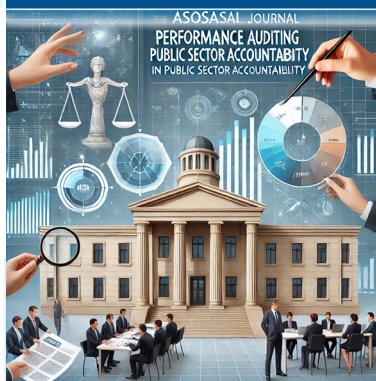


**Asian Journal of Government Audit**

Asian Organisation of Supreme Audit Institutions

**Role of Performance Auditing in Enhancing Public Sector Accountability****APRIL  
2025**

Edition of ASOSAI Journal



# ASIAN JOURNAL

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

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## From the desk of ASOSAI Chair



**Mr. K. Sanjay Murthy**

Chairman of ASOSAI & Comptroller and Auditor General of India

In an era marked by dynamic change and growing public expectations, the demand for transparency, efficiency and accountability in governance continues to intensify. Supreme Audit Institutions (SAIs) play a vital role in meeting this demand by promoting the responsible use of public resources and reinforcing trust in public institutions.

Among various audit disciplines, performance auditing has gained increasing importance as a tool to assess whether government programs and policies are achieving their intended outcomes in terms of economy, efficiency, and effectiveness. It offers valuable insights that support informed decision-making, improved service delivery and enhanced public sector performance.

As Chair of the Asian Organization of Supreme Audit Institutions (ASOSAI), I underscore the significance of performance auditing as a catalyst for good governance. In the Asia region-home to a wide range of political, social, and economic systems - performance audits provide a common framework to evaluate key national priorities, from infrastructure and healthcare to education and environmental sustainability. This shared approach strengthens the role of SAIs as enablers of evidence - based governance.

To fully realize the potential of performance auditing, SAIs must continue to evolve. Embracing technological advancements - such as data analytics, artificial intelligence, drones, geographical information systems can significantly improve the quality of audit and resultantly the audit impact. Equally important is the enhancement of institutional capacity through training, knowledge - sharing, and peer collaboration, both within the region and beyond. Finally, closer engagement with the stakeholders throughout the audit process can improve the acceptability of audit results and follow up action.

I encourage all ASOSAI members and our global partners to foster innovation in audit methodologies, engage constructively with stakeholders and reaffirm our collective commitment to the principles of integrity, transparency and accountability. Through these efforts, SAIs can make a lasting contribution to stronger governance systems and improved outcomes for citizens through performance audit.

**With my best wishes,**

**Shri K Sanjay Murthy**

Comptroller and Auditor General of India & ASOSAI Chairman

# From the desk of ASOSAI Secretary General



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

The public sector plays vital roles in key areas of social development such as reducing poverty and hunger, promoting education and public health, creating investment and employment opportunities, protecting ecological environment and addressing climate change. The public sector is of great significance in fostering comprehensive human development and sustained social progress. The World Public Sector Report 2024 released by the United Nations emphasizes the needs for the public sector to continuously enhance credibility, achieve innovative transformation, swiftly address crises and meet sustainable development goals.

In recent years, supreme audit institutions (SAIs) in Asia have played a crucial part in promoting scientific decision-making, improving public financial management, and mitigating public risks through independent, professional, and authoritative oversight. SAIs have effectively driven the public sector to operate with integrity, accountability, and efficiency, so as to bring value and benefits to public life. The National Audit Office of China (CNAO) has continuously strengthened its efforts in auditing public infrastructure, education, healthcare, social security, and other public funds and livelihood projects. CNAO tracks the implementation of policies, the allocation of funds, and the progress of projects, ensures that real benefits reach the people, and thereby safeguards the interests of the people and increases public welfare. In this regard, SAIs help promote the high-quality economic and social development.

We live in an era full of challenges, but also one brimming with hope. Peace and development are our shared cause, fairness and justice are our common ideal, and democracy and freedom are our collective pursuit. This issue of the ASOSAI Journal features the audit practices and cases of public sector audits conducted by SAIs across various countries. We aim to draw the attention of SAIs to the importance of performance auditing in the public sector, promote the exchange of experiences, knowledge sharing, and capacity building, and continuously drive the optimal allocation of public resources, and advance the process of social innovation.

Asia, with its vast territory, abundant resources, and large population, has emerged as an engine driving the recovery and growth of the world economy. The future is promising, and revitalization is underway. We believe that through our collective efforts in performance auditing of the public sector, SAIs in Asia will make greater contributions to ensuring the safe and efficient use of public funds and resources, improving national governance systems and capabilities, and achieving sustainable economic and social development.



**Ms. Shefali S Andaleeb**  
Director General (International Relations)  
Office of the Comptroller and Auditor General of India

**Dear Colleagues & Readers,**

In our continued endeavour to provide a platform for knowledge exchange among the Supreme Audit Institutions (SAIs) of Asia, this issue of the Asian Journal of ASOSAI brings together a collection of insightful and thought-provoking articles from our distinguished colleagues across the region.

The central theme of this edition is Role of Performance Auditing in Enhancing Public Sector Accountability. The importance of performance auditing in improving transparency, efficiency, and accountability in public administration is well recognized. As SAIs strive to ensure better governance and outcomes for citizens, performance auditing has emerged as a powerful tool to assess whether government programmes are achieving their intended objectives effectively and economically.

This issue is a small yet meaningful contribution to our shared goal of disseminating knowledge and fostering professional dialogue. The wide range of articles submitted on the theme enrich this edition, making it a valuable resource for auditors and stakeholders alike.

We are privileged to feature messages from the Chairman and the Secretary-General of ASOSAI, who continue to inspire and guide our community with their leadership and insights. I also wish to thank SAI Japan, ASOSAI’s Capacity Development Administrator, for keeping us updated on the training initiatives and capacity-building efforts being undertaken across the region.

My sincere appreciation goes to all the authors for their well-researched and insightful articles, and to the member SAIs for sharing institutional updates that reflect the vibrancy and dynamism of our community.

I am confident that readers will find this edition informative and relevant to their professional needs. Your feedback and suggestions remain a cornerstone of our efforts to continuously improve the Journal. I also encourage all readers to follow our X (formerly Twitter) handle @AsosaiJournal and visit our website [asosaijournal.org](http://asosaijournal.org) to access current and archived editions.

I look forward to your continued engagement and contributions for the forthcoming October 2025 issue of the *Asian Journal of ASOSAI*.



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# Theme Articles

# The Role of Performance Audit in Enhancing Public Sector Accountability - SAI Egypt

Performance audit is one of the Types of audit adopted by the Supreme Audit Institutions in evaluating the efficiency, effectiveness and economic performance of public sector units to ensure the extent to which the specified objectives are achieved with the best use of available resources, thus enhancing the principles of transparency and accountability in governmental administration and the good governance within the public sector. In light of the increasing demands to improve the performance of public institutions and to ensure the maximum added value from public funds, performance audit has become an urgent necessity so that the audit process would not be limited to the traditional financial examination, but extends to the results, analysis and the extent to which the strategic objectives of the auditees are achieved. In this regard, the performance audit plays a pivotal role in enhancing accountability and transparency within the public sector units. This role can be summarised in several main axes, which are:

- **Improving the efficiency and effectiveness of the use of public resources.**

Performance audit helps assess the extent to which public sector units achieve their objectives at the lowest possible cost and with the highest quality, which leads to the optimal use of resources.

- **Promote accountability and transparency.**

By examining the performance of government institutions and publishing audit results reports, the principle of accountability is reinforced, as the auditees are required to provide justifications for their use of resources.

- **Exposing shortcomings and corruption.**

Performance audit helps identify shortcomings in administrative and financial performance, which contributes to reducing corruption and mismanagement within the public sector..

- **Motivate continuous improvement.**

By providing corrective recommendations based on audit findings, government entities are pushed towards adopting more efficient and effective management practices.

- **Guiding decision makers.**

Performance audits provide reliable reports that contribute to improving the government decision-making process based on accurate and objective data.

- **Enhancing citizens' confidence.**

When effective performance audits are implemented and their results are published, this enhances citizens' confidence in the government's ability to manage public resources efficiently and with integrity.

Despite the pivotal role of performance audit as an effective tool for promoting good governance within the public sector and enhancing transparency and accountability in governmental administration; yet some Supreme Audit Institutions encountered a number of challenges when applying performance audit, in a way that limits its impact, the most prominent of which are:

- **Lack of specialised skills:** Performance audit requires multiple expertise, including financial and administrative, which may not always be available in some auditors, which may pose a challenge to some audit institutions.
- **Limited adoption of recommendations:** Despite the submission of performance audit reports, the implementation of recommendations faces some obstacles, such as complex administrative procedures. or resistance to change by the auditees.
- **Use of unsophisticated techniques:** Some Supreme Audit Institutions rely on traditional methods, which leads to slow analysis processes and difficulty in detecting shortcomings in governmental performance, which leads to reducing audit efficiency in light of digital transformations.
- **Lack of coordination between the Supreme Audit Institutions and the auditees:** The lack of effective communication channels between the Supreme Audit Institutions and the auditees leads to poor utilisation of audit results and failure to achieve the desired impact.
- **Limited transparency and poor dissemination of audit results:** In some cases, performance audit results are not clearly disseminated to citizens and stakeholders, reducing their impact in enhancing public accountability.
- **Lack of compatibility of legislations with modern developments:** Some legal frameworks are outdated and not in line with INTOSAI standards for performance audit, which limits the ability of SAIs to conduct comprehensive and effective audits.



# The Role of Performance Audit in Enhancing Public Sector Accountability - SAI Egypt

The matter becomes more difficult with the development of information technology and the ensuing digital transformation and use of artificial intelligence in a way that requires innovative and sustainable solutions to enhance its effectiveness; and to address these challenges and enhance the role of performance audit, the following measures can be taken:

- **Digital transformation and the use of artificial intelligence:**

- Employing intelligent systems to analyse big data and detect ineffective patterns in governmental performance.
- Developing electronic platforms to facilitate the collection and analysis of information and reports more accurately and quickly.

- **Enhancing human resources efficiency:**

- Providing advanced training programs for auditors to enhance their skills in areas such as performance analysis and risk assessment.
- Encourage the exchange of experiences amongst Supreme Audit Institutions to benefit from best practices.

- **Strengthening mechanisms for following up the implementation of recommendations:**

- Developing legal mechanisms that oblige government entities to implement audit recommendations within a specific time frame.
- Establishing audit units within government institutions to follow up on the implementation of recommendations.
- Providing incentives to auditees that achieve performance improvement based on audit reports.

- **Strengthening coordination between Supreme Audit Institutions and governmental institutions:**

- Establishing joint committees between Supreme Audit Institutions and the auditees to ensure effective communication and continuous exchange of information.
- Adopting a proactive audit approach by providing regulatory advice to government entities before problems occur.

- **Strengthening independence and governance:**

- Granting the Supreme Audit Institutions broader powers to follow up on the implementation of performance audit recommendations and ensure government entities' compliance with them.
- Establishing legal mechanisms to ensure effective accountability and implementation of recommendations.

- **Expanding the scope of performance audit to include sustainable development:**

- Focus on measuring the impact of government policies on economic, social and environmental development, in line with the UN Sustainable Development Goals (SDGs).

- **Promote transparency and communication with the community:**

- Publishing performance audit results in simplified ways to enhance citizens' awareness and participation in the oversight on governmental performance.
- Involving civil society and the private sector in the evaluation process to ensure a more comprehensive and efficient perspective.
- Publishing performance audit reports in simplified ways that are easy for citizens to understand, and involving them in auditing governmental performance and enhances the role of social surveillance.
- Holding seminars and awareness campaigns to inform citizens of the role of performance audit in improving public services.

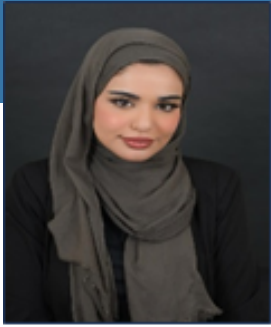
# The Role of Performance Audit in Enhancing Public Sector Accountability - SAI Egypt

- **Updating legislation and optimising the legal environment**

- Reviewing laws and legislation related to performance audit to ensure their compliance with modern international standards.
- Granting Supreme Audit Institutions more powers to ensure they are able to conduct effective and impactful audit.

