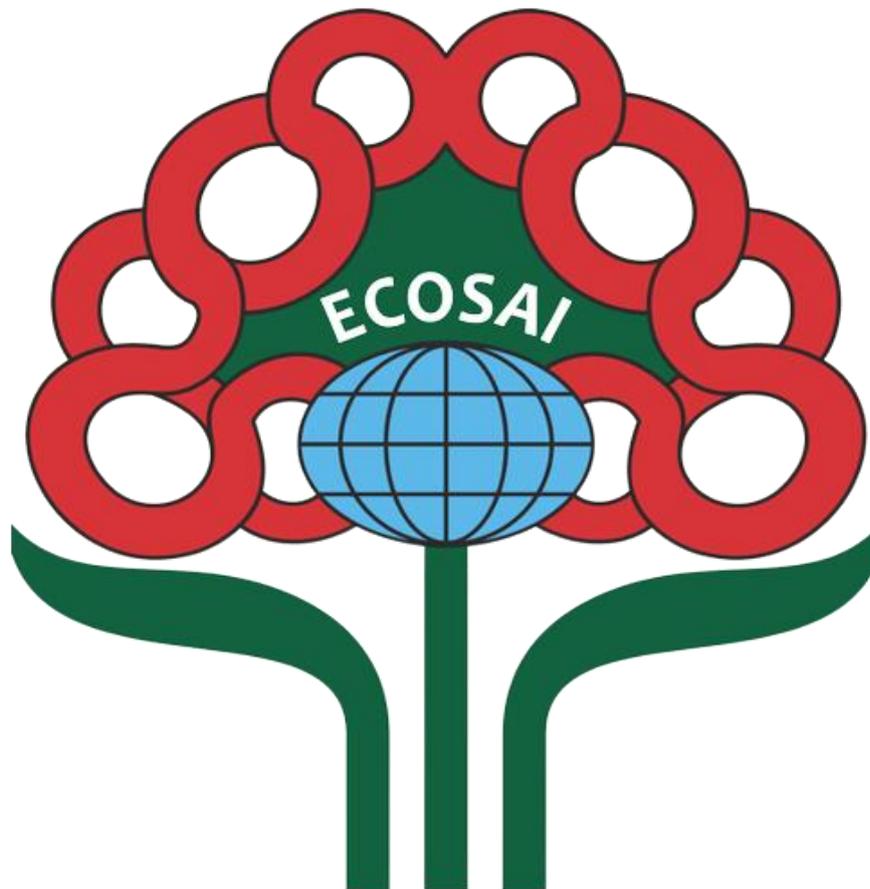
Implementation of Strategic Management Principles in the Public Sector.....22

Stakeholders Management in a Public Sector Reform Intervention: Case of PIFRA.....34

Subsidizing Agriculture in Kazakhstan: Results of the State Performance Audit Authors.....40

Effective Internal Auditing: A Panacea for all Ills.....46

Fortifying Public Trust: Enhancing Fiscal Oversight Through a Robust Auditor-General and the Potential of a Specialized Audit Tribunal in Pakistan.....53





Message of the Secretary General ECOSAI



Dear ECOSAI Members,

It is with great pleasure that I present the Spring Issue 2025 of the ECOSAI Circular, a platform that continues to reflect our collective efforts, achievements, and shared commitment to enhancing public sector auditing across the region.

Over the past months, ECOSAI has witnessed meaningful progress in promoting regional cooperation, knowledge exchange, and capacity building among its member Supreme Audit Institutions. Our collaboration is a testament to our common vision for stronger, more accountable governance structures. It is encouraging to see member SAIs actively engaging in mutual learning and peer support, reinforcing the spirit of fraternity that defines ECOSAI.

This issue of the Circular features our recent activities, including reports on training sessions, the latest regional activities and bilateral activities of the member SAIs. Additionally, we have included insightful articles that highlight best practices and innovative approaches in public sector auditing.

As we look ahead, I urge all members to remain steadfast in their pursuit of excellence, transparency and independence. Let us continue to share experiences, embrace emerging technologies, and uphold the highest standards of public auditing in service of our citizens.

I extend my sincere appreciation to all contributors and editorial teams for their valuable input in bringing out this publication. I am confident that the insights contained herein will inspire continued dialogue and collaboration among ECOSAI members.

Thank you for your continued engagement and support.

Warm regards,

Muhammad Ajmal Gondal
(Auditor-General of Pakistan)





SAI AZERBAIJAN DELEGATION VISITED TBILISI, GEORGIA



A delegation headed by Vugar Gulmammadov, the Chairman of the Chamber of Accounts of the Republic of Azerbaijan, visited to Tbilisi, Georgia on 08 May 2025 to discuss cooperation opportunities and mutual experience exchange with the State Audit Office of Georgia.

Then, an official meeting began with welcoming speeches by the Auditor General of Georgia, Tsotne Kavlashvili, and the Chairman of the Chamber of Accounts, Vugar Gulmammadov. Representatives of both institutions made presentations on various fields and exchanged views.

Within the meeting, presentations were made on the strategic plan of the State Audit Office of Georgia for 2023–2027, government’s consolidated financial statements audit, performance audit, quality management, the activities and training programs of the Public Audit Institute, as well as assessment of the draft and execution of the state budget, and the participants' questions were replied.

The Azerbaijani side made presentations on the Chamber of Accounts' strategic plan for 2021-2025, tax revenue audits, the "Climate Scanner" initiative and experiences in international cooperation, as well as training activities, and discussions were held on the topics.

MEMORANDUM OF UNDERSTANDING SIGNED BETWEEN THE SAI AZERBAIJAN AND THE SUPREME AUDIT INSTITUTION OF ALBANIA



A delegation headed by Vugar Gulmammadov, the Chairman of the Chamber of Accounts of the Republic of Azerbaijan visited to Tirana, Albania on 19 May 2025. The aim of the visit was to attend the event dedicated to the 100th anniversary of the establishment of the Supreme Audit Institution (SAI) of Albania.

Within the visit, a bilateral meeting was held between Vugar Gulmammadov, the Chairman of the Chamber of Accounts and Arben Shehu, the Chairman of SAI Albania. During the meeting, Arben Shehu expressed his pleasure to welcome the Azerbaijani delegation. He emphasized the importance of expanding international cooperation with the Chamber of Accounts of the Republic of Azerbaijan.

Later on, Vugar Gulmammadov expressed his gratitude for the sincere invitation and provided information on the history of the establishment, stages of development and international relations of the Chamber of Accounts.

During the visit, a Memorandum of Understanding was signed between two institutions, which envisages cooperation in various activities on public audit, including data analytics, strengthening institutional capacity and professional development of employees.

The heads of both institutions expressed their confidence that the document will establish an important basis for a sustainable and productive partnership, as well as contribute to audit quality improvement.

SAI AZERBAIJAN HOSTS THE 62ND ASOSAI GOVERNING BOARD MEETING

The Chamber of Accounts of the Republic of Azerbaijan hosts the 62nd ASOSAI Governing Board Meeting in Baku on July 17, 2025.

The meeting was attended by more than 100 participants, including ASOSAI Governing Board member SAIs, as well as representatives of INTOSAI Chair, INTOSAI Secretariat and INTOSAI Development Initiative.

The host of the event, Vugar Gulmammadov, Chairman of the Chamber of Accounts of the Republic of Azerbaijan, opened the meeting spoke about the importance of the meeting, shared his views on the importance the organization attaches to international cooperation and the contributions made within ASOSAI.



After the opening speech a promo video about Azerbaijan was shown to the participants. The meeting continued with a speech by Krishnan Sangaran Subramanian, Deputy Comptroller and Auditor General of India, representing the ASOSAI Chair. He provided information on the activities of the Governing Board.



Then, Auditor General of the National Audit Office of China, representing ASOSAI Secretariat, made a speech and gave information on ASOSAI financial statements and budget for the next period.



The minutes of the 60th and 61st Governing Board Meetings were approved, as well as the organization's activities and financial statements for 2024, the budget plan covering 2026–2028 were reviewed during the 62nd ASOSAI Governing Board Meeting held in Baku.

The presentations on the ASOSAI Strategic Plan, the organization's cooperation with other regional organizations, the annual activities of various working groups, and ASOSAI Journal new issues were made during the meeting.

As a result of elections during the GB meeting SAI Pakistan and SAI UAE were elected INTOSAI Governing Board members for 2025-2031 and SAI Korea INTOSAI External Auditor for 2026-2028.

It should be noted that the SAI Azerbaijan was elected a member of ASOSAI Governing Board Meeting at the ASOSAI Assembly held in New Delhi, India, in September 2024 for the first time.

ASOSAI-ARABOSAI JOINT MEETING HELD IN BAKU, AZERBAIJAN

SAI Azerbaijan hosted ASOSAI-ARABOSAI Joint Meeting in Baku on July 18, 2025. Mr. Vugar Gulmammadov the Chairman of the Chamber of Accounts of the Republic of Azerbaijan opened the meeting and noted that bringing together ASOSAI and ARABOSAI on the same platform in the spirit of mutual cooperation is very important in terms of strengthening regional cooperation, as well as expanding the exchange of experience among SAIs.

Touching upon the topics of the event, the Chairman said that artificial intelligence and climate change are the main challenges SAIs face at the present time. Vugar Gulmammadov noted that the integration of artificial intelligence into audit process will significantly increase the effectiveness of auditing, both in terms of analyzing big data and establishing preventive control systems.

Then, Assistant to the President of the Republic of Azerbaijan, Head of the Department of Economic Policy and Industrial Affairs of the Presidential Administration Natig Amirov read the address of President Ilham Aliyev to the meeting participants.

Jorge Antonio De Oliveira Francisco, representing INTOSAI Chair noted that Azerbaijan's initiatives in the field of climate change and digital transformation are commendable, and that such platforms are of great importance in terms of mutual learning for SAIs and increasing the efficiency of their activities.



Sultan Al-Otaibi, representing ARABOSAI Chair, spoke about Azerbaijan's role in strengthening regional cooperation and emphasized that our country acts not only as a host country, but also as an active participant and initiator of regional cooperation in the field of public finance auditing.

Stating that the world is currently facing two important challenges - the global response to climate change and the rapid development of artificial intelligence, Krishnan Sangaran Subramanian, representing ASOSAI Chair, stressed the importance of including climate change and artificial intelligence on the audit agenda.

The first session of the meeting on “Responding to Climate Change through Auditing” was moderated by a representative of the Supreme Audit Institution of India. The representatives of the Supreme Audit Institutions of Kuwait, Korea, Thailand, Morocco, the United Arab Emirates and the Philippines made presentations on the topic and shared their countries’ experience in addressing the challenges posed by climate change and the responses of state audit to these challenges.



The presentations highlighted both audit projects implemented at the national level and the contributions of these projects to environmental sustainability and the formation of state policy.



At the end of the session, the moderator voiced the general conclusions on the topics presented and expressed gratitude to the participants for their active participation.

The second session dedicated to the topic on “The Use of Artificial Intelligence in audit” was moderated by Hilal Huseynov, Board Member of the Chamber of Accounts of the Republic of Azerbaijan.

Hilal Huseynov provided information on the strategic documents approved for the application of artificial intelligence technologies in the Republic of Azerbaijan, the ICT infrastructure created in the country, and Azerbaijan’s position in international technological rankings. He also brought to the attention of the participants the approach of the Supreme Audit Institution of Azerbaijan to the new opportunities and potential risks created by the use of artificial intelligence in public audit.