And finally, the continuous development of performance audit is an imperative necessity to keep pace with the rapid changes in public administration. By employing modern technology, developing human capabilities, and enhancing governance, the Supreme Audit Institution can achieve more impactful results, contributing to enhanced Public Sector Accountability and improving the quality of government services and enhancing citizens' confidence in state institutions.

# The Role of Performance Audit in Enhancing Accountability in the Public Sector - SAI Kuwait



**Ms. Sarah Alazmi**  
Assistant Auditor  
State Audit Bureau of Kuwait

It is essential to activate the concepts of economy, efficiency, and effectiveness across public sector operations and programs. Therefore, a rigorous auditing mechanism is required to examine and evaluate such matters, contributing to improved public expenditure and services while enhancing accountability.

There is a pressing need for an independent auditor who represents the public interest, enabling them to think and act autonomously to accurately reflect the true state of performance of the concerned entities.

## To begin, let us explore the concept of performance auditing:

Performance auditing is one of the three principal types of audits endorsed in the 1977 Lima Declaration, which serves as the foundational charter for Supreme Audit Institutions (SAIs). It is classified as Standard No. 1 within the INTOSAI criteria Framework, encompassing fundamental auditing principles, including performance auditing.

INTOSAI defines performance auditing as “an independent, objective, and reliable examination of whether government undertakings, systems, operations, programs, activities, or organisations operate in accordance with the principles of economy, efficiency, and effectiveness, and whether there is room for improvement.”

Despite the various definitions of performance auditing, they all encompass the principles of economy, efficiency, and effectiveness, commonly referred to as the Three E's.

## A Historical Perspective on Performance Auditing in the State of Kuwait

The State Audit Bureau (SAB) of Kuwait has demonstrated a keen awareness of the importance and necessity of keeping pace with the latest advancements in the auditing profession, which demands continuous development in line with the most up-to-date practices and professional criteria to enhance its auditing role. Following the maturation of its auditing experience in financial and compliance auditing, this recognition led to the establishment of the Performance Audit Department in 1999 as one of the core types of auditing practised by SAB.

SAB's Performance Audit Department plays a vital and effective role in evaluating the efficiency and effectiveness of government entities in executing their mandates in accordance with their founding legislation. This article aims to highlight the significance of performance auditing in enhancing accountability, transparency, and governance within public institutions, while also supporting the legislative authority, represented by the National Assembly, in reinforcing accountability.

Performance auditing is particularly relevant as it addresses issues of direct concern to citizens across various sectors, including education, healthcare, social affairs, employment, and housing. Furthermore, it extends to economic matters related to state investments and the oil sector, as well as emerging topics such as environmental sustainability.

In line with the principles of credibility and transparency, and in an effort to reinforce them, the reports of the Performance Audit Department are publicly available on the official website of SAB, allowing all members of society to access them. This practice aligns with the democratic foundations of the State of Kuwait, which emphasise active participation from all segments of society in the democratic process.

As part of this commitment, a report known as the Citizen's Report has been issued. Its purpose and significance lie in providing a publicly accessible document characterised by clear and simple language, ensuring that all members of society can easily comprehend it. The report covers a wide range of topics, particularly those of direct relevance to citizens.

## An important question arises: What are the key achievements following the implementation of performance auditing in Kuwait, and has it contributed to enhancing accountability in the public sector?

It has been observed that performance auditing in Kuwait applies the concept of constructive auditing, playing a crucial role in assisting public sector officials in enhancing and developing their operations. Consequently, this leads to the improvement of services provided to citizens, thereby contributing to the advancement of **Kuwait's Vision 2035**.

Since its establishment until 2019, the department has issued approximately **268 reports** across various fields in accordance with its annual work plans. This underscores the significant contribution of performance auditing in strengthening accountability.



# The Role of Performance Audit in Enhancing Accountability in the Public Sector - SAI Kuwait

## The Extent of Government Entities' Engagement and Responsiveness to Performance Auditing Reports:

Answering this question is of great significance, as it serves as an indicator of whether performance auditing plays an effective role in strengthening accountability within the public sector.

In Kuwait, the reports issued by SAB's Performance Audit Department have garnered considerable attention from the executive authority. Government entities have demonstrated a positive and proactive response, as evidenced by their commitment to adhering to performance auditing reports and implementing the recommendations outlined therein. This responsiveness reflects the state's and its institutions' strong commitment to the public interest and their dedication to enhancing governmental performance.

## The Importance of Performance Auditing:

1. Governance: Promoting sound governance within government entities.
2. Accountability: Strengthening accountability by assisting government officials and the legislative authority in improving performance. This is achieved by ensuring that decisions are implemented efficiently and effectively, ultimately delivering added value to citizens.
3. Transparency: Achieving transparency by presenting the outcomes of governmental activities to both the legislative authority and the public.

## Objectives of Performance Auditing:

- The overarching goal of performance auditing is to establish effective oversight of public funds.
- Informing the legislative authority of audit findings to support its role in exercising public accountability over the executive authority regarding the management of public funds.
- Assisting the executive authority, decision-making centres, and policymakers in evaluating the quality of adopted policies, identifying weaknesses, and making necessary corrections to enhance their effectiveness.
- Guiding audited entities and units toward optimal approaches for improving performance, optimising resource utilisation, and enhancing management practices to achieve their objectives efficiently.

Achieving these objectives necessitates that performance auditing be broad in scope, enabling oversight across all sectors. The extensive reach of performance auditing distinguishes it from traditional forms of auditing, such as financial auditing, by encompassing a wider range of areas. Below is a brief comparison between the two aforementioned types of auditing:

# The Role of Performance Audit in Enhancing Accountability in the Public Sector - SAI Kuwait

Comparison Elements	Performance Auditing	Financial Auditing
Scope of Auditing	Government policies, programs, and administrative activities	Financial operations, statements, and related accounting procedures
Auditing Objectives	Providing a professional judgment on the extent of adherence to the principles of economy, efficiency, and effectiveness in implementing government policies, programs, and activities	Expressing an opinion on the legality of operations and the reliability of financial statements
Auditing References	Various references, such as economics, management sciences, and statistics	Law and accounting
Nature of Auditing Methods	Variable, depending on the nature of the audit assignments	Fixed, based on predefined auditing models
Nature of Standards Used	Diverse sources, specific to the audited entity and its activities	Legal regulations and accounting standards
Nature of Evidence	Documentary and non-documentary / flexible and persuasive	Documentary / precise and conclusive
Reports Format	Content varies based on audit objectives	Fixed, following standardised reporting templates

It is worth noting that both financial auditing and performance auditing complement each other, thereby contributing to the enhancement and reinforcement of accountability within the public sector.

**The Three E's** is a term that refers to the three fundamental principles upon which performance auditing is based on: economy, efficiency, and effectiveness.

# The Role of Performance Audit in Enhancing Accountability in the Public Sector - SAI Kuwait

To maximise the benefits of performance auditing in strengthening public sector accountability, it must be applied correctly, ensuring the proper implementation of its underlying principles:

- **Economy:** Minimising the costs of resources used by ensuring that they are available at the right time, in the appropriate quantity and quality, and at the best possible price. The economy can only be measured effectively if there is a reasonable basis for assessment.
- **Efficiency:** Maximising the utilisation of available resources by optimising the relationship between inputs and outputs in terms of quantity, quality, and timing. Efficiency also entails the ability to make the best use of resources by streamlining the connection between outputs, whether in the form of services or products, and the resources consumed to produce them.
- **Effectiveness:** Evaluating the extent to which implemented or planned policies and programs achieve their intended objectives by comparing the set goals with the actual outcomes achieved.

The three principles are deeply interconnected, as no single principle can be fully effective in isolation. These principles complement one another conceptually.

For instance, if we consider the economy alone, ensuring that tasks are accomplished or services are provided at the lowest possible cost, in a timely manner, and with appropriate quality and quantity may not yield the desired benefits if efficiency in resource utilisation is lacking. Without efficiency, the government may fail to optimise the use of resources necessary for carrying out activities or delivering services.

Similarly, focusing solely on effectiveness—achieving the overarching objectives of governmental activities—while neglecting economy and efficiency would be insufficient. If a program achieves its goals without considering the costs incurred, it may meet its intended outcomes, but at the expense of excessive and unsustainable resource consumption. Therefore, balancing all three principles is essential to maximising the benefits of performance auditing and ensuring sustainable public sector management.

In the State of Kuwait, the Performance Audit Department serves as a fundamental pillar in ensuring the efficiency and effectiveness of government institutions and the optimal utilisation of public resources. In this context, performance auditing undertakes several key functions to enhance accountability in the public sector, including:

## 1. Enhancing Government Performance Efficiency

- Reviewing operational and administrative processes to ensure that predetermined objectives are achieved efficiently and effectively.
- Analysing adherence to strategic plans and approved performance standards.

## 2. Promoting Accountability and Transparency

- Ensuring the implementation of sound governance principles within public institutions.
- Reviewing performance reports and auditing government entities' compliance with established policies and regulations.

## 3. Monitoring the Implementation of Sustainable Development Goals (SDGs)

- Assessing the performance of government entities in achieving the 2035 Sustainable Development Goals.
- Proposing developmental mechanisms that contribute to financial and administrative sustainability in the public sector.

## 4. Supporting Decision-Making and Strengthening Strategic Planning

- Providing recommendations based on performance analysis reports to enable administrative leadership to make informed decisions.
- Aligning institutional performance with global indicators to ensure adherence to best international practices.



# The Role of Performance Audit in Enhancing Accountability in the Public Sector - SAI Kuwait

## Recommendations:

### 1. Enhancing the Role of Performance Auditing in Public Sector Accountability

- It is recommended to closely monitor the implementation of programs adopted by performance auditing, as they play a crucial role in ensuring the optimal utilisation of public funds based on its core principles: economy, efficiency, and effectiveness.

### 2. Adopting a Comprehensive Auditing Approach

- Implementing an integrated oversight framework that combines financial auditing and performance auditing across all government entities under review. This holistic approach enables the state to keep pace with civilisational progress while also addressing political, economic, and social developments.

### 3. Developing Human and Institutional Capacities

- Proposing training programs and development plans to enhance employee competencies and improve overall performance.
- Updating guidelines and auditing procedures to facilitate the adoption of best practices in auditing and evaluation.

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# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Bahrain



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National Audit Office, Bahrain

## Abstract

Performance auditing is an essential tool in strengthening accountability within the public sector. By assessing the efficiency, effectiveness, and economy of government programs, performance audits ensure that public funds are used responsibly and that government programs achieve their intended outcomes. This article discusses the significance of performance auditing in enhancing public sector accountability, explores challenges faced by Supreme Audit Institutions (SAIs), and presents best practices to maximise the impact of performance auditing. The article draws on global best practices and academic research to highlight the role of performance auditing in promoting transparency and efficient governance.

## Introduction

Accountability is a critical component of public sector governance. Governments are entrusted with public resources to serve the needs of society, and it is crucial that these resources are managed effectively, efficiently, and ethically. Performance auditing has emerged as a vital mechanism to ensure this accountability. Unlike traditional financial audits, which focus on verifying the accuracy of financial statements, performance audits examine whether government programs and services are achieving their intended results in a cost-effective manner. This article explores the role of performance auditing in enhancing public sector accountability, drawing on key international sources and best practices.

## The Essence of Performance Auditing

Performance auditing is defined by the International Organisation of Supreme Audit Institutions (INTOSAI) as the independent assessment of government activities to evaluate their efficiency, effectiveness, and economy (INTOSAI, 2019). These audits go beyond financial compliance, providing an in-depth review of how public resources are allocated and whether government programs are delivering value for money. According to the United Nations (2015), performance audits offer insights into the effectiveness of public administration and help ensure that government programs align with public expectations.

The role of performance auditing is particularly critical in enhancing public trust. Governments often face pressure to demonstrate that public funds are being spent wisely and that public programs are producing tangible results. Performance audits provide an objective analysis of whether public resources are being utilised in the most effective way, which in turn fosters transparency and accountability in public administration (Bovens et al., 2014).

## Key Benefits of Performance Auditing for Public Sector Accountability

### 1. Promoting Transparency

Transparency in public administration is essential for maintaining citizen trust and ensuring that government actions are open to scrutiny. Performance auditing serves as a tool to assess the transparency of public sector operations. By auditing the outcomes of government programs and disclosing findings about their efficiency and impact, performance audits help ensure that government actions are subject to independent review. As the World Bank (2010) highlights, transparency in governance is strengthened when performance audits expose inefficiencies and suggest improvements, thereby promoting public confidence in government processes.

### 2. Enhancing Efficiency in Government Operations

The primary objective of performance audits is to assess whether government programs are operating efficiently. A key benefit of performance auditing is its ability to identify wasteful practices and recommend improvements. According to Parker (2018), performance audits have been shown to uncover inefficiencies in resource allocation and suggest cost-saving measures that enhance the overall effectiveness of government services. This leads to better use of public funds and improved outcomes for citizens.

### 3. Supporting Evidence-Based Decision-Making

Performance audits provide evidence-based evaluations that support policy decisions. As noted by the U.S. Government Accountability Office (GAO, 2014), performance audit findings offer data-driven insights into program performance, helping policymakers make informed decisions about the continuation, expansion, or redesign of programs. These audits provide critical feedback that can influence the allocation of public resources and help ensure that government policies align with public needs.

# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Bahrain

## 4. Strengthening Accountability and Reducing Corruption

Performance auditing enhances accountability by holding government officials responsible for program outcomes. The audit process identifies mismanagement or inefficiencies, which, according to Bovens et al. (2014), serves as a deterrent to corruption. By publicly reporting audit findings, performance audits create pressure for government entities to act on recommendations, reducing the opportunity for fraud and misuse of public funds.

## 5. Encouraging Public Participation and Trust

A key aspect of performance auditing is its ability to foster greater public participation in governance. According to the World Bank (2010), when citizens and civil society organisations have access to performance audit reports, they are better equipped to engage with government decisions and advocate for improvements in public sector performance. As transparency and accountability increase, so too does public trust in government institutions.

## Challenges in Performance Auditing

Despite its many benefits, performance auditing faces several challenges that can hinder its effectiveness:

- **Political Interference:** Political pressures can undermine the independence of performance audits, as government officials may resist audits that expose inefficiencies or mismanagement. This is particularly problematic in countries where government entities exert significant influence over audit processes (INTOSAI, 2019).
- **Data Availability and Quality:** Accurate and comprehensive data is essential for conducting performance audits. However, as noted by Parker (2018), many government agencies struggle with inadequate data collection and management practices, which limit the scope and accuracy of audit findings.
- **Resource Constraints:** SAIs often face budgetary and staffing limitations, which can reduce the capacity of auditors to conduct thorough and comprehensive performance audits. This constraint is particularly problematic in developing countries, where resource allocation for auditing may not be prioritised (GAO, 2014).
- **Lack of Follow-up on Recommendations:** Performance audits are only effective if the recommendations are acted upon. Unfortunately, as the U.S. GAO (2014) points out, many governments fail to follow up on audit findings, which diminishes the potential for performance audits to drive lasting change.

## Best Practices for Effective Performance Auditing

To overcome these challenges, the following best practices should be adopted:

- 1. Ensuring Auditor Independence:** Maintaining the independence of auditors from political influence is essential for ensuring that performance audits are objective and credible. According to INTOSAI (2019), ensuring that SAIs operate autonomously from government interference is crucial for maintaining the integrity of performance audits.
- 2. Leveraging Technology:** The use of technology can enhance the efficiency and accuracy of performance audits. Data analytics and automated auditing tools allow auditors to process large volumes of data and identify inefficiencies that might be difficult to detect manually (Bovens et al., 2014). Embracing digital tools can significantly improve the quality of performance auditing and broaden its scope.
- 3. Collaboration with Stakeholders:** Collaboration between SAIs, government entities, and civil society organisations is key to the success of performance audits. As Parker (2018) suggests, such collaborations can help gather more comprehensive data, refine audit methodologies, and ensure that audit recommendations are implemented.
- 4. Establishing Follow-up Mechanisms:** To maximise the impact of performance audits, it is critical to establish effective follow-up mechanisms. As the World Bank (2010) advises, regular monitoring of progress and accountability for implementing audit recommendations are key to ensuring that audits lead to tangible improvements.
- 5. Building Capacity:** Continuous training and development of auditors is essential for maintaining high standards in performance auditing. By investing in the capacity-building of auditors, governments can ensure that performance audits remain relevant and effective in addressing evolving governance challenges (INTOSAI, 2019).

# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Bahrain

## Conclusion

Performance auditing is a powerful tool for enhancing accountability, transparency, and efficiency in the public sector. By evaluating the performance of government programs, performance audits help ensure that public resources are used effectively and that government actions align with the public interest. Despite the challenges faced by Supreme Audit Institutions, adopting best practices such as ensuring auditor independence, leveraging technology, and establishing follow-up mechanisms can enhance the impact of performance auditing. In doing so, performance auditing can play a pivotal role in fostering good governance and strengthening democratic institutions worldwide.

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# Fostering Public Sector Accountability through the Performance Audits of - SAI Myanmar

## Abstract

This article provides an overview of performance audits, focusing on the key aspects of public sector auditing conducted by Supreme Audit Institutions (SAIs). It explains how SAIs, including SAI Myanmar, help build public trust and ensure the responsible use of public resources by promoting accountability, efficiency, effectiveness, and transparency in governance. This article also explores SAI Myanmar's experience with performance audits, examining how they evaluate government programs, interventions, and institutions based on the principles of 3Es while identifying areas for improvement. A case study on disaster management activities further illustrates the audit process and its impact. Additionally, the article outlines the methods used for data collection, audit approaches, and key principles from ISAM. Finally, it concludes by summarising the key audit findings, recommendations, and overall impact, emphasising how performance audits foster public sector accountability and help achieve better outcomes.

## Introduction

Public sector auditing, as championed by Supreme Audit Institutions (SAIs), plays a key role in making a difference to the lives of citizens. When SAIs audit government and public sector organisations, it helps build trust in society. Their audits encourage those managing public resources to use them wisely. Such awareness promotes good values, strengthens accountability, and leads to better decision-making. When SAIs release their audit reports and findings, citizens can ensure public resource managers are held accountable. In this way SAIs promote the efficiency, accountability, effectiveness and transparency of public administration.<sup>1</sup> Among the three main types of public-sector audit (Financial, Performance and Compliance), Performance audit focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Performance audit is examined against suitable criteria, and the causes of deviations from those criteria or other problems are analysed. The aim is to answer key audit questions and to provide recommendations for improvement.<sup>2</sup>

## Performance auditing in the public sector

It is essential for reviewing government programs and ensuring activities are efficient, effective, and cost-effective. By measuring program results against set goals and standards, these audits give stakeholders important insights into the benefits of public spending. Performance auditors set clear goals, scope, and methods to ensure their evaluations are thorough, fair, and meet public sector standards for transparency and accountability. The findings from these audits are highly valuable for policymakers, helping them make better decisions, improve policies, and create new ones that benefit the public. A key part of performance auditing is assessing value for money, which means checking if government programs provide services in a cost-effective and efficient way. This includes reviewing how resources are used, how well processes work, and whether the expected results are achieved. Performance auditors use various methods to collect and analyse data, such as interviews, surveys, data analysis, and comparisons. The findings of performance audits are presented through comprehensive reports that highlight areas of strength, weakness, and opportunities for improvement. These reports are vital for informing policymakers and program managers about how well government programs are working, helping them make decisions and create policies based on solid evidence. By using real-life examples, performance audits show how they can lead to positive changes, improve public sector performance, and ensure accountability to taxpayers and citizens.

## Performance Audit Unit in SAI Myanmar

The Performance Audit Unit at SAI Myanmar was established in 2019 and follows the standards outlined in the International Framework for Professional Pronouncements (IFPP). To support this work, the following steps were taken:

- (a) Translated ISSAI 300, ISSAI 3000, and related guidelines into the Myanmar language.
- (b) Developed and distributed an ISSAI-based Performance Audit Handbook along with guidance on how to follow up on performance audits.

Auditors have participated in both online and in-person workshops and seminars organised by INTOSAI, ASOSAI, ASEANSAL, and other organisations. These sessions covered topics such as performance audits, environmental audits, SDG audits and other related topics. The knowledge and insights gained from these workshops, seminars, and knowledge-sharing sessions with other SAIs have been documented for further study and future reference. While Performance Audits are currently being conducted at the head office, efforts are also underway to expand training, organise workshops, and provide recommendations at the state and regional Auditor General's offices.

# Fostering Public Sector Accountability through the Performance Audits of - SAI Myanmar



*Performance Audit workshops with Head Office and Regional offices*

## Performance audit conducted by SAI Myanmar

SAI Myanmar's performance audits have mainly focused on the following areas:

- (a) Health Sector:** Examining medicine procurement and the condition of the National Public Health System.
- (b) Transport Sector:** Assessing urban transport, its environmental impact, and the progress of railway projects.
- (c) Agriculture Sector:** Evaluating water resource management and the use of pesticides in farming.
- (d) Mining Sector:** Reviewing oil well drilling and its environmental effects.
- (e) Environmental and Crisis Management:** Investigating waste management and its effects on public health and the environment, as well as disaster management during floods.

Among these, the performance audit on disaster management activities will be discussed in detail below.

## Audit experiences in disaster management

Myanmar is experiencing noticeable changes in weather, including shifting rainfall patterns and delayed monsoon seasons. Climate change is also making storms in the Bay of Bengal and the Andaman Sea stronger. These storms are now occurring at unusual times and reaching Myanmar's coast unexpectedly, leading to severe flooding. To better respond to natural disasters, it is important to analyse disasters, improve preparedness, issue early warnings on time, and provide effective support. These efforts will help protect and improve the well-being of affected communities.

Every year, from June to September, heavy rains lead to floods and landslides. As a result, people have to be moved to safer areas. The floods may cause health issues, destroy crop fields, and disrupt transportation, creating difficulties for people from affected areas. Among the various disasters, floods have a severe impact on people. To ensure their well-being and reduce the loss of lives, homes, and property, necessary supplies were purchased for support.



# Fostering Public Sector Accountability through the Performance Audits of - SAI Myanmar



*Providing Assistance in flood - affected area*

The National Committee, along with 12 working committees, was formed to improve disaster response. For a performance audit on disaster preparedness, 7 of these committees were selected for evaluation.

SAI Myanmar conducted a performance audit focusing on disaster preparedness and flood relief efforts. Flooding is a major annual disaster in Myanmar, causing loss of life, homes, and property. According to the 2019 disaster survey report, Karen State had the highest number of people affected by floods and followed by Mon State.

The audit assessed the effectiveness of preparedness measures and their reliability for the public. Key areas of focus included establishing an early warning system, evaluating environmental damage, and implementing preventive measures.



*Raising Awareness and Supporting Victims in Assistance*

When this performance audit evaluated on the effectiveness of disaster preparedness and recovery efforts, it was focused on the activities of the relevant Departments and its working committees, particularly in minimising the loss of human lives, homes, and possessions due to natural disasters. The audit also examined how well the government supported people affected by floods. Audit objectives were to assess how well the government was prepared for disasters and to evaluate the effectiveness of recovery efforts after a disaster. In audit scope, subject matter was disaster preparedness activities and support provided for the welfare of people affected by floods. The Audit Period is from 2018 to 2021.





*Delivery of Essential Supplies to Affected Areas*

## Audit Methodology

In this audit, several methods were used to gather information. We analysed documents, sent questionnaires to staff at the Relevant Department (Head Office) and flood victims in Mon and Kayin States, and conducted interviews with relevant officials. We also obtained written confirmations to support our findings. We applied the Problem-Oriented and System-Oriented Approaches and followed key principles from IDI's SDG Audit Models-ISAM, such as the Whole of Government Approach (WOGA), Multi-Stakeholder Engagement, and Leave No One Behind (LNOB). For this audit, we used various methods to collect data:

- (a) Document Review:** examining relevant documents related to disaster management and preparedness.
- (b) Surveys:** sending questionnaires to staff at the relevant Departments and flood victims in Mon and Kayin States to gather their views.
- (c) Interviews:** interviewing key officials to gain deeper insights into disaster management practices.
- (d) Written Confirmations:** obtaining written confirmations from involved parties to verify our findings.