The relevance of the topic and the content of the presentations have arisen great interest among the participants, which created an opportunity for a fruitful exchange of views on the topic.



The representatives of the Supreme Audit Institutions of Thailand, Azerbaijan, Pakistan, India, Russia, Morocco, Vietnam, and Qatar made presentations on the topic and held comprehensive discussions.

ONLINE TRAINING COURSES ON PERFORMANCE AND IT AUDITING BY SAC IRAN

The Supreme Audit Court (SAC) of the Islamic Republic of Iran hosted a successful series of online training courses on “Performance Auditing” and “Information Technology Auditing” for members of the Economic Cooperation Organization Supreme Audit Institutions (ECOSAI).

The international webinars were inaugurated by Dr. Hassan Vanaei, Deputy-President for Training and Planning Affairs of SAC Iran, who welcomed participants from ECOSAI member countries and highlighted the SAC's 120-year legacy in public auditing. He emphasized Iran's prominent and pioneering role in performance and IT auditing, underlining the SAC's achievements in producing valuable results through technical expertise and professionalism.

Mr. Vanaei stressed that systematic performance audits help align public sector operations with predefined objectives and increase efficiency. He also pointed to the SAC's critical role in IT auditing, which has positioned Iran as a regional frontrunner in protecting information systems and analyzing the health, integrity, and security of national digital infrastructures.



The courses were attended by participants from 14 SAIs, including Pakistan, Kazakhstan, Turkiye, Azerbaijan, Tajikistan, Kyrgyzstan, Afghanistan, Belarus, Qatar, Kuwait, Palestine, Turkish Republic of Northern Cyprus, Uzbekistan, and Turkmenistan. Additionally, dozens of auditors and senior auditors from the SAC's provincial offices and headquarters joined the sessions via videoconference. The course featured presentations by SAC's professional instructors and subject-matter experts on both performance and IT auditing.





Mr. Ghasem Zibaei delivered a training session on Performance Auditing, while Mr. Gholamreza Bazgosha, Mr. Seyed Mehdi Hosseini, and Mr. Dariush Rezabeigi provided specialized instruction in the area of IT auditing. Furthermore, Mr. Mian Iftikhar Ud Din, Director of IT Audit at SAI Pakistan, also gave a presentation on information systems auditing, sharing insights and best practices from Pakistan's experience.

ECOSAI SEMINAR ON PERFORMANCE AUDIT OF WATER RESOURCES

On April 25, 2025, the Supreme Audit Chamber of the Republic of Kazakhstan organized an online seminar on “Performance Audit of Water Resources.” The activity was organized as part of the implementation of decisions made during the 28th Governing Board Meeting and the 23rd ECOSAI Training Committee Meeting, as well as following the outcomes of working-level negotiations.

The seminar was attended by representatives from the Supreme Audit Institutions of ECOSAI member states Azerbaijan, Iran, Uzbekistan, Pakistan, Tajikistan, and Türkiye — along with observers from Palestine and Qatar.



Opening the seminar, the member of the Supreme Audit Chamber Nurlan Nurzhanov emphasized the critical role that water resources play in ensuring economic and geopolitical stability.

“Auditing of water resources is essential for promoting society well-being and prosperity. Therefore, the mutual exchange of experiences and practices in conducting performance audits in the water resources is of great significance to all parties,” he noted.

Participants exchanged experiences and discussed key challenges encountered during water resource audits. Representatives from Azerbaijan, Pakistan, Türkiye and Tajikistan presented practical case studies:

The representatives from Azerbaijan highlighted the challenges of water accounting, where losses in irrigation canals and the absence of measuring equipment often necessitate estimating water volumes based on the size of irrigated fields. To enhance accuracy, Azerbaijani auditors have started utilizing cartographic imagery.

The representatives from Tajikistan emphasized the importance of water resource auditing for sustainable development and environmental protection, especially in the context of a growing shortage of freshwater.



The representatives from Türkiye shared the outcomes of audits conducted over the past five years, which revealed numerous violations, ranging from unauthorized drilling of wells to the uncontrolled exploitation of groundwater.

The representatives from Pakistan noted that their assessment of water management efficiency takes into account not only economic indicators but also environmental sustainability and the principles of equity.

In conclusion, the representative of Kazakhstan proposed the implementation of an integrated approach to water resource management, grounded in international cooperation and strengthened oversight mechanisms. This would contribute to preserving water ecosystems and ensuring public access to clean water- a strategic priority for all countries.

VISIT OF H.E. DR. HUSSAM BIN ABDULMOHSEN ALANGARI, PRESIDENT GENERAL COURT OF AUDIT (GCA) KINGDOM OF SAUDI ARABIA TO ISLAMABAD

The President General Court of Audit (GCA) Kingdom of Saudi Arabia, H.E. Dr. Hussam Bin Abdulmohsen Alangari visited Office of the Auditor General of Pakistan on February 03, 2025. During the visit a MoU was signed by both SAIs to boost cooperation in public sector auditing, agreeing to collaborate on training programs, exchange of trainers and address emerging auditing challenges. The President also presented Peer Review Report conducted by SAI Saudi Arabia to Auditor-General of Pakistan.



Both sides reaffirmed their shared commitment to promoting transparency, accountability and excellence in public sector auditing.



PEER REVIEW OF THE DEPARTMENT OF AUDITOR-GENERAL OF PAKISTAN

Peer Review of the Department of Auditor-General of Pakistan was conducted by an exceptionally energetic and professional team from General Court of Audit of Saudi Arabia during January 2025.

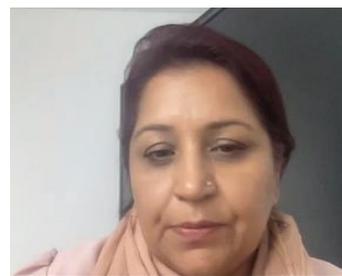
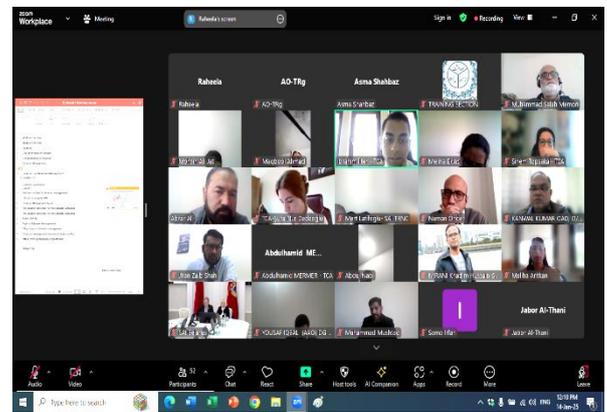
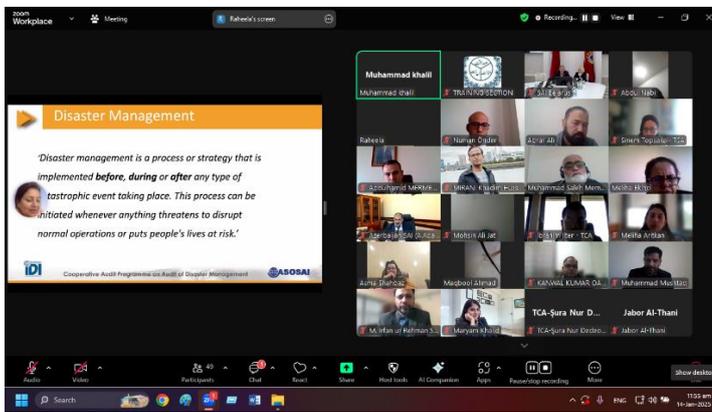


ONLINE ECOSAI TRAINING COURSE ON AUDIT OF DISASTER MANAGEMENT, 14-16 JANUARY 2025

SAI Pakistan conducted a 3-day “Online ECOSAI Training Course on Audit of Disaster Management” on 14 to 16 January 2025.

The objectives of the course were to improve and strengthen knowledge and skill of the participants to independently assess and evaluate pre-disaster activities, disaster risk reduction measures, emergency response, post disaster aid, rehabilitation and reconstruction. It is expected that the knowledge imparted would help the participating SAIs to effectively audit disaster management in line with the GUID 5330.

The course was attended by 52 audit managers of the SAIs of ECOSAI region including SAI Turkiye, Kazakhstan, Turkish Republic of Northern Cyprus, Azerbaijan, Qatar, Belarus and Palestine.



SEMINAR ON CITIZEN PARTICIPATORY AUDITS 28TH APRIL, 2025

SAI Pakistan organized a Seminar on “Citizen Participatory Audits” on 28th April, 2025 for the SAIs of Pakistan and Tajikistan.

The objectives of the Seminar were to improve and strengthen knowledge and skills of the participants by providing a basic understanding of Citizen Participatory Audits (CPAs), including their significance, key characteristics, and how they differ from other types of audits.

Introducing the regulatory framework governing CPAs and exploring their potential impact on accountability and good governance.



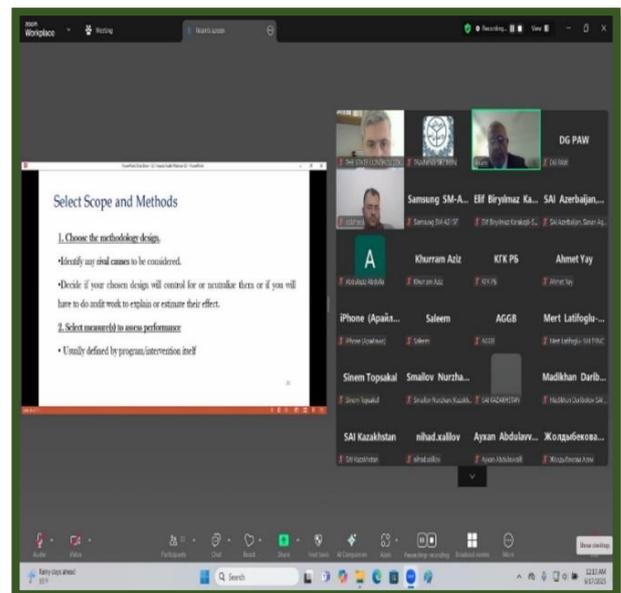
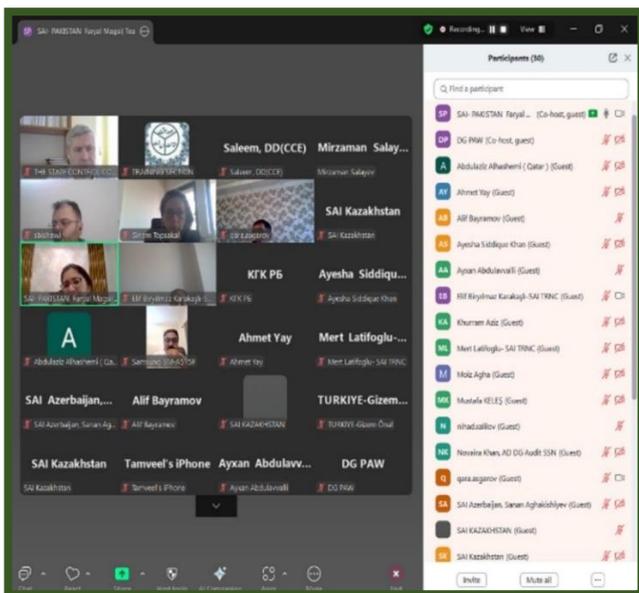
Examining the practical steps involved in organizing and conducting a citizen participatory audit.

The course was attended by 06 audit managers of the SAI Tajikistan and 10 officers from the SAI Pakistan

ECOSAI TRAINING COURSE ON IMPACT AUDIT, 17-18 JUNE 2025

SAI Pakistan organized an Online ECOSAI Training Course on Impact Audit on 17-18 June 2025. The course was attended by 30 participants from SAIs of Azerbaijan, Belarus, Kazakhstan, Palestine, Qatar, Turkiye, TRNC, and Pakistan.

It aimed to enhance participants' understanding of Impact Audit, focusing on its design, execution, and reporting through real-world examples and case studies. The sessions covered key areas such as outcome auditing, cause-and-effect analysis, and linking inputs to outcomes. The course was well received, with participants expressing high satisfaction regarding its relevance and delivery.



PRESIDENT TURKISH COURT OF ACCOUNTS PAID A STUDY VISIT TO THE SAI OF UZBEKISTAN

Mr. Metin Yener, TCA President, and his accompanying delegation paid a study visit to the SAI of Uzbekistan during May 2025. In the scope of the visit, the action plan agreement, which is related to the previously signed MoU between the two SAls, was signed.





ARTICLES

IMPLEMENTATION OF STRATEGIC MANAGEMENT PRINCIPLES IN THE PUBLIC SECTOR: THE EXPERIENCE OF THE CHAMBER OF ACCOUNTS OF THE REPUBLIC OF AZERBAIJAN (BASED ON MAIN STRATEGY AND RELEVANT DOCUMENTS IN VARIOUS AREAS)

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OF THE REPUBLIC OF AZERBAIJAN



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ADVISOR OF THE CHAMBER OF ACCOUNTS
OF THE REPUBLIC OF AZERBAIJAN



The Essence and Stages of the Strategic Management Process

Over the past 20–25 years, strategic management has been widely accepted as one of the methods for modernizing public policy. The success of steps taken by public institutions to align their operations with high standards and to respond appropriately to ongoing changes is closely related to how correctly strategic management is implemented.

Strategic management is defined as the art of formulating, implementing, and evaluating functional decisions that enable an organization to achieve its objectives. Although there are various definitions of strategic management, the following definitions are among the most understandable and widely accepted:

Strategic management is the process of defining an organization's goals by considering both internal and external environments, and making decisions to achieve those goals.

Strategic management is a continuous process of strategic analysis, strategy creation, implementation, and monitoring aimed at achieving competitive advantage.

The main objective of implementing strategic management in the public sector is to achieve better results in public services. In other words, the core goal in this sector is to create added value for citizens and society by improving the quality of public services, enhancing public welfare, and strengthening accountability and transparency

Different sources classify the strategic management process in various ways. However, the most common classification groups this process into three main stages:

1. **Strategy Formulation**- This is the core part of the strategic management process, and it characterizes the consolidation of actions aimed at the development of the institution into a realistic and ambitious plan.



The strategic plan is based on assessing the institution's key operational needs and identifying the gaps or areas that require improvement. It requires defining clear steps, roles, responsibilities, and timelines. The strategy formulation process includes evaluating the current situation (using tools like SWOT analysis, PESTLE analysis, etc.), stakeholder expectations, and defining vision, mission, values, strategic issues, and priorities. Good strategic planning:

- Identifies steps to achieve goals, new opportunities, and ideas;
- Increases leadership commitment to achieving organizational objectives;
- Enables efficient use of resources, including cost savings;
- Creates a unified vision for the organization's future;
- Ensures effective management by enabling goal attainment.

During strategy formulation, four main questions must be answered:

- ❖ **What do we want to achieve?** (Outcomes)
- ❖ **What will we do?** (Outputs)
- ❖ **How will we do it?** (Processes or activities)
- ❖ **What do we need?** (Inputs or resources)

2. Strategy Implementation - This stage involves carrying out the process, taking into account the organization's structure and resources. It is important to develop an operational plan that aligns well with the strategy and considers financial and human resources. Each operational plan serves as a tool to translate strategic intent into actionable steps. At this stage, risk management must also be carefully addressed.

3. Monitoring and Accountability of Strategy Implementation - This is the next stage, involving periodic assessment of the effectiveness of actions and planning for the future based on lessons learned. It is very important to monitor the implementation of strategic and operational plans through monitoring frameworks, which should include indicators, baseline and target values. The framework should cover both quantitative and qualitative aspects in Strategic Management.

Six Fundamental Principles ensure that an organization can design and implement an effective strategic management process while staying true to its mandate and mission at every stage:

- ❖ Must be manageable;
- ❖ Must be inclusive;
- ❖ Must focus on outcomes;
- ❖ Must be exemplary;
- ❖ Leadership must be committed;
- ❖ Changes must be managed.

Key Requirements for Strategic Management Based on International Assessments

Various assessment tools (such as PEFA, SAI PMF, Public Sector Scorecards, etc.) define requirements for the strategic management framework. These requirements, when consolidated, lead to the conclusion



that effective strategic management at the institutional level must take the following into account across different stages (Table 1).

Table 1. Key Strategic Management Requirements Based on Different Tools

Main requirements for stages
Strategic Plan Development
Does the Strategic Plan rely on an assessment of the institution’s key operational aspects and identify gaps or areas requiring improvement?
Does the Strategic Plan include a results framework with a logical hierarchy of objectives? (e.g., outcomes, outputs, etc.)
Does the Strategic Plan contain measurable indicators to evaluate the achievement of strategic goals?
Is the Strategic Plan supported by an implementation matrix or similar document identifying risks to achieving objectives?
Are stakeholder expectations considered in the Strategic Plan?
Does the Strategic Plan include measures to strengthen the institutional environment?
Is there high-level ownership of the process (i.e., leadership involvement)?
Are resource assessments (budget, human resources, etc.) conducted for the Strategic Plan period?
Does the current Strategic Plan take into account the outcomes of previous plans?
Is the Strategic Plan publicly disclosed?
Implementation of the Strategic Plan
Are clear activities, timelines, and responsibilities defined? (Primarily through Operational Plans)
Does the annual plan include budgeting and consideration of necessary resources? Are financial management, human resources, and IT infrastructure taken into account?
Is there a risk assessment for achieving the operational objectives?
Are measurable indicators identified, especially at the outputs level?
Is participation ensured across all levels of the institution?
Monitoring System (Framework) and Accountability
Does the institution assess and report on its operations and performance across all activity areas?
Is the monitoring system manageable? Does it include an adequate number of indicators?
Are performance indicators used to measure progress toward goals (outcomes)?
Are baseline indicators set at the beginning of the Strategic Plan, with targets defined for subsequent years and tracked during monitoring?
Is the progress of actual annual indicators compared with targets?
Are indicators defined and measured for each outcome and output?
Is there a defined frequency for monitoring and reporting?
Are public expectations tracked through feedback mechanisms?
Is an independent external evaluation conducted and publicly disclosed?

Development of the Supreme Audit Institution’s Key Strategic Document

The Strategic Plan of the Chamber of Accounts for 2021–2025, which outlines the Chamber's long-term development, reflects its vision, mission, core values, outcomes and outputs, and relevant activities. It



was developed based on international expert evaluations and recommendations, progressive practices, the “Strategic Management Handbook for Supreme Audit Institutions,” and the principles of INTOSAI P-12 (*The Value and Benefits of SAIs – Making a Difference to the Lives of Citizens*). The Strategic Plan serves as a roadmap for the Chamber of Accounts’ operations from 2021 to 2025. It aims to strengthen institutional capacity and enhance the role of high-quality auditing in public financial management and oversight, through greater engagement with the parliament, government, and society.

The Strategic Plan Preparation Process, including the tools applied and the key steps taken, along with their characteristics, was reflected in the article “The Role of Strategic Development Plans in Strengthening the Activities of Supreme Audit Institutions. The Strategic Plan of the Chamber of Accounts for 2021–2025” published in Issue No. 1 (2021) of the official quarterly bulletin “State Audit”. This article, however, focuses on the next stages of strategic management, particularly on monitoring.

Implementation of the Chamber of Accounts’ Most Important Strategic Document

The Strategic Plan is characterized as a somewhat conceptual document. Its implementation mechanism is ensured through an Operational Plan.

To implement the Strategic Plan of the Chamber of Accounts for 2021–2025, an annual Operational Plan was developed, covering all outcomes and outputs. This plan includes measures aimed at addressing weak points and potential gaps across different areas of activity, and improving performance in various dimensions — institutional, organizational, and professional.

Outcomes are medium and long-term strategic changes in the organization's close external environment and among its stakeholders. The organization can significantly contribute to these changes (but cannot fully control them). As the final outcomes of its Strategic Plan, the Chamber of Accounts has defined:

1. *Contributing to enhanced accountability of public finance and strengthened fiscal responsibility;*
2. *Strengthening trust in its activities.*

Outputs are results that are under the organization's control. As intermediate outcomes of its Strategic Plan, the Chamber of Accounts has defined:

- Expanding the scope of performance auditing,
- Improving the selection and coverage of financial and compliance audits,
- Enhancing the quality of audits.

Achieving intermediate outcomes depends on the organization's **capacity**, which consists of three distinct dimensions: institutional, organizational, and professional.



The structure of Operational Plans may consist of various elements. While the addition or removal of elements depends on the discretion of the institution applying strategic management, the core components are reflected as follows.



At the heart of the Operational Plan lie the "activities". The most important requirement for this element is its capacity to contribute to the achievement of the goals set out in the Strategic Plan. Analyses show that one of the main shortcomings in many institutions' strategic plans is the inclusion of predominantly routine (day-to-day) activities.

Monitoring and Accountability of the Chamber of Accounts' Most Important Strategic Document (taking into account performance impact measurement indicators)



It should be noted that monitoring and accountability are sometimes treated as components of the overall strategy implementation process. Establishing a monitoring framework for outcomes and outputs during the preparation of the strategy allows for the methods of measuring outcomes to be defined in advance, and helps to specify the outcomes more precisely.

At the Chamber of Accounts, a system of indicators has been developed to monitor the implementation of the Strategic Plan. This system includes over 90 key performance indicators (KPIs). It sets the frequency of assessments and defines quantitative and qualitative targets to be achieved.

To ensure that the implementation of the planned activities is measurable, at the end of each year, actual implementation is assessed by comparing it against the planned indicators.

A dedicated section on the implementation of the Strategic Plan was included in the Annual Activity Reports of the Chamber of Accounts for 2021–2024, marking the first such practice in the country. In addition, for the first time in Azerbaijan, the reporting on the implementation of the Strategic Plan was also linked to budget indicators.

Table 2 . Execution of the Operational Plan and the budget of Strategic Plan , %

	2022	2023	2024
<i>Operational Plan</i>	81,3%	91,7%	91,6
<i>Budget</i>	80,0%	83,3%	86



As seen in Table 2, the implementation of activities exceeded the level of budget execution.

Furthermore, the overall implementation status of the indicators within the Monitoring Framework remained at or above 80% during these years, which, being higher than the corresponding budget execution level, serves as an additional indicator of the effective implementation of the Strategic Plan.