## Key Audit Finding and Recommendation

These methods provided a range of data to assess the effectiveness of disaster management efforts. Key Findings are as follows:

- (a) Some weaknesses of preparing the action plan after analysing the causes and impacts of flooding
- (b) Some weaknesses in providing relevant facts and figures for the National Indicator Framework (NIF)
- (c) Some weaknesses in the provision for disaster relief support at a reasonable rate, and the unavailability of disaster relief support and equipment on time
- (d) Some weaknesses in the arrangement for the appointment or allocation of qualified/ proficient staff, and preparation and responses in line with their responsibilities
- (e) Weaknesses in conducting sufficient research on disaster mitigation and the requirement for disaster information sharing
- (f) Weakness in disaster-related training, workshop, seminar, and demonstration activities for disaster mitigation as per the plan

# Fostering Public Sector Accountability through the Performance Audits of - SAI Myanmar

## Key Audit Recommendations are as follows:

- (a) Identify potential disaster risks across the country in advance.
- (b) Approve technical recommendations for factories, workshops, buildings, streets, and bridges that may pose risks.
- (c) Review recommendations in field inspection reports and ensure necessary actions are taken.
- (d) Develop disaster response plans based on local needs to prevent gaps in preparedness before, during and after disasters.
- (e) Analyse the causes and impacts of water-related disasters and include the findings in their annual work plans. These results should be submitted to the Ministry for coordination and implementation.
- (f) Reassessing the distribution of food and support to affected communities to ensure their well-being.
- (g) Preparedness and response plans should be developed using flood analysis data, including weather satellite information, flood-affected areas, rainfall patterns, and recorded rainfall levels.

## General Audit Impact

As a result of the audit, the audited entities have taken several actions to enhance disaster preparedness and response:

**(a) Flood Victim Data Collection and Reporting:** Directed regional responsible persons to compile data on flood-affected individuals, categorised by gender and age. Ensured related regional departments provide flood victim data for NIF Indicator 4.3.I.

**(b) Disaster Response and Support:** Issued instructions for timely disaster support. Strengthened coordination between the regional and the National Committee. Planned to increase support rates for victims. Conducted training at the ASEAN level.

**(c) Infrastructure and Environmental Protection:** Planned to cultivate mangrove and watershed plantations in selected townships. Implemented watershed conservation in multipurpose dams and reservoirs. Issued technical recommendations for disaster-resilient infrastructure, including buildings, roads, and bridges.

**(d) Capacity Building and Collaboration:** Enhanced awareness programs and strengthened coordination among ministries, regional governments, and disaster management teams. Advanced planning and budgeting for essential equipment.

The performance audit highlighted that strong coordination among disaster management committees helped mitigate the impact of Cyclone MOCHA, which struck on May 14, 2023.

## Conclusion

In conclusion, this article highlights the objective of performance audits and their essential role in strengthening public sector accountability. Through a case study, it illustrates the scope of audit coverage and how it helps public sector entities improve cooperation, fulfil responsibilities, and achieve intended outcomes. This article also emphasises the impact of well-structured audit reports in enhancing transparency, accountability, and decision-making, ultimately contributing to better governance. It underscores the importance of clearly defining objectives, goals, laws, and regulations to ensure effective implementation at every stage of the process. Additionally, performance audits are shown to play a key role in improving collaboration and task management, leading to significant benefits for audited entities. Lastly, the article highlights the importance of follow-up audits in assessing whether management has taken action on audit recommendations and whether meaningful progress has been made. By providing a practical example, it reinforces how Supreme Audit Institutions (SAIs) contribute to fostering accountability and improving public sector performance.

## References

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# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Azerbaijan



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## Introduction

Public sector accountability is a fundamental principle of good governance, ensuring that government entities operate transparently, efficiently, and in the best interest of citizens. In an era where transparency, efficiency, and accountability are paramount in governance, performance auditing has emerged as a critical tool for ensuring that public sector entities deliver value for money and achieve their intended objectives. Performance auditing plays a crucial role in enhancing accountability by assessing the effectiveness, efficiency, and economy of public sector activities. Unlike financial audits, which focus on compliance and accuracy of financial statements, performance audits provide insights into whether public resources are managed optimally to achieve intended policy outcomes. This article explores the role of performance auditing in enhancing public sector accountability and its impact on good governance.

Understanding Performance Auditing is an independent and objective evaluation of government programs, projects, and operations to determine their effectiveness and efficiency. It is conducted by Supreme Audit Institutions (SAIs) and other oversight bodies to ensure that public funds are used responsibly and deliver maximum value. Key Objectives of Performance Auditing should be considered as

- Assess whether public resources are used effectively to achieve policy goals.
- Identify inefficiencies, waste, and areas requiring improvement.
- Promote transparency by providing evidence-based assessments to stakeholders.
- Offer recommendations to enhance public administration and service delivery.

## The Link Between Performance Auditing and Public Sector Accountability

Accountability is one of the fundamental principles of democratic governance. Citizens have the right to know how their tax dollars are being spent and whether public institutions are fulfilling their commitments. In this context, performance auditing plays a crucial role in ensuring accountability and enhancing the efficiency of public administration.

Firstly, performance audits increase the transparency of government institutions. These audits shed light on the operations of public agencies and enable the dissemination of relevant information to the general public. As a result, by publishing audit reports, governments demonstrate their commitment to open governance and strengthen public trust in state institutions.

Secondly, performance audits often reveal inefficiencies, management errors, and wasteful spending. Identifying such shortcomings in public programs allows policymakers to take timely corrective actions. This ensures that resources are used more efficiently and responsibly.

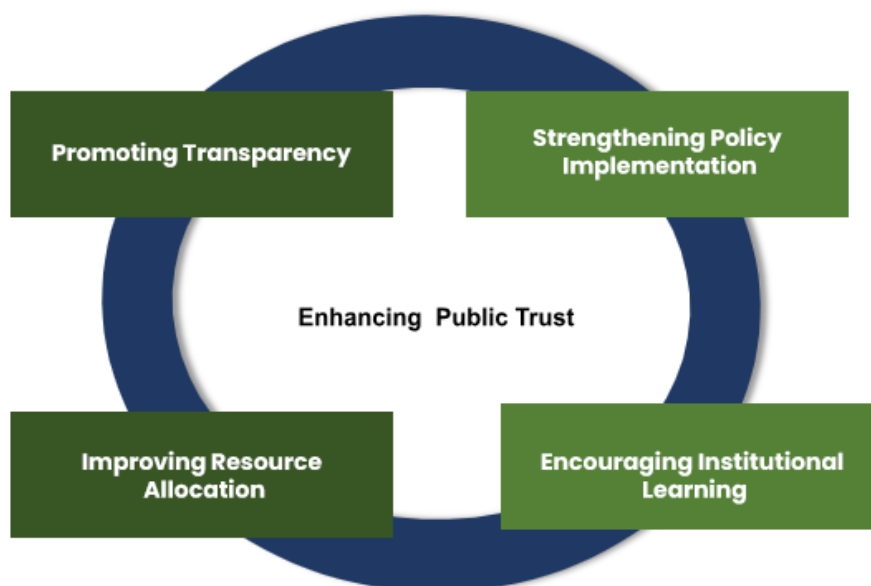
Thirdly, performance audits contribute to evidence-based decision-making. The data and recommendations obtained from audits provide policymakers with a solid foundation for designing and implementing more effective programs. This reduces the risk of policy failures and enhances the overall quality of governance.

Finally, regular performance audits help foster a culture of accountability within public institutions. When public officials are aware that their performance will be subject to scrutiny, they are more likely to act responsibly, adhere to best management practices, and comply with ethical standards.

Thus, performance auditing not only ensures the proper utilization of financial resources but also improves governance quality while reinforcing public confidence in state institutions.

# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Azerbaijan

Figure 1. Enhancing Accountability through Performance Auditing



## 1. Promoting Transparency:

- o Performance audits provide a clear evaluation of government programs, making their operations more transparent to citizens, policymakers, and other stakeholders.
- o They disclose any mismanagement, inefficiencies, or deviations from intended objectives.

## 2. Improving Resource Allocation:

- o Governments operate under budget constraints, making efficient resource utilisation critical.
- o Performance audits help ensure that public funds are allocated to programs that yield maximum benefits.

## 3. Strengthening Policy Implementation:

- o By evaluating the effectiveness of public policies, performance audits highlight areas where adjustments or improvements are needed.
- o Audit findings serve as a feedback mechanism for policymakers to refine strategies and align them with public needs.

## 4. Enhancing Public Trust:

- o When citizens see that government entities are held accountable for their actions, public confidence in governance structures improves.
- o Performance audits foster a culture of integrity and ethical administration.

## 5. Encouraging Institutional Learning:

- o Audit reports provide valuable lessons for government institutions, helping them adopt best practices and avoid repeating past mistakes.
- o Capacity-building initiatives based on audit recommendations strengthen the overall efficiency of the public sector.

Performance auditing is a key mechanism for ensuring transparency, efficiency, and effectiveness in public sector management. Supreme Audit Institutions (SAIs) worldwide have successfully conducted performance audits that have led to policy improvements, cost savings, and enhanced accountability.

# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Azerbaijan

As a crucial oversight tool, performance auditing enables SAls to evaluate the efficiency, effectiveness, and economy of public sector programs. By identifying inefficiencies, uncovering mismanagement, and ensuring that public funds are used appropriately, these audits strengthen public sector accountability and governance.

In the following tables, we explore real-world examples from various SAls, demonstrating how performance audits contribute to improved policies, financial savings, and stronger institutional frameworks.

## Case Studies: Performance Auditing in Action

### #1 UK National Audit Office (NAO) – Evaluating COVID-19 Spending

During the COVID-19 pandemic, the UK government allocated billions of pounds for emergency response programs, including personal protective equipment (PPE) procurement and business support schemes. The National Audit Office (NAO) identified significant irregularities in procurement processes, highlighting a lack of transparency in contract awards, which led to excessive costs. Many contracts were awarded without proper competition, increasing the risks of inefficiency and favoritism.

Additionally, the UK government spent £12 billion (\$16 billion) on PPE contracts, but a substantial portion went to companies without proper vetting, causing overpayments and delivery delays. The NAO found that at least £8.7 billion (\$11 billion) worth of PPE was either defective or unusable, leading to major financial losses.

Table 1

#1	UK National Audit Office (NAO) – Evaluating COVID-19 Spending		
	Case	Audit Findings	Impacts
1	During the COVID-19 pandemic, the UK government allocated billions of pounds for emergency response programs, including personal protective equipment (PPE) procurement and business support schemes	<p>NAO identified irregular procurement processes and lack of transparency in awarding contracts, leading to excess costs</p> <p>Some contracts were awarded without proper competition, increasing the risk of inefficiency and favoritism</p>	<p>The audit influenced parliamentary discussions on government spending</p> <p>Led to better financial controls in future emergency procurements.</p>
2	During the COVID-19 pandemic, the UK government implemented emergency funding programs, including the Personal Protective Equipment (PPE) procurement scheme and the furlough scheme for businesses and workers.	<p>The UK government awarded PPE contracts worth £12 billion (\$16 billion), but a significant portion went to firms without proper vetting, resulting in overpayments and delivery delays</p> <p>NAO found that at least £8.7 billion (\$11 billion) worth of PPE was either unusable or had defects, leading to significant financial losses</p> <p>A lack of competitive bidding in contract awards increased the risk of favoritism and inefficiency.</p>	<p>The NAO report led to parliamentary debates and reforms in public procurement regulations.</p> <p>The UK government implemented stricter transparency rules for emergency spending in future crises.</p> <p>New procurement guidelines required better contract oversight to prevent wasteful spending.</p>



# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Azerbaijan

The audit findings sparked parliamentary discussions on government spending and led to stricter financial controls in future emergency procurements. As a result, the UK government implemented new procurement guidelines, enforcing greater transparency and oversight in emergency spending to prevent similar inefficiencies in future crises.

## #2 U.S. Government Accountability Office (GAO) – Waste in Defense Spending

The U.S. Department of Defense (DoD) has one of the largest procurement budgets globally, spending billions annually on military equipment, logistics, and infrastructure. The Government Accountability Office (GAO) conducted an audit to evaluate how effectively these contracts were managed. The findings revealed that the Pentagon had overpaid by approximately \$70 billion due to mismanagement and a lack of oversight. Additionally, contract delivery delays led to cost overruns ranging from 30% to 50%, particularly in aircraft and naval projects. The audit also uncovered cases of fraud and corruption in subcontracting processes.