The reporting practice of the Chamber of Accounts on its Strategic Plan has been recognized by international organizations (e.g., IDI) as one of the best in the field, and was recommended to other Supreme Audit Institutions (SAIs). The Chamber of Accounts has even been involved as an expert in projects aimed at establishing similar processes in the SAIs of other countries.

Table 3. Extract from the 2024 Implementation Status of the Strategic Plan Monitoring Framework

Indicator	Planned	Implementation	Status
Share of revenues analyzed in the opinion compared to total state budget revenues	96,0%	97,8%	✓
Share of expenditures analyzed in the opinion compared to total state budget expenditures	75,0%	85,5%	✓
Consideration of the Chamber of Accounts' recommendations in the Cabinet of Ministers' Report	Yes	Yes	✓
Share of performance audits among total audits	12,5%	13,0%	✓
Publication rate of the Portfolio (Work Plan of the previous year)	63%	64,3%	✓
Implementation rate of the recommendations of Board decisions on oversight measures	65%	70% (operative information)	✓
Share of audits and other measures that underwent quality control out of total activities	100%	98%	⚠
Chamber of Accounts' score on the Open Budget Index	89	100	✓

As previously mentioned, this article focuses more on the next stages of strategic management, particularly on monitoring. In this regard, the identification of appropriate indicators for measuring progress toward objectives becomes especially important. The article also highlights the significance of key performance indicators (KPIs) in various activities and emphasizes the importance of tracking implementation status using these indicators. The goal is to support public institutions in implementing this process and to contribute to the improvement of the indicator systems in use.

The Chamber of Accounts applies outcome indicators to measure the impact of its work by utilizing strategic management principles in both its core function — public auditing — and other activities.

However, it should be noted that some indicators are not included in the Strategic Plan's Monitoring Framework, either because the Chamber of Accounts does not have direct control over the collection of relevant data or because such indicators cannot be planned in advance. For example: *Recommendations with financial impact* — such as recovery of public funds, cost savings, prevention of overspending, or



increased public revenues; Recommendations with procedural or compliance effects (i.e., those without direct financial effect) such as improved legal compliance or the adoption of new regulatory documents. Although these are among the main indicators of audit activity, they are not part of the Monitoring Framework of the Strategic Plan. Nevertheless, data on these indicators are included in the Annual Activity Reports.

Thus, it can be concluded that not all good indicators can be applied for monitoring the implementation of strategic documents.

As mentioned, one of the most important aspects regarding the Monitoring Framework is the correct identification of indicators. Failure to define appropriate indicators may result in significant progress going unnoticed, even when the implementation rate of the Strategic Plan appears high.

Indicators must be directly linked to capacity, outputs, and outcomes. They can be expressed in quantitative or qualitative terms. Quantitative indicators are relatively easy to measure. Qualitative indicators, on the other hand, tend to be more descriptive in nature and often require additional criteria for measurement. A successful practice is to combine both types of indicators in the Monitoring Framework.

It should also be noted that including too many indicators in the Monitoring Framework can negatively impact the monitoring process (i.e., the system must remain manageable). In this regard, it is considered optimal to define 2–3 indicators for each outcome, and 1–2 (sometimes 3–4) indicators for each outputs. Additionally, indicators related to capacity may also be included in the relevant framework.

The inclusion of a large number of indicators in the Monitoring Framework by the Chamber of Accounts is due to various reasons. Broadly, this reflects the first-time application of a results-based framework, with plans to optimize the number of indicators in future strategic documents. It also includes the use of indicators that can measure not only outcomes and outputs but also capacity, and considers the Chamber’s ability to collect relevant data within a short timeframe. For example, indicators such as: Number of audits, ratio of published audit reports to the total portfolio, number and implementation rate of recommendations issued, number of quality-controlled audit activities are all under the direct control of the institution.

At the same time, it is possible to classify indicators in the Monitoring Framework as "good" or "poor". The table below provides some examples in the context of training activities.

Table 4. Good and Poor Indicators (Using Training Activities as an Example)

Expected outcome of strategy	Poor indicator	Weakness	Good indicator	Advantage
Competent staff in financial audit	Number of staff who have received financial audit training	Unclear what kind of training is meant; lacks specificity	Number of staff certified with PESA in financial audit	Reflects the required competence, qualification, and experience;



Increase in participants of quality financial audit training	Increase in the number of trainings	Vague — unclear what specific training is referred to	Ratio of staff completing PESA training to total staff in this area / Number of PESA-certified staff as a proportion of total staff in this area	certification is mentioned
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It should be noted that for institutions newly adopting strategic management, the use of poor indicators may be acceptable in early years, but should be replaced with better indicators over time.

Other Strategic Documents of the Chamber of Accounts (across various areas)

In recent years, the Chamber of Accounts has expanded its strategic management practices across different domains. The aim is to ensure that activities in all areas are structured and implemented in line with the institution’s strategic goals for the medium term and are assessed based on performance indicators.

The Communication Strategy of the Chamber of Accounts

To improve communication activities and measure related efforts, the “Communication Strategy of the Chamber of Accounts of the Republic of Azerbaijan for 2024–2026” was approved, based on a results-based framework. The document was developed using a methodological framework provided by the relevant state authority, incorporating: Requirements of the IFPP (INTOSAI’s Framework of Professional Pronouncements), relevant criteria from the SAI PMF assessment, and aligning with the Strategic Plan of the Chamber of Accounts for 2021–2025.

To assess the current situation, three tools were used:

1. SWOT analysis,
2. SAI PMF assessment,
3. Analysis of the existing legal framework.

Based on the findings, 5 SMART objectives were formulated to address the identified weaknesses and strengthen performance in this area. For each SMART objective, stakeholders and target audiences were identified separately, as well as communication tools and tailored key messages.

To achieve these measurable SMART objectives, a detailed action plan was developed. The plan includes: Multiple activities under each SMART objective, several indicators for each activity (see Table 5), ambitious targets for the medium term (i.e., increasing targets over the years). The action plan also outlines: Responsible parties, implementation timelines, frequency of monitoring and reporting. Moreover, the Communication Strategy includes a dedicated section on monitoring, reporting, and evaluation processes. This not only enhances discipline and accountability in implementation, but also supports the realization of a results-based framework.



Table 5. Excerpt from the 2024 Implementation Status of the Communication Strategy

SMART goals	Actions	Key Implementation Indicators per Action	Planned	Implementation
To support strengthening public financial management by increasing the volume of information disclosed in opinions on budgets by 15% annually (compared to the baseline)	Dissemination of information to the public via the official website and media (excluding revised budgets)	Number of summaries published on the official website	5	6
		Number of speeches on opinions published on the official website	3	4
		Number of news published on the official website	10	15
		Total number of media publications on the topic	920	972
	Informing the Parliament and the Government on topic	Number of speeches by the leadership of the Chamber of Accounts in plenary and committee sessions	11	15
To enhance accountability and transparency in the use of funds by public sector institutions by increasing the disclosure of the audit portfolio by 3 percentage points annually (compared to the baseline)	Dissemination of information to the public via the official website and media	Ratio of audits published on the official website and in the State Audit Journal to the total number of activities, as a percentage (based on the work plan of the previous year)	63	64,3
		Number of semi-annual and annual reports published on the official website	2	2
		Number of summaries published on the official website	3	3
		Number of media publications covering the results and reports of the state audit	1500	2296
	Informing the Parliament and the Government on topic	Ratio of audit results submitted to the Milli Majlis (Parliament) to the total audit results	100%	100%
		Number of reports submitted to the Cabinet of Ministers	7	12*
		Number of Members of Parliament invited to the Board meetings of the Chamber of Accounts	2	3
To increase awareness of the Chamber of Accounts in the international SAI community by 20% (compared to the baseline)	Publication of information and articles in INTOSAI and its affiliated journals	Number of articles and information shared with journals	3	7
	Provision of information to the INTOSAI Atlas	Number of entries submitted to the Atlas (cumulative)	6	6
	Achieving an adequate score in the Open Budget Index	Score in the assessment	89	100
	Increasing meetings with missions and experts	Number of meetings related to public financial management	6	7



	<i>Organizing international events on different audit topics (e.g., environment, public debt, etc.)</i>	<i>Number of events held</i>	2	3
		<i>Number of guests participating in the events</i>	90	124
		<i>Number of countries represented in the events</i>	30	44
		<i>Number of appearances by foreign SAI representatives on TV and social platforms</i>	6	7
<i>To increase the volume of information disclosed to the public about the role and activities of the Chamber of Accounts by 15% annually (compared to the baseline)</i>	<i>Increasing the amount of information disclosed to the media</i>	<i>Number of television interviews</i>	2	13
		<i>Number of in-depth interviews</i>	2	3
		<i>Number of press conferences and briefing held</i>	1	1
		<i>Number of training courses with sector journalists</i>	4	4
		<i>Ratio of responded information requests to total received requests</i>	100%	100%
		<i>Number of media publications on core and current activities</i>	2500	3781
	<i>Increasing the number of items published on the official website</i>	<i>Number of news published</i>	78	112
		<i>Number of views on the official website (cumulative)</i>	644000	767613
	<i>Expanding content on social media platforms</i>	<i>Number of social media (Facebook) posts</i>	67	136
		<i>Number of reposts</i>	2831	4227
		<i>Number of likes</i>	39750	62079
		<i>Number of views</i>	128529	271622
	<i>Enhancing communication with citizens</i>	<i>Number of citizen suggestions taken into account in audit activities</i>	1	1
	<i>To increase the scores of employee satisfaction indicators below 70% to at least 75%</i>	<i>Conducting an employee satisfaction survey</i>	<i>Average score for survey questions with low ratings</i>	70
<i>Number of survey participants</i>			96	100

Training Strategy of Chamber of Accounts

The outcome of the Training Strategy is defined as supporting the improvement of the quality of activities carried out across functional areas through training, by enhancing the potential of human capital with strong practical and theoretical knowledge.

To develop the Training Strategy, three tools were used to assess the current situation: SWOT analysis, SAI PMF assessment, and Analysis of stakeholder expectations. Based on these analyses, three strategic objectives were defined to eliminate the identified weaknesses and to strengthen efforts in this area.

In the Monitoring Framework, efforts have been made to ensure that the targets set for the medium term under the indicators are ambitious (see Table 6).



Table 6. Excerpt from the 2024 Implementation Status of the Monitoring Framework of the Training Strategy

Indicator	Planned	Implementation	Status
Ratio of administrative staff who attended at least one training to the total number of administrative staff, %	81,3%	86,0%	✓
Number of international certifications obtained during the year in finance, accounting, and audit	9	11	✓
Coverage rate of the target group through trainings, %	80%	82%	✓
Training satisfaction rate, %	80%	Over 90%	✓
Average post-training score in long-term internal training programs (based on assessment), %	80%	70-80%	⚠
Number of international certifications obtained during the year in IT field	2	2	✓
Cumulative number of auditors with international certification in audit and accounting	14	16	✓
%of employees who successfully completed paid certified trainings	100%	100%	✓

Human Resources Strategy of the Chamber of Accounts

The main objective of the strategy is to improve the human resources system by developing the staffing potential and ensuring the recruitment of employees with the necessary knowledge and skills, in order to effectively support the operations of the Chamber of Accounts.