Table 2

#2	U.S. Government Accountability Office (GAO) – Waste in Defense Spending		
	Case	Audit Findings	Impacts
1	<p>GAO conducted a performance audit on Pentagon procurement programs, analyzing how effectively the Department of Defense (DoD) manages multi-billion-dollar defense projects.</p> <p>The U.S. Department of Defense (DoD) has one of the largest procurement budgets in the world, spending billions annually on military equipment, logistics, and infrastructure.</p> <p>The GAO conducted an audit to evaluate whether defense contracts were managed efficiently.</p>	<p>The Pentagon overpaid \$70 billion in unnecessary expenditures due to mismanagement and lack of oversight.</p> <p>Delays in contract delivery resulted in cost overruns of 30-50%, particularly for aircraft and naval projects.</p> <p>GAO found cases of fraud and corruption in subcontracting processes.</p>	<p>GAO's recommendations resulted in policy changes and improved contract oversight within the DoD</p> <p>Congress introduced stricter procurement laws to prevent future waste.</p> <p>The U.S. Congress strengthened defense procurement laws, introducing penalties for wasteful spending.</p> <p>The DoD centralized contract oversight, creating stricter performance monitoring systems.</p> <p>The government saved \$10 billion in three years by implementing GAO's recommendations.</p>

In response to these findings, the U.S. Congress introduced stricter procurement laws, including penalties for wasteful spending. The Department of Defense (DoD) also centralised contract oversight, creating stricter performance monitoring systems. Because of implementing GAO’s recommendations, the U.S. government saved \$10 billion over three years while improving contract efficiency and accountability in defense spending.

# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Azerbaijan

## #3 European Court of Auditors (ECA) – Evaluating EU Agricultural Subsidies

The European Union provides agricultural subsidies to support rural development and farming communities. The European Court of Auditors (ECA) conducted an audit to assess the effectiveness of these subsidies. The findings revealed that approximately €5.8 billion (\$6.5 billion) in subsidies had been allocated to non-eligible landowners and corporations rather than small farmers. Additionally, some EU member states failed to monitor the environmental impact of these subsidies, contradicting the sustainability objectives of the program. Weak reporting mechanisms allowed large agricultural businesses to dominate Common Agricultural Policy (CAP) funding, leaving small farmers underfunded.

Following the audit, the EU revised its monitoring mechanisms to prevent fraud and misallocation of funds. Compliance checks were strengthened for future subsidy payments, and the European Commission revised CAP funding criteria to ensure a fairer distribution of subsidies. Additionally, EU member states were required to implement digital monitoring tools to track real-time allocation of funds, while environmental sustainability conditions were reinforced to align subsidies with EU climate goals.

Also, the Erasmus+ program funds student exchanges across Europe, aiming to support academic mobility and cultural exchange. However, concerns were raised about the program's impact and fund allocation. The European Court of Auditors (ECA) conducted a performance audit and found that 30% of students experienced delays in receiving grants, which negatively affected participation rates. Additionally, some universities misused funds, diverting them to unrelated activities. The audit also revealed that complex administrative processes discouraged smaller institutions from participating in the program.

Table 4

#3	European Court of Auditors (ECA) – Evaluating EU Agricultural Subsidies		
	Case	Audit Findings	Impacts
1	The EU provides agricultural subsidies to support rural development and farmers. The ECA audited the subsidy program's effectiveness.	<p>€5.8 billion (\$6.5 billion) in subsidies were allocated to non-eligible landowners and corporations rather than small farmers.</p> <p>Some EU member states failed to monitor the environmental impact of subsidies, contradicting sustainability objectives.</p> <p>Weak reporting mechanisms allowed large agricultural businesses to dominate CAP funding, leaving small farmers underfunded.</p>	<p>EU revised monitoring mechanisms to prevent fraud.</p> <p>Strengthened compliance checks for future payments.</p> <p>The European Commission revised CAP funding criteria to ensure a fairer distribution of subsidies.</p> <p>Member states were required to implement digital monitoring tools to track real-time allocation of funds</p> <p>Environmental sustainability conditions were strengthened to ensure subsidies align with EU climate goals.</p>
2	European Court of Auditors (ECA) – Erasmus+ Program Effectiveness Audit The Erasmus+ program funds student exchanges across Europe, but questions were raised about the program's impact and fund allocation.	<p>30% of students faced delays in receiving grants, affecting participation rates.</p> <p>Some universities misused funds, spending on unrelated activities.</p> <p>Administrative processes were too complex, discouraging small institutions from participating.</p>	<p>The European Commission streamlined the application process, reducing paperwork.</p> <p>Stronger monitoring mechanisms were introduced to track fund usage.</p> <p>More support was given to students from disadvantaged backgrounds.</p>



# The Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Azerbaijan

As a result of the audit, the European Commission took corrective measures, streamlining the application process to reduce paperwork and administrative burdens. Stronger monitoring mechanisms were introduced to track fund usage, preventing financial mismanagement. Additionally, more financial support was allocated to students from disadvantaged backgrounds to ensure equitable access to Erasmus+ opportunities.

## #3 Auditor General of South Africa – Performance of Public Healthcare System

The Auditor General of South Africa conducted a performance audit to evaluate the efficiency of public hospitals in delivering healthcare services. The findings highlighted severe issues such as medication shortages, understaffing, and frequent equipment failures. Additionally, poor financial management resulted in delays in salary payments for medical staff, further weakening the healthcare system’s ability to function effectively.

Table 4

#4	Auditor General of South Africa – Performance of Public Healthcare System		
	Case	Audit Findings	Impacts
1	South Africa’s SAI reviewed the efficiency of public hospitals in providing healthcare services.	Identified medication shortages, understaffing, and equipment failures in hospitals.	The government restructured hospital funding and improved supply chain management.
		Poor financial management led to delays in salary payments for medical staff	New performance indicators were introduced to track healthcare service delivery.

In response to these audit findings, the South African government restructured hospital funding and improved supply chain management to address medication shortages. Furthermore, new performance indicators were introduced to monitor and track healthcare service delivery more effectively, ensuring improved efficiency and accountability in the public healthcare sector.

## Conclusion

These real-world cases highlight how performance audits contribute to public sector accountability by identifying inefficiencies, reducing waste, and improving governance. Supreme Audit Institutions play a crucial role in ensuring that governments spend public funds effectively and deliver better services to citizens.

So, performance auditing is a vital instrument and powerful tool for enhancing public sector accountability and promoting good governance. By promoting transparency, improving resource allocation, strengthening policy implementation, and fostering public trust, it plays a pivotal role in ensuring good governance. However, to realise their full potential, audit institutions must operate independently, engage stakeholders, and focus on outcomes. In an increasingly complex and resource-constrained world, performance auditing is not just a tool for accountability - it is a necessity for sustainable development and democratic governance.

Strengthening performance auditing practices will ultimately lead to a more accountable, efficient, and responsive public sector that meets the needs of citizens effectively.

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# A Serenade of Accountability: The Pivotal Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Maldives

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Public accountability pertains to the obligations of individuals or entities entrusted with public resources to be answerable for the fiscal, managerial and program responsibilities that have entrusted to them, and to report to those who have entrusted these responsibilities. In government, accountability is fundamental—politicians are accountable to citizens for public affairs, the government is accountable to Parliament for resource management, and public servants are accountable to the government for their performance. Traditionally, accountability focused on adherence to processes, but the emphasis has shifted towards demonstrating tangible results (Roth, 1996).

Auditing began as a risk-reduction strategy for owners (principals) to ensure agents used assets properly. To address risks like distance or lack of expertise, independent third-party auditors were employed to verify the accuracy and reliability of agents' accounting. "Performance auditing is similar in its aims: It involves the examination of the performance of a public organisation or program on behalf of a client—ultimately citizens—by an independent auditor". (Colleen et al., 2007, page 324)

## The Transformative Role of Performance Auditing

Increasing concerns over government spending and efficiency became apparent in the 1960s, consequently leading to the emergence of performance audit. While Glynn (1985a) claimed that Canada was the first to adopt Value for Money (VFM) auditing, other countries like New Zealand and the UK also faced rising public expenditure and efficiency issues, prompting calls for greater accountability. In New Zealand, for example, local government inefficiencies led to special investigations, and in the UK, public dissatisfaction with rising expenditures fueled demands for more transparency (Nurul athira Abd Manaf, 2010). Further, Nurul Athira (2010) states that public agitation and declining trust in government officials pushed for more accountability, leading many governments worldwide to introduce performance audit mandates to address these concerns, thus broadening the concept of accountability beyond traditional financial and compliance auditing. "Public accountability is thus considered to be a broader concept than financial accountability...The auditor's role would therefore seem to be that of ensuring that management processes and accountability are clearly linked" (Glynn, 1996, p129)

## Role of Performance Auditing on Accountability

Performance auditing fosters accountability by providing those with governance and oversight responsibilities the insights needed to enhance performance. It uncovers hidden issues or problems by scrutinising whether legislative or executive decisions are prepared and implemented economically, efficiently, and effectively, ensuring taxpayers and citizens receive value for money. By examining these aspects, performance audits offer a comprehensive evaluation, highlighting areas that require improvement and promoting transparent, responsible governance, ultimately reinforcing public trust and accountability.

According to Barzelay (1996), performance audit is targeted towards performance improvement and performance accountability. However, these two goals often present challenges in practice, as they can sometimes be seen as competing concepts. Some argue that focusing on accountability may hinder performance improvement, while others believe both goals can be achieved simultaneously, especially when public managers are held accountable for delivering results. While there are differing views on whether performance accountability and improvement can coexist, both goals remain central to performance auditing, with the ultimate aim of improving public sector management and ensuring the responsible use of public funds. (Nurul Athira Abd Manaf, 2010)

Haliah et al., (2020) finds that in the public sector, performance audits contribute to enhancing accountability in various ways. These include improving management accountability to representative institutions, developing accountability report forms, enhancing performance indicators, facilitating performance comparisons between peer-reviewed organisations, and providing clearer, more informative presentations of information.

Further, according to Haliah et al., (2020), several studies conducted in Indonesia have shown that performance audits have a positive and significant effect on public accountability. Research by Susbiyani (2016), Rinaldi (2016), Mahmud, Mahsuni, and Junaidi (2017), Darmanto (2017), and Safitri (2019) collectively affirm that performance audits play a crucial role in enhancing transparency, efficiency, and accountability within public sector organisations.

# A Serenade of Accountability: The Pivotal Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Maldives

## The case of the Maldives: Performance audit of Fuvahmulah city water and sewerage system.

The performance audit of Fuvahmulah City's water and sewerage systems played a critical role in fostering greater public sector accountability. By identifying inefficiencies and recommending improvements, it helped ensure that citizens received better services while also promoting the responsible use of public funds. The audit provided a clearer picture of how public resources were being managed, thereby enhancing transparency and accountability. Furthermore, the audit findings can serve as a foundation for future policy decisions and investments in the water and sewerage infrastructure, as well as other future projects, ensuring sustained public sector accountability.

### Basic Information of Fuvahmulah City

Fuvahmulah Island, situated at coordinates 73°25'40" E, 0°17'53" S, is located in the southern part of the nation. It spans an area of 487 hectares, with dimensions of 4.1km in length and 1.1km in width. The island's coastline stretches for a total of 11km. According to the 2014 census, the population of Fuvahmulah stands at 8,579 individuals.

The existing sewerage infrastructure not only raised environmental concerns but was also deemed unsafe from a health and hygienic standpoint (MoE, 2012.). Recognising the adverse effects of the current sewerage system on public health and the environment, a project was initiated in 2015 to establish a safe water and sewerage system in Fuvahmulah City. The project was implemented through donor and government funding.

### Background of the Audit Project

A performance audit was conducted on the Fuvahmulah city water and sewerage system project. The audit examined the economy, efficiency and effectiveness of the water and sewerage system project of Fuvahmulah city, evaluating whether the contractual and regulatory obligations were fulfilled by the stakeholders. It also assessed the effectiveness of the project by analysing information collected from key stakeholders. The audit generally covered the period from 2015 to 2021.



# A Serenade of Accountability: The Pivotal Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Maldives



## Key audit findings

**Cost of Project:** The total cost of the project contracts was estimated to be USD 18,331,486, which includes all expenses related to the project contracts. However, additional costs are expected for approved variation, rectification, and administrative expenses, estimated at USD 22,049,045. These additional expenses were not included in the total cost of the project contracts and are expected to be incurred.

**Quality Control:** All the quality control measures planned for the project were not carried out accordingly during the design and implementation phases of the project. The Ministry has employed a design and supervision consultant for the project, however, some civil works have been inspected and approved by persons who were not approved by the client (Ministry). Furthermore, certain works were neither inspected nor approved at all. The regulator granted conditional approval for the Detailed Design Report, requiring amendments and additional information; however, it was not confirmed whether these changes were incorporated into the final report.

**Environmental Compliance:** The project deviated from the approved Environmental Impact Assessment (EIA) by constructing the sewerage discharge pipe in an environmentally sensitive area, which was later declared a protected site. The discharge pipe was also not established at the EIA's required depth, which was necessary to minimise the environmental impact. During the defect liability period, the pipe was damaged due to underestimated marine conditions during the design phase, and a similar issue resurfaced, causing sewer leakage onto the reef. Additionally, some sewerage infrastructure was built in unapproved locations, leading to increased vegetation removal and greater environmental impact than initially anticipated. Further, the environmental monitoring program stipulated under the EIA was not conducted, while some of the mitigation measures were not adequately implemented.

## Coordination, stakeholder engagement and defect liability period:

Due to the change in government mandate, the project was shifted to Ministry of Planning, however, important information and documents were not properly maintained or handed over. Due to the change in mandate, for four months, including three months of the Defect Liability Period, there was no institution coordinating the project, leading to ineffective monitoring and addressing of issues identified by the Supervision Consultant. Additionally, both the contractor and the operator were responsible for operating the system during this period, hindering the operator's ability to identify issues. Despite the operator's lack of action, no regulatory measures were taken against them. The Ministry of Planning and Infrastructure issued a performance certificate to the contractor, declaring the project complete without fully resolving identified issues.



# A Serenade of Accountability: The Pivotal Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Maldives

**Resources and Training:** The service provider lacks the necessary resources, including qualified staff and spare parts, to effectively operate and maintain the system. This deficiency stems from inadequate planning during the planning stage, the contractor's failure to fulfil training requirements stipulated in the contract, and the service provider's insufficient efforts to secure these resources after the construction phase. As a result, the service provider is unable to sustainably deliver services and achieve the project's objectives.

**Process of Manually Carrying Raw Sewage:** The project's actual costs exceeded initial estimates, including expenses for temporary solutions to manage sewer overflow. The service provider hired private parties to manually collect and dispose of sewage without a competitive bidding process, resulting in significantly higher costs compared to previous rates. Over a period of 21 months, USD 562,475 was spent on transporting sewage to the treatment plant. The procurement process during this phase was not aligned with the state's best interest and failed to adhere to sustainable development principles.

**Rectification:** A rectification contract worth USD 2,806,210 was issued to address ongoing issues in the city's sewerage system and provide a permanent solution. However, at the time of audit field work closure, only 87% of the contracted work was completed within the agreed contract period. At the time of the report's issuance, not all tasks outlined in the rectification project had been completed in accordance with the contract's terms and conditions.

**Operation and Sustainable Service Provision:** The operator has failed to properly track operating costs, neglected maintenance and water quality testing expenses, and has not submitted financial reports. This lack of oversight has left the system management costs unclear and revenue uncollected. The reverse osmosis (RO) plant produces significantly less water than stipulated in the contract, and unresolved issues during the Defect Liability Period have resulted in significant financial losses, including an estimated USD 267,973 loss due to water leaks.

**Socio-economic Impact:** Untreated sewerage transportation and disposal were conducted without an environmental management plan, and the supply water quality reports were not submitted. Sampling points for monitoring supply water quality were inadequate. Additional issues included public preference for single-use plastic bottles over supplied water, a lack of trust in water safety, and insufficient public awareness efforts. The island's groundwater quality has deteriorated compared to its condition before the project was implemented. However, it was found that some members of the public still prefer using groundwater for non-potable use over the supplied water provided by the project, highlighting a gap in awareness.

**The level of residual chlorine in the supply water falls below the required standards, and no action has been taken to address this issue. Moreover, it was found that the water produced by the RO plant and distributed through the network contained coliform. This problem has since been rectified by the operator during the audit process upon notification.**

## Conclusion

In conclusion, the performance audit of the Fuvahmulah City water and sewerage project evaluated how public resources were utilised to achieve policy goals, with a focus on economy, efficiency, and effectiveness. The audit highlighted failures in stakeholder engagement, inadequate planning, and the lack of proper oversight during the implementation and operational phases, which led to unresolved issues and inefficient system operation. It emphasised the need for adherence to environmental standards, financial transparency, and the timely completion of contracted works. By assessing the project's cost overruns, resource deficiencies, and operational shortcomings, the audit ensured greater accountability in the use of public resources, fostering a more transparent and responsible approach to managing public sector projects. Additionally, it provided valuable insights into the social and environmental impact, underscoring the importance of sustainable service provision, quality control, and public trust.

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# A Serenade of Accountability: The Pivotal Role of Performance Auditing in Enhancing Public Sector Accountability - SAI Maldives

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# Performance Audit: A Strategic Mechanism for Driving Public Sector Sustainability and Transparency - SAI Thailand

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Performance auditing is a crucial tool for evaluating the efficiency and effectiveness of the public sector, particularly in the context of the Sustainable Development Goals (SDGs). These goals aim to balance economic, social, and environmental factors in national development. Performance audits enable government agencies to systematically assess progress toward SDG implementation through a process known as "SDGs Implementation Audit." This audit primarily focuses on three key aspects: economy, efficiency, and effectiveness. Its purpose is to ensure optimal resource management for public benefit while promoting transparency and enhancing public trust through clear and comprehensive audit reports. Furthermore, audit results can serve as a valuable reference for decision-making, helping government agencies improve policies, work processes, and resource allocation for greater efficiency. This, in turn, fosters accountability in government operations and encourages a culture of good and sustainable governance.

SDGs Implementation Auditing requires systematic planning to identify critical issues, manage resources efficiently, and monitor the impact of audits effectively. According to the IDI's SDG Audit Model (ISAM, 2024), it is essential to develop both Strategic Audit Plans (SAPs) and Annual Audit Plans (AAPs) for SDGs Implementation Audits. SAPs outline long-term audit strategies covering a period of 3-5 years, while AAPs translate these strategic plans into actionable short-term audit operations.

The State Audit Commission has established a comprehensive National Audit Policy, covering both long-term (five-year) and short-term (annual) plans, to guide public sector auditing. The State Audit Office (SAO) has formulated its Five-Year Operational Plan (currently for 2023- 2027) in alignment with national strategies, master plans, and economic and social development plans, including SDGs. This plan serves as a strategic framework to guide SAO's operations, ensuring effective monitoring, evaluation, and implementation of national audit policies.

The Performance Audit office of SAO has also developed a Strategic Audit Plan for 2019- 2022, taking into account project details, budget allocations, and responsible audit units within the national strategic framework. The plan also considers actual workforce capacity to define appropriate audit directions, ensuring consistency with the National Audit Policy, the Five-Year Operational Plan, national challenges, and the 20-Year National Strategy. This strategy encompasses six key areas: Security, Competitiveness Enhancement, Human Resource Development, Social Equity and Opportunity Creation, Quality Growth with Environmental Sustainability, and Public Administration Reform and Governance. The Strategic Audit Plan aims to streamline audit selection processes, avoid redundancy, and provide valuable recommendations for improving public sector efficiency. It emphasises periodic evaluations of audit effectiveness to refine audit methodologies for future improvements.

In addition, SAO has formulated a Strategic Audit Plan for Performance and Effectiveness Auditing on Equity (2024-2027), emphasising social equity, justice, and reducing economic and social disparities. This initiative aligns with the SDGs and international agreements promoting inclusive, transformative, and integrated development. The plan prioritises vulnerable populations, ensuring no one is left behind. SAO, as the supreme audit institution, plays a vital role in evaluating public expenditures to ensure that government funds are utilised effectively and equitably for all citizens, particularly disadvantaged groups such as low-income individuals, the elderly, and people with disabilities. These groups face challenges such as poverty, unequal income distribution, educational disparities, and limited access to public services and resources. By addressing these issues, the audit process aims to reduce inequalities, create social opportunities, and promote fairness in development, ensuring equitable access to opportunities for all.

The above discussion highlights the critical role of **Performance Auditing** in evaluating public sector efficiency, particularly in achieving SDGs. **The State Audit Office (SAO)** has prioritised systematic audit planning through its **Five-Year Operational Plan** and **the Strategic Audit Plan for Equity**, aligning with **Strategic Audit Plans (SAPs)** and **Annual Audit Plans (AAPs)** for SDGs Implementation Audits under the **IDI's SDG Audit Model (ISAM, 2024)**. These initiatives enhance government **accountability** and **transparency** by establishing a structured, effective audit framework. They also enable auditors to analyse risks and strategic factors efficiently.

A well-structured audit plan allows audit institutions to manage resources effectively, focusing personnel, budgets, and time on significant, high-impact areas. This approach minimises unnecessary resource consumption and ensures the continuity of audit processes. Additionally, proactive planning helps government agencies utilise audit findings as evidence-based decision-making tools, improving policies, management practices, and operational efficiency.

Another crucial aspect is promoting **transparency** and **public trust** in government agencies. Implementing audits with clear, well-defined plans reduces corruption risks and increases **transparency** in state operations. Public disclosure of audit findings allows citizens to access and scrutinise government performance, fostering public trust in governance.



## Performance Audit: A Strategic Mechanism for Driving Public Sector Sustainability and Transparency - SAI Thailand

Ultimately, a systematic audit framework encourages **public sector accountability** and **good governance, fostering transparency, efficiency,** and a **commitment to public welfare**. Performance auditing, when systematically planned through Five-Year Operational Plans and Strategic Performance and Effectiveness Audit Plans, ensures accountability, efficiency, and transparency. These factors collectively strengthen government responsibility and operational effectiveness, allowing agencies to serve **the best interests of the public effectively**.

# The Contribution of Performance Audits in the Accountability of the Public Sector in Greece – Hellenic Court of Audit (HCA) SAI - Greece



Styliani Tori, Judge Rapporteur in the HCA

## I. The Process of Conducting Thematic Audits

The Hellenic Court of Audit (HCA) stands as both the supreme financial court and the supreme audit institution in Greece. It carries out its jurisdictional, audit, and advisory functions in a way that guarantees the observance of the rule of law, financial sustainability, and fair trial. Moreover, the Court oversees the compliance of all public bodies with principles of legality, regularity, and good governance, ensuring public accounting officers' accountability.

The HCA operates independently from the legislative, executive, and other branches of the judiciary, maintaining full autonomy in its functions. Its audits adhere to internationally recognised best practices and auditing standards, ensuring not only the highest quality but also transparency, accountability and alignment with global oversight frameworks. In accordance with the Greek Constitution, the Organic Law of the HCA, and the Rules of Procedure for its Administrative and Audit Units, the HCA conducts thematic audits, including performance audits and internal control systems audits. These audits are incorporated in the HCA's Annual Audit Plan, alongside the audit of the state's financial statements and balance sheet, as well as those of local government organisations and other state legal entities, which are conducted at least once every four years, as well as pre-contractual audits.

The strategy for performance audits is primarily shaped by the President of the Court, who consults with staff to ensure that audits address significant areas of public concern while also incorporating a comprehensive risk assessment. The multiannual and annual audit programs focus on key areas such as fiscal sustainability, the welfare state, the rule of law, and sustainable development. Notably, performance audits are cross-sectoral, covering multiple entities and reflecting the interconnected nature of the issues under review.

The HCA's Annual Audit Program is drafted by the Eighth Chamber, headed by the President of the Court, taking into account mandatory audits, Parliament's requests, and proposals from public officials or citizens. Once drafted, the annual program is submitted to the Plenary of the Court, which consists of independent, supreme judges. It is essential to note that the HCA maintains full autonomy, giving due consideration to audit requests from executive or legislative bodies without being bound in any way to incorporate them in its annual planning.

Each performance audit is accompanied by an Audit Planning Memorandum, which includes a detailed questionnaire sent to the audited entities. A supervising judge is assigned to each audit, supported by the Directorate "Quality Control", ensuring adherence to auditing standards throughout the process. The HCA maintains rigorous quality control at two stages: ex-ante and ex-post quality checks. Audit work is carried out by the Audit Directorates at the HCA's Head Office, collaborating with 94 other Directorates across Greece.