To develop the Human Resources Strategy, two tools were used to assess the current situation: SWOT analysis and SAI PMF assessment. Based on the analysis, outputs were identified to address the detected weaknesses and strengthen activities in this area. In the Monitoring Framework, efforts have been made to ensure that the targets set for the medium term under the indicators are ambitious (see Table 7).

Table 7. Excerpt from the 2024 Implementation Status of the Monitoring Framework of the Relevant Strategy

Indicator	Planned	Implementation	Status
Number of vacant administrative positions submitted to the State Examination Center for announcement	39	46	✓
Staffing level of established positions at the Chamber of Accounts, %	89%	85%	⚠
Staffing level of administrative positions at the Chamber of Accounts, %	80%	80%	✓
Number of positions formed based on the application of the competency model	43	54	✓
Number of employees rotated across audits during the year	10	10	✓
Number of employees promoted in position	14	23	✓
Staff turnover rate	≤10%	12.4%	⚠



As seen from the tables, the article presents only brief excerpts from the relevant Monitoring Frameworks, with a focus on indicators that may be applicable in other institutions as well. The Monitoring Frameworks and the indicators used therein enable the measurement of success in the respective areas and support the decision-making process.

The Chamber of Accounts prepares a Risk Register, which reflects the probability, impact, and mitigation measures of risks related to the outcomes and outputs of its main and sectoral strategic documents. This plays an essential role in the implementation of strategic management (see Table 8).

Table 8. Excerpt from the Risk Register Document

Risk	Probability	Impact	Risk index	Tolerance	Response	Type of control activity	Planned actions
Low implementation level of procedural recommendations in Board decisions	3	4	12	Unacceptable	Mitigation (Risk reduction)	Corrective	<i>Ensuring measurability of procedural provisions in Board decisions; special monitoring by audit departments of relevant provisions; conducting monitoring activities</i>
Misunderstanding or misinterpretation of reports, or misperception of the Chamber's role in the public financial management system	2	4	8	Unacceptable	Mitigation (Risk reduction)	Preventive	<i>Enhancing the readability and simplifying the structure of summaries and reports; including explanations of certain terms in the Annual Performance Report; proactive media management related to the Chamber's activities</i>

Through this framework, the Chamber of Accounts maintains a risk register, regularly monitors the identified risks, and implements measures aimed at reducing risk levels. Based on the assessments conducted, internal monitoring reports are prepared and shared with all staff, ensuring that the results are integrated into the decision-making process.

Consequently, it can be concluded that in the implementation of principles aimed at creating value for society and enhancing the quality of public sector governance, the role of strategic management is once again emphasized. The Chamber of Accounts intends to continue its efforts to share its exemplary practices with other institutions in the relevant sector to promote the wider adoption of strategic management approaches.

Sources used in the article:

1. Paul Joyce – Strategic Management in the Public Sector
2. John M. Bryson – Strategic Planning for Public and Nonprofit Organizations
3. Strategic Management Handbook for Supreme Audit Institutions
4. SAI PMF (Supreme Audit Institutions Performance Measurement Framework)
5. INTOSAI P-12 (The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens).

STAKEHOLDERS MANAGEMENT IN A PUBLIC SECTOR REFORM INTERVENTION: CASE OF PIFRA

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Public Financial Management has remained a pivotal aspect of governance. At the close of 20th century renewed focus and coherent effort to institutionalize good governance in financial management received a stimulus in Pakistan. Accordingly, Project to Improve Financial Reporting and Auditing (PIFRA) in its two phases was designed to address public sector financial management issues. It aimed to produce timely, accurate and meaningful accounting reports based on detailed budgetary data. The ensuing Integrated Financial Management System (IFMS) would bring about informed decision making.¹ The logical culmination of IFMS was accountability through new audit paradigm within six months of close of financial year.

PIFRA was an attempt to reform a variety of domains at all tiers of government. PIFRA, at inception updated accounting and auditing books of principles, methods and model for modernization and standardization. It was followed up with PIFRA II which was deployment of systems and technology to implement these new principles & methods and IT software. Therefore, PIFRA components included budgeting system, financial accounting, auditing and training & change management. The stakeholders included Finance Division at the central Government and departments at the provincial level, accounting offices at federal, provincial and district level, all line departments, and auditing entities across the country. These multifarious realms and regions required a huge effort in a synchronized way. PIFRA made an attempt in this regard deploying specific techniques of change management and capacity building.

After years of toil, persuasion and enforcement the multi-million dollar effort reached its culmination point with achievement of deliverables with some trail of problems, issues and a need for further reform work while establishing an automated work environ that still had manual processing in same areas.

Background and Scope of PIFRA

The Department of the Auditor-General of Pakistan (DAGP) was finding ways and means for diagnosis of multiple issues confronting public financial management, transparency and accountability prior to dawn of 21st century. Meanwhile, an international donor [Lender] through diagnostic study suggested reform intervention in the financial management realm of the government of Pakistan.² The long-standing

¹ PIFRA PC-I, p.2

² PIFRA PC-I, p.9



governance issues coincided with vision of the government itself.³ The initiative stood approved by relevant forums by the name of Project to Improve Financial Reporting and Auditing (PIFRA). PIFRA being a country wide project with multiple facets stretched across a variety of stakeholders both internal and external to the department. It covered 128 districts across provinces and 222 other sites, a training effort of about 51000 officers and officials on new system of financial accounting and budgeting, and implementation of New Accounting Model (NAM) and Financial Audit Manual (FAM) for risk-based auditing among other deliverables.

This study focuses on the important area of public sector reform vis-à-vis stakeholders among other aspects of this intervention in core areas of stakeholders domain. The stakeholders included inter and intra-departmental actors who were incentivized in a rationalized way. Public sector reform interventions are critical as well as susceptible to failure. This sector is typically rules and regulations driven with codification of processes and long-established skills-set of workforce. PIFRA, quite interestingly, attempted reforms in all these areas. It targeted codes, rules-regulations and updation of skill-sets of users. The management of stakeholders left behind many important lessons for not only teams trying to bring changes in Public Sector but for organizations seeking reforms. Officers and entities planning to undertake such future endeavors will get some lead through this study.

Reforms and Risks

As pointed out earlier, DAGP was mulling a major reform work for its modernization and the government was facing issues in governance in general and financial management in particular. International financing agencies were already clamoring for better financial management. The gelling of agenda and the commitment of political will made it happen. Now it was upto translators of this idea to bring about a success story, here the human element crept into scene.

The parties involved paid attention to the fact that significant risks were associated with this drive that would consume millions of dollars. However, the risk areas were complex including among others vested interests who would resist change, fate of deployment of technology in a skill-crunched environ, stakeholders onboarding and frequent personnel changes at helm of project and in stakeholders domains. Before long the project work was in critical domain. Internal stakeholders of CGA and AGP and external one's of Centre Government ministries and Provincial Government departments including consultants were depicting want for motivation to act. So an incentive scheme was introduced.

Contours of Incentives Scheme

Keeping in view the extent of interventions in the domains of stakeholders, the scheme offered varied incentives designed for stakeholders and was cleared by both the donor and the government. Therefore, for external stakeholders it was the incentive more of in kind that drove home the message of need for reform and removal of bottlenecks. For these stakeholders which included ministries, departments and offices, it was a two-tiered bundle. On one count hardware, software and allied equipments and computer

³ PIFRA PC-I, p.3



laboratories were provided to initiate new automated processes but also for mechanization of existing work process of the stakeholder. Hardwares and softwares were provided for specifically built computer laboratories in these entities. Secondly, key personnel were given the opportunity for training and certification in installed modules of software (SAP) which was one of the highest paid certifications in the world. Some hirings were also allowed on donor funding for continuation of critical mass in service. As a result of incentivization mechanism ones who were the most vocal in resisting PIFRA were now on its payroll.

Whereas internal stakeholders in accounting offices and DAGP were offered an incentive package being main drivers and users of changed work process. Counterpart and Resource person allowances were given to selected officials to further reform work by championing the cause of change and act as future carriers of reform. Training in SAP and ACL was also offered in these domains of work where allowance was not given. Software and Hardware was an essential provisions for automation of work processes.

With introduction of the incentive scheme, project work gained momentum. With every passing day on dissemination of the incentive scheme, request for grant of incentives starting pouring in from every nook and corner of the country. While there was an allocation of budget which was to be adhered to, doling out incentive was neither advisable nor feasible. Hence, rationalization and balance was considered as guiding principles with keeping pace and synchronization of reform work in sight.

Issues and Challenges

As mentioned above, PIFRA encountered numerous challenges. Such like initiatives face obstacles particularly when the focus area is soft reform based on technology and requiring capacity building including change of culture.

1. Imminent Resistance and Continuation of Manual Work

The reform work focused on standards, technology, processes and people. It was ultimately the users who were the harbingers of output of reform. Usage of technology and new standards ran the risk of misperception. This occurred as users became wary of their future with deployment of IT. Another band of users feared loss of their efficacy and need. There was another group of employees who had vested interest in retaining the old system and legacy.

2. Outdated Legacy System and Policy Inertia

The legacy system was obsolete and primitive. Outdated principles, policies, and methods were in place for long. While the system had payroll and allied data, its replacement and migration to new system was a huge task due to data size. Moreover the HR was used to with this system and as such was not giving in easily for its replacement and at times caused the new system to malfunction during migration of data. This acted as one of the most critical tools in the hands of reform opposers.

3. Unskilled Resources

Another challenging area was the resources who lacked IT skills. The bulk of workforce only had a capacity on core domain of pre-audit, accounting and auditing. Now there was an absolute necessity of



IT skills. One reason of resistance to change was this unskilled workforce which never wanted such a change to take root. It was felt that new technology would cause a harm to career prospects of existing workforce.

4. Menace of Corrupt Practices

There was the systemic issue of rent seeking, speed money and other corrupt practices which came under threat due to deployment of technology that would allow tracking of all transactions in real-time and log creation. This grave prospect for vested interest was ardently challenged in innumerable ways. The reform work was perceived as a threat to this state of affairs and hence was not to be given a free hand.

5. Capacity of the Department Concerned

The entities suffered from halted and unsmooth operations owing to transfers in management and trained resources elsewhere to other sections or entities while old staff showed lack of interest in embracing new technology. This was compounded by, at times, delay in repair of equipment placed at that site.

6. Audit-Specific Issues

The introduction of Financial Audit Manual (FAM) and Computer Assisted Audit Techniques (CAATs) for new risk-based audit brought about fear of change of old pattern of work, loss of expertise, exposure and uncertainty of new methodology. New paradigm of audit on risk basis meant reduced discretion in conduct of audit and required extensive documentation. It brought a dire need for training and skills enhancement for ISSAI requirements, usage of CAATs and IT audits in line with FAM.

7. Incentive Scheme and Its Repercussions

The incentive to launch champions of reform through allowances and facilities was instrumental in introduction of reform work. The internal and external stakeholders were in a way made to let change creep in. The deliverables of the project were cross-component and cross-tiers. The resisters of change did try to slow down progress, allow reform work as half-baked product by reducing full usage of modules.