The HCA employs a specialised information system to monitor audits, ensuring that findings are based on thorough investigations and that as many relevant cases as possible are included. In cooperation with the criminal justice system, the Court respects the independence of its audit work, but will refer cases to the appropriate authorities when criminal offences are discovered during audits.

During audits, the HCA uses detailed questionnaires to collect data from audited entities. If an entity admits to non-compliance in its response, this admission is accepted as an audit finding. If the entity claims compliance, the reliability of their response is carefully scrutinised. All findings are thoroughly documented, and when a violation is found, appropriate authorities, including public prosecutors, are notified. In the event that an irregularity (deficit) is discovered during the audit, the competent Judicial Section of the Court is responsible for the imputation.

Subsequently, the Specific Preliminary Findings of each audit are communicated to the audited entities, which must respond within a specified timeframe. Once the audit is concluded, the HCA issues a Final Audit Report, which includes recommendations based on the principles of economy, efficiency, effectiveness, and proportionality. These recommendations are aimed at enhancing the performance and compliance of public bodies. The final report is distributed to the audited entities, relevant similar bodies, and sent to the Greek Parliament. The Court ensures that public entities act on these recommendations, monitoring compliance within a set timetable, typically no longer than two years.

Each performance audit report included in the HCA's Annual Audit Programme is submitted to the Parliamentary Committee on Institutions and Transparency before being published on the Court's website and distributed to the press.

# The Contribution of Performance Audits in the Accountability of the Public Sector in Greece – Hellenic Court of Audit (HCA) SAI - Greece

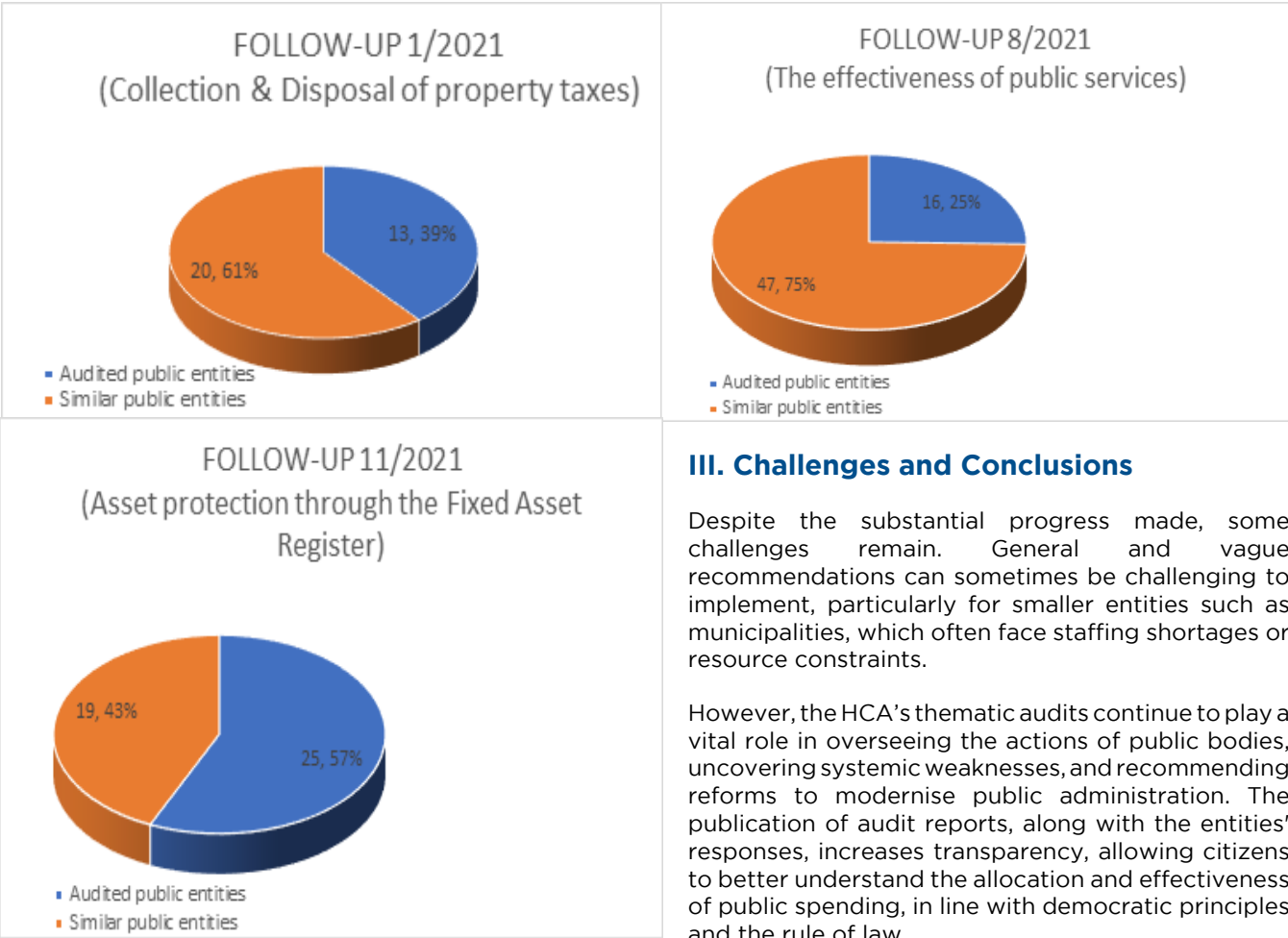
## II. Follow-up Results

In a rule-of-law state, accountability is closely tied to sound financial management and the performance of public bodies. Public entities are required to manage resources transparently and to report on how they fulfil their public missions. The annual financial statements of public legal entities, which reflect the management of public funds, must be submitted to the HCA on time, ensuring transparency and reliability in the management of public resources.

The HCA's 3/2024 performance audit report, titled Fiscal Discipline and Transparency in Public Legal Entities, examined 70 public bodies, including local government organisations, universities, hospitals, and more. The report identified reasons for delays or non-submission of financial statements and provided valuable insights into improving financial practices within public institutions.

Additionally, the HCA conducts compliance audits on previous years' reports to ensure that entities follow through on the recommendations provided. For instance, in the 2021 audit reports on various issues, such as the collection and disposal of property taxes, the effectiveness of public services, and asset protection through the Fixed Asset Register—follow-up audits tracked the implementation of corrective actions.

The impact of these audits is clear: many public bodies beyond the audited ones are required to comply with the Court's recommendations. Non-compliance leads to accountability measures, ensuring that public entities rectify identified deficiencies.



## III. Challenges and Conclusions

Despite the substantial progress made, some challenges remain. General and vague recommendations can sometimes be challenging to implement, particularly for smaller entities such as municipalities, which often face staffing shortages or resource constraints.

However, the HCA's thematic audits continue to play a vital role in overseeing the actions of public bodies, uncovering systemic weaknesses, and recommending reforms to modernise public administration. The publication of audit reports, along with the entities' responses, increases transparency, allowing citizens to better understand the allocation and effectiveness of public spending, in line with democratic principles and the rule of law.

Ultimately, the Hellenic Court of Audit serves as a guardian of effective public financial management in Greece, promoting good governance and the efficient use of public funds. Through performance audits and rigorous follow-up procedures, it ensures that public bodies are held accountable and continuously improve in their mission to serve the public interest.

# Enhancing The Role of Performance Audit Within The State Audit Office of Vietnam in Contemporary Contexts SAI - Vietnam

## The State Audit Office of Vietnam

Performance Audit, initiated in developed nations during the late 1960s of the 20th Century, has emerged as a critical instrument for evaluating the economy, effectiveness, and efficiency of public programs and policies. Driven by the imperative to uphold transparency, accountability, and optimal utilisation of public funds, performance audit has gained widespread adoption and now constitutes an integral component of public audit systems globally. In alignment with this trajectory, after two decades of foundation and development, the State Audit Office of Vietnam (SAV) established the Performance Audit Department in 2014. This Department assumed the responsibility of conducting the initial independent performance audits within SAV. The subsequent introduction of Environmental and Information Technology audits signified a significant expansion of audit scope, thereby responding to the evolving demands arising from the digital economy and the necessity for environmental and resource protection.

As 2024 marks the 30th anniversary of SAV's establishment and 10 years of performance audit's implementation, SAV conducts a comprehensive review of achievements, an analysis of existing challenges and opportunities, and the formulation of strategic solutions to augment the role of performance auditing in the contemporary landscape. In an era characterised by accelerated globalisation and digitalisation, performance audit transcends its traditional function of public finance oversight, contributing substantively to the promotion of effective public governance and the enhancement of SAV's regional and international standing.

## Practical experiences and achievements in performance audit at SAV

In recent years, SAV has made notable progress in implementing performance audits, evidenced by advancements in legal framework development, auditor capacity building, audit execution, and the expansion of audit influence.

### The development of performance audit standards and guidelines

A key achievement has been the establishment of a comprehensive system of performance audit standards and guidelines. In 2016, SAV promulgated State Audit Standards on Performance Audits, integrated within the broader State Audit Standards System, aligning with the International Standards of Supreme Audit Institutions (ISSAI) issued by the International Organisation of Supreme Audit Institutions (INTOSAI). The accompanying Performance Audit Guide, supplemented by a detailed suite of sample documents, provides auditors with clear, consistent, and specific instructions across all audit stages, from preliminary surveys and information gathering to audit planning, execution, report preparation, and the monitoring of audit conclusion and recommendation implementation.

### The enhancement of performance audit capacity

In parallel with the refinement of the legal framework, SAV has prioritised the training and capacity building for auditors, particularly through collaboration with international organisations, most notably the Canadian Audit and Accountability Foundation (CAAF). Since 2008, a series of specialised training programs on performance audit have been conducted, equipping auditors with advanced auditing methodologies, updated international best practices, and enhanced analytical and evaluative skills.

Between 2012 and 2017, CAAF supported SAV in the development of its performance audit organisational structure, policy formulation, legal framework development, and the creation of audit guidance. This partnership also facilitated capacity building through short-term and long-term training programs, audit workshops, and collaborative pilot audits. From 2018 to 2023, the two sides focused on strengthening training coordination in key auditing areas, including those related to the United Nations Sustainable Development Goals (SDGs), gender equality, environmental protection, climate change, resource management, and information technology. Additionally, CAAF provided SAV with access to its online database of audit courses and resources.

### The implementation and impact of performance audits

SAV has significantly expanded the scope of its performance audit, with a marked increase in environmental and information technology audits. Over the past several years, more than 100 performance audits have been conducted, demonstrating consistent year-on-year growth. Commencing with 02 pilot audits in 2014, representing roughly 1% of SAV's total audits, performance audit's number rose to 4% (equivalent to 02 audits) in 2015 and further increased to about 23% of total audit tasks by 2023. Performance audit has now become a regular activity for both specialised departments and regional state audit offices, incorporating innovative methodologies and audit procedures. The past decade has demonstrated that these audits have effectively identified operational and organisational inefficiencies across diverse sectors, including highly specialised domains. They provide comprehensive assessments of strengths and weaknesses, analyse underlying causes, and evaluate impacts, thereby facilitating the formulation of evidence-based conclusions and recommendations on critical issues that are of high public concern. This has fostered high consensus among audited entities, significantly contributing to improved efficiency and effectiveness in public financial and asset management, increased accountability and transparency within state management agencies, and greater social benefits. Furthermore, performance audit has strengthened public confidence in state policies and enhanced SAV's institutional reputation, giving assistance in meeting the expectations of the National Assembly and the general public.

# Enhancing The Role of Performance Audit Within The State Audit Office of Vietnam in Contemporary Contexts SAI - Vietnam

The principal findings of performance audit reports are disseminated through various mass media channels and publicly presented during press conferences held in conjunction with SAV's Annual Audit Results Report. Moreover, SAV actively shares its practical experiences, strategic directions, and proposed advancement solutions in the field of performance audit through presentations at national and international forums, conferences, and seminars spanning multiple disciplines. This engagement expresses SAV's commitment to contributing to the identification of effective solutions to national and regional governance challenges in the contemporary context.

On this note, following more than a decade of development, SAV's performance auditing framework has attained significant maturity. This progress is characterised by the establishment of a relatively comprehensive and well-integrated system of legal documents and guidelines, alongside a highly trained workforce of auditors who have developed well-rounded expertise, heightened professional awareness, and extensive practical experience. As a result, SAV's performance auditing practices have evolved with increasing sophistication, enhancing their effectiveness in fulfilling mandated responsibilities. Performance audit has established itself as an indispensable audit modality, complementing financial and compliance audits while serving as a crucial mechanism for strengthening SAV's national and international standing. This advancement strengthens SAV's reputation not only within Vietnam but also among Supreme Audit Institutions worldwide, particularly within INTOSAI.