Accomplishments and Embedded Potential

Despite hard resistance and numerous challenges much was achieved in concrete terms across domains and stakeholders at close of PIFRA. It did manage to bring about a large number of changes. These were cross-cutting the PFM domain. The key achievements included modernization of accounting and auditing model, extension of automated system at all tiers of government for budget, accounting, reporting and auditing. Public sector financial management cycle from budget preparation, incurring expenditure to finalization of accounts and audit thereof utilized automated tools like SAP and ACL. System-based Budget, disbursement, some financial controls, payroll of 2.7 million employees and direct credit of pension were major works. PIFRA was instrumental in introducing risk-based audit, IS Audit, ISSAI's and Quality Management Framework on efficient timelines with reduced resources (person-days) in execution. This led to increase in recoveries on yearly basis.



As the project reached its culmination point after years of intervention, a number of future initiatives were stemming out of the system installed by PIFRA across regions. These included Micropayment Gateway (RAAST payments), online submissions of bills, spadework for AMIS, automated salary-GPF-pension disbursement-accounts-loans-advances, change tracking system and tax deductions.

Emanating Lessons

Archaic Policies, Procedures Continued for Decades: The legacy system was rife with numerous weaknesses such as outdated codes, standards, principles, policies and methods, inherent delays, slow manual processes and lack of adequate accountability and transparency etc. Laborious manual work consumed time with requisite information missing and made the whole system feeble.⁴ Such a scenario resulted in poor governance. Accordingly, timely change was required in these areas.

Constant Capacity Building of Human Resource: Continuous professional development is the basic technique for vibrancy and skill upgradation in an entity. This way dependence on consultants would also get minimized through appropriate training of the in-house HR and their placement in the areas where they can utilize their newly attained knowledge and skills. Any new initiative will also be easily introduced if HR is trained and skilled on modern lines.

Abolition of Dual Work Activities/Tasks: It should only be upto a transition period while moving from manual to automated process that dual modes are allowed to continue. Any continuation of both streams will never let change to settle and eliminate manual systems. Continuous monitoring of end users in this regards is a must.

Human Interface Most Difficult: The behaviour-normatic domain poses the strongest challenge to reform efforts. This holds more water when the change is related to a public sector area. The cemented structures and emboldened culture offers toughest resistance to any attempt at displacing and replacing existing systems and convince users who have well-established their comfort zones.

Soft Reforms Complexity: Reforms in the soft areas such as capacity building and usage of technology is a complex work. PIFRA was a case in point. It proved that such a venture encounters insurmountable impediment. Many a time a round-about way is required to introduce and penetrate deep into existing systems which are jealously guarded by employees.

Prior Onboarding of Stakeholders: Stakeholders are central to any change management drive in an entity. Without prior consultative and coordinated effort, it is almost certain that the initiatives will likely hit impediments in the domain requiring reform and from those who would ideally carry the reform work, therefore, if there is any element of success associated to reform it goes through prior onboarding of stakeholders which is the way forward in all such cases. Moreover, in public sector, jurisdictional issues

⁴ PC-I, PIFRA-II, 2005



are vigorously guarded, therefore, stakeholders must always be kept on board for any success in a reform intervention.

Conclusion

PIFRA was introduced at a time when need for such intervention was well established. The project had complete operational autonomy and a secure source of funding. The government, the DAGP and donor (World Bank) were on the same page. Having all the ingredients of success, the project appeared bound to achieve its deliverables. However, right at the outset it met with obstacles in all of its target domains spanning across the country. The complexity of a capacity building and organizational development venture confronted the fluid realm of human interaction and acceptance. The stiff resistance to reforms was mitigated through carefully crafted benefit scheme. With benefit of hindsight, one can state that government will continue with many such projects in the public sector and will surely in the era of digital governance focus must be placed on technology, knowledge enhancement of HR with prior onboarding of stakeholders.

SUBSIDIZING AGRICULTURE IN KAZAKHSTAN: RESULTS OF THE STATE PERFORMANCE AUDIT

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The current global trend emphasizes the priority of physical availability of food over price factors, which necessitates the effective development of the agro-industrial complex (AIC) to ensure food security and expand export opportunities. The significance of food security in the world is increasing, along with the need for effective development of AIC to ensure sustainable economic growth and export potential.

The agro-industrial complex of Kazakhstan is a key sector of the economy, significantly influencing the food security of the country, the quality of life of the population, and the socio-economic stability of rural areas. State support for the agro-industrial complex is regulated by the Law "On State Regulation of the Development of the Agro-Industrial Complex and Rural Areas" and is aimed at creating favorable conditions for the development of agriculture, livestock, fisheries, and the processing of agricultural raw materials [1,2]. Measures of state support include subsidization, preferential lending, regulation of exports and imports, stabilization of prices for socially significant food products, and technical equipment for the agricultural sector [3,4,5].

The strategic directions for the development of agriculture are defined by the Concept of Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2021 - 2030. The concept provides for ensuring food security, creating sustainable food ecosystems, digitalization, greening, and the development of human resources. The target indicators for 2030 include increasing labor productivity, raising crop yields, increasing the level of self-sufficiency in products, growth in exports, and attracting investments [6,7].

Despite the measures being taken, the industry continues to face problems such as the instability of strategic priorities, insufficient processing of agricultural products, and dependence on imports of certain types of food.

The President of the Republic of Kazakhstan has set the task of transforming agriculture into a highly efficient sector that ensures food security and enhances the competitiveness of domestic products.

Special attention is focused on the implementation of innovations and the modernization of the agro-industrial complex.



And in this, a sufficiently important role is assigned to the effectiveness of state regulation in the agricultural sector, in particular the role of subsidies in agriculture.

Considering the significant amounts of budget funds allocated to support agricultural producers, as well as the need to enhance the transparency and efficiency of their use, the Parliament has tasked the Supreme Audit Chamber of the Republic of Kazakhstan to conduct an audit of the subsidy system in the agricultural sector.

The purpose of the audit was to identify problems and risks in the current mechanisms of state support, assess the effectiveness of subsidy distribution, as well as to develop proposals for improving approaches to state regulation aimed at achieving real economic effects and increasing the return on investment.

As part of the audit, the main focus was on analyzing the current state of agriculture in the Republic of Kazakhstan, as well as the existing system of state support for the agro-industrial complex. Special emphasis is placed on assessing the extent to which the actual results of subsidy provision align with the stated strategic goals.

During the work, existing issues in the regulatory framework, control mechanisms, and the evaluation of the effectiveness of budgetary allocations were also considered. Based on the collected data, identified violations, and shortcomings, a set of reasoned recommendations is being formed aimed at optimizing the system of state support for the agro-industrial complex, enhancing its transparency, effectiveness, and economic return.

The methodology and procedures of the audit

The goal of the state audit was to evaluate the efficiency of the use of budget funds allocated for the subsidization of agriculture and their contribution to the development of the sector. The audit was conducted in 2024. The audit covers the period from January 1, 2022, to December 31, 2023, with an analysis of data for other periods. The audit was conducted at the Ministry of Agriculture of the Republic of Kazakhstan and four regional agricultural departments [8].

The audit methodology was based on the principles of independence, objectivity, reliability, and transparency. During the audit, various methods were applied, including report analysis, operational testing, surveys, observation, and control inspections. To enhance the accuracy and efficiency of the audit, international standards (ISSAI), specialized software, and reporting templates were used.

The audit procedures included planning, data collection and analysis, evaluating the compliance of the results with established objectives, forming conclusions and recommendations, as well as presenting the results in the form of an audit report.



Findings (Audit Results)

Strategic Planning

Over the past 10 years, the Ministry of Agriculture has adopted several program documents. At the same time, the constant changes in priorities and the lack of continuity between programs have led to only 60% of the target indicators being achieved. This indicates shortcomings in the planning system [7,8].

Subsidization

Most subsidy recipients perceive them as social assistance rather than as an incentive for production development. The reciprocal obligations that were supposed to be introduced starting in 2022 have been effectively implemented only for 4 out of 17 subsidy areas. Such an approach does not contribute to the rational use of funds and does not bring real benefits for the development of the industry.

Evaluation of the effectiveness of subsidies.

The Ministry of Agriculture began assessing the economic effect of budget subsidies only in 2022, and only in 11 of 17 areas. At the same time, the effect indicator is limited to calculating the increase in production volume, which does not reflect the qualitative development of the industry [7,8].

Problems with the automation of processes

The implemented information system "Gosagro.kz" for automating the subsidy process is operating in a pilot mode, not providing full control over the justified allocation of subsidies. Improvements to the system are needed, including format and logical control and an expansion of integration with other government databases.

Recommendations

Based on the conducted analysis, specific recommendations have been developed aimed at improving the mechanisms of state support for the agro-industrial complex. These proposals are formulated considering the existing problems in the regulatory framework, management, and evaluation of the effectiveness of subsidies. Each recommendation is supported by a justification of its necessity and the expected positive impact on the effectiveness of the implementation of agricultural policy.

First of all, it is proposed to include a provision in the Budget Code of the Republic of Kazakhstan regarding the return of budget subsidies in the case of establishing the fact of their improper use. The current legislation lacks a clear mechanism for the return of funds spent improperly, which reduces the level of accountability of recipients and allows for the ineffective use of state resources. The introduction of such a provision will strengthen the discipline of subsidy recipients and create a precedent for the return of improperly obtained amounts, which, in turn, will increase the transparency and efficiency of budget expenditures.

The second important initiative is the implementation of a mechanism for providing partial state guarantees through development institutions in cases where there is a lack or insufficiency of collateral for agricultural producers. In conditions where access to financing remains one of the main problems for



farmers and peasant households, especially those of small and medium scale, such a measure will increase their investment activity and attract borrowed resources for production development. This will contribute to the expansion of technical modernization and the introduction of new technologies in agriculture.

It is also recommended to revise the existing subsidy algorithms to make them as simple, clear, and transparent as possible for potential recipients. Simplifying the algorithms will not only improve the accessibility of subsidies but also reduce farmers' costs for paperwork, as well as lighten the burden on administrative bodies.

An essential measure is also the revision of the list of subsidies to redistribute budget resources in favor of priority areas with the greatest potential for economic growth. Currently, some subsidies are directed towards activities that do not yield significant results or have lost their relevance. Redistributing funds in favor of programs capable of generating a multiplicative effect will increase the return on public investment and bring us closer to achieving the strategic goals of the industry's development.

Special attention should be paid to the relationship between 'social' and production-oriented support. It is recommended to redirect ineffective social measures towards stimulating tools that directly contribute to production growth, increasing profitability, and the sustainability of enterprises. An excessive focus on compensatory and social measures reduces motivation for innovation and does not create long-term economic sustainability.

To improve the effectiveness of subsidy usage, it is proposed to implement a system of reciprocal obligations - a mechanism in which recipients of government support will be required to achieve specific production or economic indicators. Such indicators can be fixed within the Concept of Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2021–2030. Such a practice will ensure that state support is focused on the final result rather than on the mere fact of financing.

Along with this, it is necessary to create an effective system for monitoring and evaluating state support that will allow for the regular tracking of the level of fund utilization, the degree of achievement of planned results, and the satisfaction of recipients. The use of digital tools and analytics will make the system more manageable and adaptive to market changes.

One of the key areas of development is also expanding agricultural producers' access to financial resources. This implies improving credit mechanisms, developing agricultural insurance, as well as implementing alternative forms of financing, such as microfinancing, crowdfunding, and leasing. These measures will significantly reduce the financial gap between large and small players in the industry, increasing its overall resilience.

An important task remains the accelerated implementation of the integrated state information system "Gosagro.kz" into industrial operation, which should become a single digital tool for administering subsidies, providing reporting, and facilitating interaction between industry entities and government bodies. The integration of this platform with other state information systems will allow for the automation



of data collection, minimize the human factor, and ensure complete traceability of budget funds movement.

Finally, it is recommended to ensure full coverage of all peasant and farming households when submitting annual reporting forms. Currently, a significant portion of small farms is either not covered by reporting or provides incomplete information. This complicates the formation of a reliable database for strategic planning and hinders an objective assessment of the needs for state support. The introduction of mandatory reporting will allow the government to more accurately target support measures and build an effective policy in the agricultural sector.

Experience and challenges

The experience of conducting this audit allowed the auditors to more deeply understand the agricultural sector, the specifics of subsidies, their effectiveness and contribution to the country's development, and also to draw a conclusion about the need for more thorough verification and monitoring of the final recipients of subsidies.

Thus, the implementation of the aforementioned recommendations will significantly increase the effectiveness and targeting of state support in agriculture, strengthen control over the use of budgetary funds, and create conditions for the sustainable development of the agro-industrial complex of the Republic of Kazakhstan.

The conducted audit revealed a number of systemic problems in the area of state support for the agricultural sector of the Republic of Kazakhstan, including deficiencies in strategic planning, the regulatory framework, and mechanisms for monitoring and evaluating the effectiveness of subsidies. The implementation of the presented recommendations will contribute to increased transparency, effectiveness, and efficiency in the use of public funds aimed at developing the agricultural industry. Further research may be directed towards analyzing the impact of various types of subsidies on labor productivity, innovation activity, and the competitiveness of agricultural enterprises.

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EFFECTIVE INTERNAL AUDITING: A PANACEA FOR ALL ILLS

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Introduction to internal auditing

Any successful organization or business starts with a clearly defined, focused, transparent, value-adding, and simply communicable strategy. A strategy supports mission, vision, goals, and objectives of a business or organization. Without such a clear strategy, the business or organization is just like a ship floating directionless on an ocean. A ship swayed by the external forces like waves, currents, and winds (customers, suppliers, competitors, regulators), and the internal forces of its squad, magnitude, and complexity (organization, management, structure, processes, etc.). The will and influence of environment and others force a rudderless ship, without ever reaching its destination (target). The same scenario holds true for internal audit. Each successful internal audit function begins with a strategy. Like the ship captain, an audit manager or Chief Audit Executive (CAE) needs to plot a course (create a strategy and then identify goals and objectives) and persistently monitor and adjust all of the internal and external jerks and forces in order to reach its destination. Plotting and keeping the progress is possible by the use of strategic planning and cautious management of processes essential to implement and carry on strategies.¹

Brief background

In accordance with *the International Professional Practices Framework (IPPF) 2017*, mission of internal auditing has been of supreme importance and is defined as “to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.” IPPF facilitates attainment of the mission of internal auditing. IPPF contained two types of guidance: mandatory guidance and recommended guidance. There were four elements of mandatory guidance and those were core principles, definition of internal auditing, codes of ethics, and the standards. There were ten core principles. These ten core principles were bifurcated and emerged into two main streams of guidance. One stream consisted of *codes of ethics* and the other one, *the standards*.²

There were four codes of ethics and those presented the attributes (or characteristics, qualities) of internal auditors at individual level. Those codes of ethics were integrity, objectivity, confidentiality, and competency. Three of them i.e. *integrity*, *objectivity* and *confidentiality* are strictly the characteristics for each internal auditor while the fourth one i.e. *competency* is the characteristics of internal audit team, activity or department as a whole. Besides the individual and combined characteristics of internal audit activity, there were set of essential requirements for performing the

¹ Sawyer’s Internal Auditing, 7th Edition (2019)

² Gleim study material of Internal Auditing, 2023.



activity and those were called *the standards*. So, there were two core requirements for performing the effective internal auditing and those were *codes of ethics* and the *standards*.

New Global Internal Audit Standards published by the *Institute of Internal Auditors (IIA)* in 2024 replaced the earlier guidelines of internal auditing, described above. Now, the new IPPF arranges authoritative body of knowledge for the professional practice of internal auditing. This framework (IPPF) consists of *global standards* for internal auditing, *topical requirements*, and *global guidance*. Global standards and topical requirements are mandatory, while global guidance are supplemental (non-mandatory).



In IPPF of 2017, there were ten (10) principles, four (4) codes of ethics and fifty-two (52) standards as mandatory elements of internal auditing. Now, there are fifteen (15) guiding principles at the core of total 52 standards published by the IIA in 2024. In other words, the number of standards and their essence are almost the same (as those were published in 2017) but now those standards are guided by fifteen (15) guiding principles.³

Definition of internal auditing and its elaboration

Internal auditing is “[a]n independent, objective assurance and advisory service designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.”⁴

Every aspect of internal auditing is covered very beautifully and laconically in internal audit definition mentioned above. Internal audit activity is assurance and advisory service while keeping independence, organizationally; and maintaining objectivity, individually. In other words, independence is an attribute of the internal audit department, team or activity; whereas, objectivity is the characteristic of individual internal auditor. Internal audit activity provide assurance services to the organization on one hand while advisory services (often termed as consultancy services) on the other.

³ Gleim study material of Internal Auditing, 2025.

⁴ Ibid.



Assurance services are defined as “services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational, performance, and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.”⁵ In other words, while performing the assurance service internal auditor objectively evaluates the evidence to provide reasonable assurance to an organization in their Governance, Risk management and Control processes (GRC).

While conducting assurance engagements, audit objectives, scope and procedures to perform are always decided by internal auditor without any influence of the management of organization. Moreover, three parties are involved in any assurance engagement: internal auditor, the auditee and user of the audit report. There are roughly nine types of assurance engagements and those are operational, financial/financial reporting, compliance, performance, quality, privacy, security, due diligence, and external business relationships.

Consultancy services are advisory in nature and these are defined as “services through which internal auditors provide advice to an organization’s stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders.”⁶ There are three main types of consulting engagements and those are advisory, training and facilitative. Examples of consultancy services include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls.

The next important term in the definition is *value*. This term refers to the positive contributions or benefits internal audit activity deliver to the organization. In other words, value provided by the internal audit activity refers to the positive impacts on the abilities of an organization towards the attainment of its goals and objectives. It is also important to be noted here that goals are always short term, whereas, objectives are always long-term.

The next important part of the definition is *improve an organization’s operations*. Usual operations audited by internal audit activity are, but not limited to, financial operations; compliance and regulatory adherence; information technology systems; human resources and payroll; procurement and supply chain management; and Environmental, Social and Governance (ESG) factors etc.

Governance as defined by the glossary of internal auditing is “the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.”⁷ Structures show the stagnant part and processes show the moving part of system/activity of an organization. Governance function of BoDs is performed through *inform, direct, manage, and monitor*. In other words, Governance is actually a

⁵ Gleim study material of Internal Auditing, 2025.

⁶ Ibid.

⁷ Gleim study material of Internal Auditing, 2024.



set of relationships among different stakeholders of an organization and those stakeholders are BoDs, management, employees, shareholders and other stakeholders like financial institutions, regulators, vendors, customers, external auditors and public. Effective governance includes oversight, accountability and decision-making.

Main components of Governance are *strategic direction* and *oversight*. However, strategic direction actually determines the business model and overall objectives of an organization on one hand, and approach to taking risk in accordance with the risk appetite on the other. Oversight is that component of governance in which internal auditing is very apprehensive. Risk management and controls are mostly applied in this component of governance. Oversight deals with two types of activities and those are risk management activities executed by the risk owners and senior management on one hand; whereas, internal and external assurance activates on the other.

Risk and risk management defined by the Institute of Internal Auditors (IIA) are “the positive or negative effect of uncertainty on objectives” and “a process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization’s objectives” respectively. In other words, risk management is a chain of activities for recognizing, evaluating, managing and regulating the possible events or situations. Moreover, risk management helps ensure that the organization can reasonably attain its short-term goals and long-term objectives. Risk is a function of threat, vulnerability, probability (or likelihood) and impact (or consequences). Mostly, the threat is external and vulnerability is internal factor to the organization. In other words, only vulnerability can reasonably be overcome by the organization but threat cannot be.

To understand risk management in true letter and spirit, internal audit management must comprehend how the organization recognizes and evaluate the significant risks. This comprehension includes how the organization recognizes and copes with the following factors:

- *Reliability and integrity of financial and operational information*
- *Effectiveness and efficiency of operations and programs*
- *Safeguarding of assets*
- *Compliance with laws or regulations.*

Management must consider risks at every level of organization and must manage those risks that can hinder the achievement of organizational objectives. Risk management cycle comprises five steps.

Step-1: Identification of context

Before identification of risks, it is necessary to identify significant contexts. Risks should be managed within those contexts. More often than not, context includes organizations, laws & regulations, business processes, capital projects, technology, and market risks i.e. foreign exchange, interest rates etc.



Step-2: Risk identification

Within the pre-identified context, identification of risk should be carried out at each level of an organization (e.g. entity, division, and business unit level). SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis (also called situational analysis), scenario analysis and workshops can identify risks.

Step-3: Risk assessment and prioritization

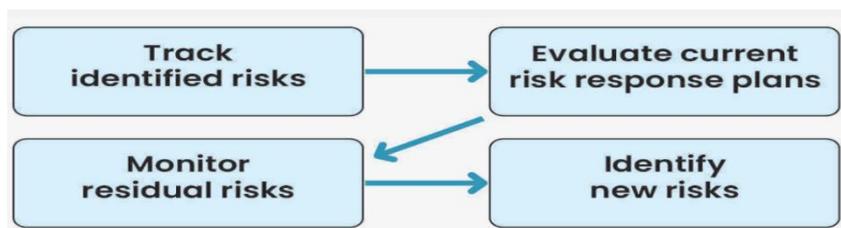
Risk assessment step may be informal or formal. Risk assessment comprising assessment of significance (impact) of an event, assessment of its likelihood, and then considering the ways of managing the risk. Resultant of likelihood and impact can help to prioritize the risks. Risk assessment methods may be quantitative or qualitative comprising risk modeling, risk maps and risk ranking.

Step-4: Risk response

Keeping in view the probability of threat to exploit the vulnerability to create the impact, there are four possible options for risk response. If the resultant of probability of threat and its consequence (impact) is very high (far more than acceptable level of risk), then risk avoidance is the suitable response. If the resultant of probability and impact is lower than acceptable level of risk, then risk acceptance is suitable response. If probability is low but impact is very high, then risk sharing (sometimes-called risk transfer) is suitable response. If the resultant of probability and impact is more than acceptable level of risk (more than risk appetite) then mitigation of risk is the appropriate response. Mitigation is done by modification of existing control, application of new control, or by business process reengineering.

Step-5: Risk monitoring

New risks can be identified by risk monitoring.



It is pertinent to mention here that risk management is the responsibility senior management and the BoDs. However, BoDs has the oversight function. Senior management ensures that risk management function is working properly. Internal audit function provide the assurance service regarding risk management and report to the BoDs or audit committee.

After understanding risks and risk management, it is indispensable to consider the controls. It is pertinent to mention here that controls, control processes, and control environment are interrelated elements that work together helping an organization to manage risks and achieve its long-term objectives. The definition of control is “any action taken by management, the board, and other parties



to manage risk and increase the likelihood that established objectives and goals will be achieved.”⁸ Control processes are “[t]he policies, procedures, and activities designed and operated to manage risks to be contained within the level of an organization’s risk tolerance. The control environment is the attitude and actions of the board and management regarding the importance of control within the organization. Control environment has following components: integrity and ethical values; organizational structure; management’s philosophy and operating style; assignment of authority and responsibly; human resource policies and practices; and competence of personnel.”⁹

Discussion

Internal auditors, especially CAE, have business acumen in general and insight pertaining to their organization in particular. This acumen has been developed as internal auditors know deeply the following key areas due to their experience: strategic management, planning and performance measures; organizational behavior; leadership and organizational structure; business processes and data analytics; project management and contracts; databases and application development; IT infrastructure; and IT control frameworks and disaster recovery. Finally, internal auditors have thorough understanding of the concepts and essential principles of financial accounting; financial accounting elements; concept of advanced accounting; financial statement analysis; current asset management; capital structure, capital budgeting, and taxation; and finally managerial accounting.

New opportunities comes with new dangers along with new peaks and troughs for internal auditors. Internal auditor may feel fear of *over-promising and under-delivering*. Usually, ‘*many internal auditors find the self-worth in finding findings*’. However, it is true “*finding findings for the sake of finding findings undermines the principle of objectivity*”¹⁰. Add to this, internal auditor always have in mind about the tangible value adding e.g. quantifiable savings, recoveries (increased revenue) and efficiency improvement. ‘*Effective internal audit function consistently try to demonstrate real(ized) value*’.

Financial auditors perform financial audit; compliance with authority auditors perform compliance with authority audit; performance auditors perform performance audit focused on economy, efficiency and effectives; and information systems auditors perform the information systems audit or audit of information security. Usually all these types of audits (financial, compliance, performance etc.) are performed by external auditor. External auditors usually perform these audits on annual basis within short span of time. However, internal auditors remain in the organization throughout the year and they get insight of the current processes as well as aware of any new initiative taken by the organization. They are the eyes and ears of the BoDs. They perform all types of assurance and consulting engagements. They utilize interpersonal, communication and listening skills to determine insight and foresight of organizational operations and initiatives.

⁸ IIA Glossary.

⁹ Ibid.

¹⁰ Rainer Lenz and Barrie Enslin, 2025



They understand the intricacies of hyper-connected, fast-changing world, where VUCA (volatility, uncertainty, complexity, ambiguity) and BANI (brittle, anxious, non-linear, incomprehensible) realities dominate. Instead of hindsight, internal auditors focus on insight and foresight of business environment in which organization operates. Therefore, while performing the internal audit activities, they do not rely on *sit-through* and *walk-through* rather they perform *hawk-through*. Internal auditors of today's age realized that *there is more to internal auditing than merely auditing*. They prefer being pragmatic, not dogmatic. They understand '*learn how to*' and '*learn how not to*'. They acquire skills like communication, leadership, human, ability to influence and, last but not least, listening skills. They also know that creating and preserving a positive workplace culture needs nurturing and time. Therefore, they know the importance of positive culture in organizations. Moreover, they know that positive environment is that which is free from toxic behavior. Furthermore, they also know the reality that bad culture can creep in and pervades the organization, bit by bit pushing the cart downward.¹¹

Conclusion

More often than not, organizations cannot be run successfully in the absence of robust internal audit function. It is just like lubricating oil that ensures that the engine runs smoothly. Effective internal audit activity covers every aspect of organization thus try to enhance the value and improve the efficiency and effectiveness of organization's operations. It is important to convey that all the effectiveness of internal auditing depends upon the authority given to the internal audit activity by the BoDs or audit committee and that authority is written in internal audit charter. It all depends upon the decision-makers of the organization (BoDs) whether they actually provide authority to internal audit function through its charter and demonstrate trust, authority, and respect given to internal audit function through implementing the recommendations conveyed by CAE. Therefore, if the decision makers of an organization provide authority and trust to internal audit function then it serves as a panacea for all organizational ills.

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Fortifying Public Trust: Enhancing Fiscal Oversight Through a Robust Auditor-General and the Potential of a Specialized Audit Tribunal in Pakistan

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In the intricate tapestry of governance, public trust serves as the golden thread that binds the state and its citizens. This trust, however, is not a given; it must be earned and continually reinforced through transparent and accountable practices, particularly in the realm of public finance. In Pakistan, the Auditor-General of Pakistan (AGP) stands as a crucial sentinel, entrusted with the vital task of ensuring the prudent and efficient utilization of public resources. However, to truly solidify fiscal accountability and foster unwavering public confidence, a comprehensive strategy involving the empowerment of the AGP and a thoughtful consideration of a specialized audit tribunal is imperative.

The AGP, as enshrined in the Constitution, embodies the nation's commitment to fiscal probity. Its mandate extends to scrutinizing the financial records of federal and provincial governments, as well as entities operating within the public sector. This oversight serves as a critical safeguard against financial improprieties, corruption, and the misuse of taxpayer funds. By disseminating audit findings through comprehensive reports, the AGP illuminates the often-opaque world of government expenditures, fostering transparency and enabling citizens to hold their elected officials accountable. Furthermore, these reports provide the Public Accounts Committee (PAC) with the necessary insights to rigorously examine the executive's financial stewardship, strengthening parliamentary oversight. Beyond mere financial scrutiny, the AGP's work catalyzes improvements in public sector administration by identifying inefficiencies and recommending best practices.

However, the AGP's effectiveness is contingent upon its operational independence and capacity. While constitutional safeguards exist, further measures are needed to ensure that the AGP can function without undue influence. This necessitates securing consistent and adequate funding, thereby shielding auditors from budgetary constraints that could compromise their impartiality. Investing in the professional development of auditors is equally crucial. In an era of increasingly complex financial transactions, auditors must possess the expertise to conduct sophisticated audits, including performance assessments and forensic investigations. Continuous training and capacity building are essential to equip them with the necessary skills. Moreover, the integration of advanced technologies, such as data analytics and sophisticated audit management systems, can significantly enhance the efficiency and effectiveness of audit processes. These tools enable auditors to analyze vast amounts of data, identify patterns of irregularities and conduct more targeted investigations.

The impact of the AGP's reports is intrinsically tied to the legislative response. Therefore, it is essential to fortify the powers of the PAC and establish robust mechanisms for enforcing



accountability in instances of financial malfeasance. The PAC must be empowered to hold public officials accountable for audit findings, and there must be clear consequences for those found guilty of financial transgressions. Without effective follow through, the AGP's work risks becoming a mere exercise in documentation, failing to translate into meaningful change.

In addition to bolstering the AGP, Pakistan could realize significant benefits from establishing a specialized audit tribunal. This system, widely adopted in numerous European nations, entails a dedicated judicial body that conducts impartial and independent reviews of public financial affairs. A specialized audit tribunal would possess the authority to enforce audit conclusions and impose appropriate sanctions, offering a more rigorous framework for holding public officials accountable for financial transgressions. Unlike the AGP, which primarily focuses on auditing and reporting, a specialized audit tribunal would have the power to adjudicate cases of financial misconduct, ensuring that those responsible are brought to justice.

A specialized audit tribunal would serve as a complementary mechanism to the AGP's functions, providing a judicial avenue for addressing egregious financial irregularities. This would significantly enhance the credibility and efficacy of the audit process, sending a strong message that financial malfeasance will not be tolerated. The establishment of such a tribunal would necessitate comprehensive legislative reforms and institutional restructuring. It is of paramount importance to ensure that the tribunal operates with absolute independence and impartiality, free from political interference. The appointment of judges and other officials must be based on merit and integrity, and the tribunal must be granted the necessary resources to carry out its mandate effectively.

Cultivating public awareness and garnering widespread support are critical for the successful implementation of any reforms aimed at strengthening fiscal accountability. Citizens must understand the importance of fiscal oversight and the role of the AGP and a specialized audit tribunal in safeguarding public funds. Public engagement can be fostered through educational campaigns, media outreach, and the dissemination of audit information in accessible formats. Furthermore, civil society organizations can play a crucial role in monitoring government spending and advocating for greater transparency and accountability.

The recent judicial affirmation of the AGP's exclusive audit mandate by the Islamabad High Court provides a solid foundation for further progress. This ruling underscores the importance of the AGP's role in ensuring fiscal accountability and reaffirms its independence. It is now incumbent upon stakeholders to build upon this momentum and implement comprehensive reforms to ensure the prudent stewardship of public resources. This includes strengthening the AGP's capacity, enhancing legislative follow through, and exploring the establishment of a specialized audit tribunal.

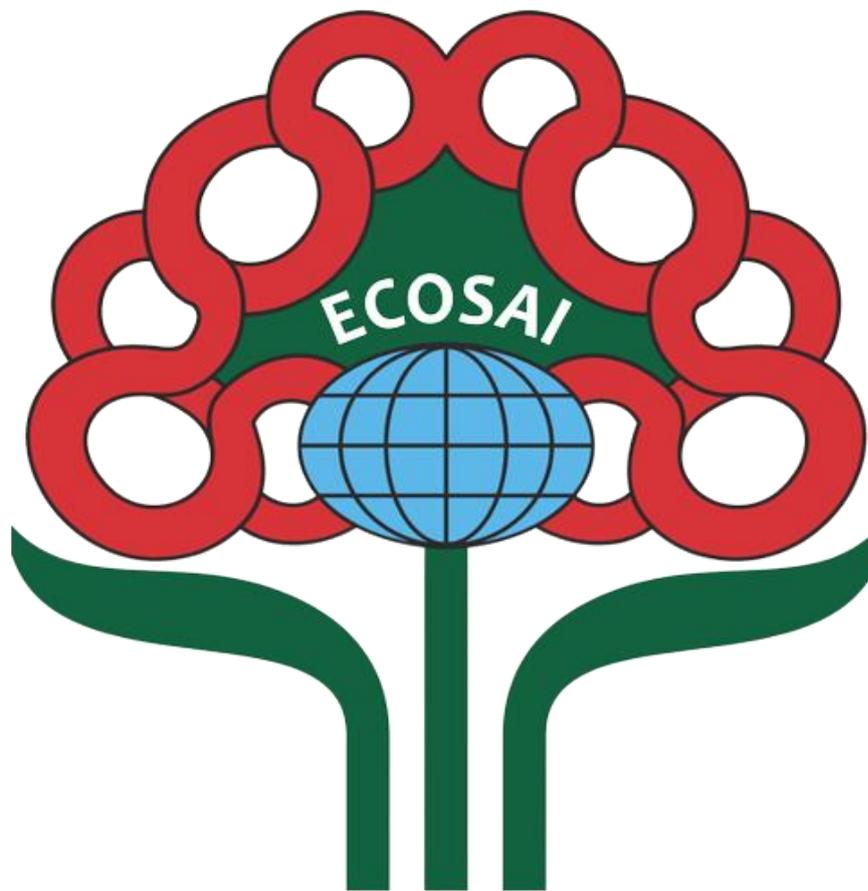
By fostering financial discipline, transparency, and accountability, these measures can contribute to improved governance and enhanced public service delivery. The trust between the government and its citizens is a fragile yet vital asset. By demonstrating a commitment to fiscal probity, the government can strengthen this trust and create a more just and prosperous society. Ultimately,



fortifying public trust through a robust AGP and the potential of a specialized audit tribunal is not merely a matter of good governance; it is an investment in the very fabric of democracy.

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