## Strategies for enhancing the role of performance audit within SAV in contemporary contexts

To further amplify the impact of performance audit, SAV has delineated key strategic initiatives aimed at augmenting audit quality in the forthcoming years.

### SAV Development Strategy to 2030

A central priority is the rigorous implementation of the SAV Development Strategy towards 2030. This strategy, particularly for the 2021 - 2030 period, articulates the goal of "strengthening performance audits, thematic audits, information technology audits, and environmental audits to achieve a proportion of approximately 30% to 40% of the annual audit portfolio". Complementarily, the Strategy to improve SAV's audit quality to 2030 emphasises the importance of "developing and diversifying audit content, progressively increasing the proportion of performance audits, thematic audits, information technology audits, and environmental audits, while integrating emerging audit domains. The goal is to achieve a proportion of these audits to relatively 30% by 2025 and to 40% or higher of the total annual audit portfolio by 2030".

To operationalise these stated strategic goals, SAV has formulated a medium-term audit plan for the period 2025-2027. This plan explicitly outlines the implementation of performance audits, thematic audits, environmental audits, and IT audits, targeting a minimum of 33% of the total audit volume in 2026 and 35% in 2027. This includes the annual conduct of 3 to 5 large-scale and comprehensive audit topics involving numerous participating entities."

To translate these strategic objectives into practice, SAV has formulated a medium-term audit plan for 2025-2027, which provides a clear roadmap for the execution of performance audits, thematic audits, environmental audits, and IT audits. This plan sets its target on ensuring that these audits account for a minimum of 33% of the total audit volume in 2026 and 35% in 2027. This also includes the annual implementation of three to five large-scale and comprehensive audit topics, involving multiple participating entities.

### Vietnam's commitment to implementing the United Nations Sustainable Development Goals (SDGs) and the role of SAV

SAV prioritises auditing programs and projects aligned with the United Nations Sustainable Development Goals (SDGs). Following Viet Nam's issuance of the "National Action Plan for the Implementation of the 2030 Agenda for Sustainable Development" in 2017, and in its capacity as the Chair of the Asian Organization of Supreme Audit Institutions (ASOSAI) from 2018 to 2021, as well as an active member of INTOSAI, SAV has consistently been playing a pivotal role in supporting the Government's efforts to achieve SDGs. Specifically, SAV serves as the focal point for studying INTOSAI guidelines on SDG-related audits, conducting audits of the Government's preparatory processes, implementation progress, monitoring mechanisms, and reporting frameworks. Accordingly, SAV places particular emphasis on reviewing and assessing the reliability of information presented in progress reports on the implementation of SDGs, as produced by the Government's oversight mechanisms. SAV had, and has been, actively promoting the application of the performance audit model to evaluate the economy, efficiency, and effectiveness of programs and initiatives related to sustainable development, leveraging the framework of the 17 SDGs and 169 Sustainable Development Indicators. This is a prioritised audit area, as it extends beyond verifying financial accuracy and compliance to assessing the utilisation of public financial resources and assets, measuring programs' outcomes, and determining whether these initiatives conform to expected SDG-related effectiveness and positive social impact. These concerns are of paramount importance to the National Assembly, the Government, and the general public.

# Enhancing The Role of Performance Audit Within The State Audit Office of Vietnam in Contemporary Contexts SAI - Vietnam

## The orientation to improve SAV's performance auditing capacity

(1) Strategic and action plans will be formulated and executed to provide a structured roadmap for the progressive development and quality enhancement of SAV's performance auditing capacity. This process will incorporate the systematic development of a highly skilled auditor workforce. Regarding the implementation of SDGs, SAV will either develop dedicated strategic plans or integrate SDG-related audit considerations into its short-term, medium-term, and long-term strategic plans, as well as annual audit plans. These measures are to ensure that SAV makes substantive contributions to national SDG achievement, while simultaneously maintaining the effectiveness and efficiency of its broader audit functions and activities in accordance with its legal mandate.

(2) SAV database will be completed and digital technologies will be implemented for the collection, storage, and updating of information pertaining to key audit areas and subjects within its purview to enhance the efficacy of audit topic selection, objective determination, content definition, criteria establishment, and methodological application. The development of a prospective audit topic database should prioritize issues of significant public concern and interest, including, but not limited to: land management and utilization; natural resource governance; urban and housing planning and administration; mineral resource management, extraction, and processing; Official Development Assistance (ODA) capital management and utilization; investment fund management and utilization; science and technology programs; national targeted programs for poverty alleviation, clean water provision and rural environmental sanitation; strategic programs aimed at fostering sustainable poverty reduction in socioeconomically disadvantaged districts; national key projects; and the administration of sector-specific fees and designated financial allocations across several specialized sectors, etc.

(3) Training programs, seminars, and workshops will be systematically organised across SAV's units to advance the dissemination of knowledge and exchange of best practices in performance audit. Besides, SAV must strengthen cooperation with international organisations, including IDI<sup>1</sup> and INTOSAI KSC<sup>2</sup>, to gain access to relevant documentation, facilitate human resource training, and partake in coordinated international audits. This engagement shall enable SAV to acquire knowledge, exchange best practices, and replicate successful audit outcomes.

(4) Efforts to disseminate and communicate performance audit findings, as well as the value propositions of performance audits, environmental audits, and information technology audits, must be intensified, ensuring that audit results and recommendations reach key stakeholders, including the National Assembly and the general public, through different media channels. This manoeuvre shall set forth the improvement of SAV's transparency and accountability.

The evolution of SAV in general and the development of performance audit in particular have been intrinsically linked to the advancements of the Fourth Industrial Revolution, the integration of advanced technologies and information technology across institutional activities. In response to this paradigm shift, SAV is actively working to enhance its technological infrastructure and incorporate international best practices in the public audit sector, ensuring its flexible adaptive ability to the evolving landscape of digital transformation in the coming years. Through the implementation of strategic initiatives, SAV seeks to further augment its function as an essential and effective oversight instrument of the State and the Government, tasked with evaluating, monitoring, and strengthening public accountability. By reinforcing transparency and oversight mechanisms of the state budget, SAV not only assumes a pivotal position in enhancing the governance and administration of public finances and assets but also makes concerted efforts to support Viet Nam's broader socio-economic development agenda for the 2021-2030 period./.

<sup>1</sup> INTOSAI Development Initiative.

<sup>2</sup> INTOSAI Knowledge Sharing and Knowledge Services Committee.





Ni Putu Maitri Nara Suari - The Audit Board of The Republic of Indonesia

Introduction

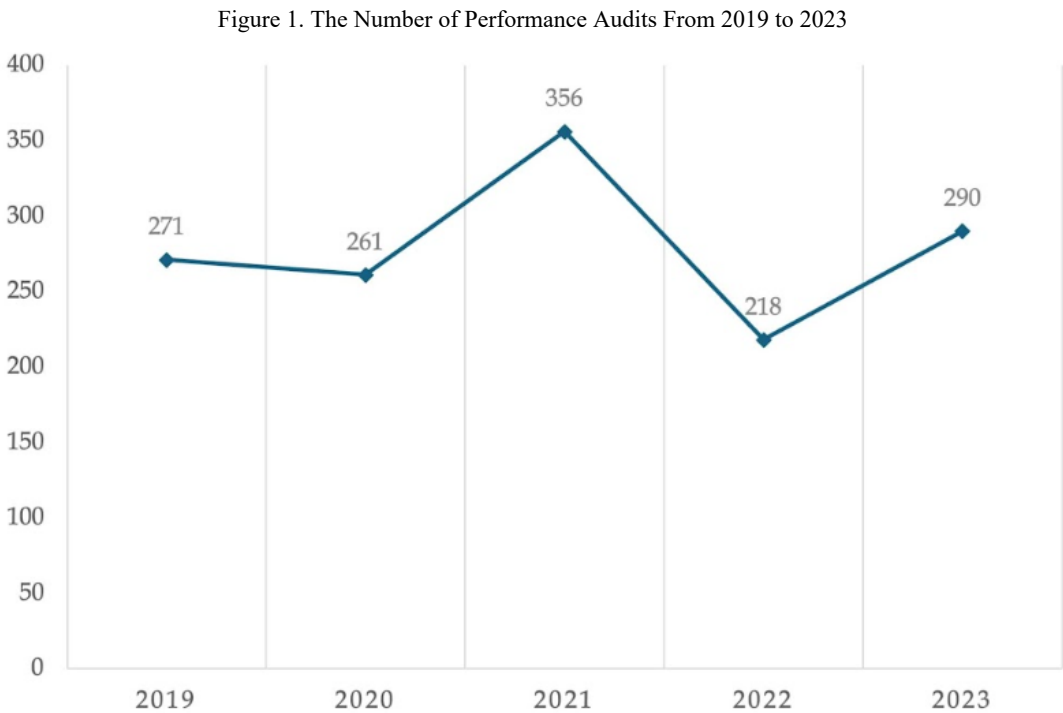
Performance audits have gained renewed importance in Indonesia as part of broader efforts to improve transparency and accountability in the public sector. Globally, since the 1980s, many Supreme Audit Institutions (SAIs) have expanded their mandates to include performance audits or, in some countries, known as value-for-money audits, assessing whether government programs are achieving their intended results efficiently, effectively, and economically (Hazgui et al., 2022). This reflects the transition in the public sector from the New Public Management (NPM) approach—an emphasis on positioning the public sector within a market-driven economy to achieve efficiency as an organisational goal—to a focus on Public Value creation, which prioritises generating outcomes and impact on society (O’Flynn, 2007).

In Indonesia, Law Number 15/2006 grants the Audit Board of the Republic of Indonesia (BPK) the authority to conduct financial audits, special purpose audits, and performance audits. Performance audits serve as a strategic tool to ensure accountability and transparency (Andrianto et al., 2021), enabling government programs not only to adhere to financial regulations but also to achieve meaningful outcomes and impact on society.

This article presents BPK, as Indonesia’s Supreme Audit Institution (SAI) has an evolving role in strengthening public sector accountability through performance audits. It will discuss the recent implementation of performance audits and how performance audits are able to drive public sector accountability, the challenges BPK has faced, alongside opportunities and conclusions from its efforts to embed performance audits within the governance framework.

Recent Implementation of Performance Audit in Indonesia

Between 2019 and 2023, performance audits in Indonesia saw significant growth. The increase was attributed to enhancements in financial statement audits, prompting BPK to shift its focus towards conducting more performance audits, although these remain voluntary rather than mandatory (Setyaningrum et al., 2025). The number of performance audits from 2019 to 2023 can be seen in Figure 1.



# Enhancing Public Sector Accountability Through Performance Audit: The Role of SAI - Indonesia

BPK has intensified its use of thematic performance audits since 2011 to evaluate the economy, efficiency, and effectiveness (3Es) of key national programs (Andrianto et al., 2021; Setyaningrum et al., 2025). The percentage of thematic audits in BPK increased significantly after 2016, reaching 72.66% of total performance audits in 2018 (Andrianto et al., 2021). According to BPK's performance report, one of the strategic efforts undertaken by BPK is aligning the audit theme with Indonesia's National and Regional Medium-Term Development Plans (RPJMN/RPJMD) 2020-2024 while simultaneously considering the integration of Sustainable Development Goals (SDGs) into these agendas. This alignment ensures that audits are not only responsive to national development priorities but also support global sustainability commitments. In executing SDG-related audits, BPK utilises the IDI's SDGs Audit Model (ISAM), a structured approach based on international standards (ISSAI), to assess policy coherence and performance outcomes.

The implementation of thematic performance audits is further strengthened by BPK's emphasis on cross-unit collaboration. This cross-unit collaboration ensures that performance audits generate not only technically sound findings but also comprehensive recommendations that support wider public governance reforms and institutional accountability.

For example, BPK conducted a thematic performance audit on one of the Government of Indonesia's priority programs aimed at accelerating the reduction of stunting prevalence during the 2022-2023 period. Given the cross-unit collaborative approach, the audit involved auditors from both BPK's central office who are responsible for examining relevant technical ministries at the national level, such as the Ministry of Health, the National Population and Family Planning Board (BKKBN), the National Agency of Drug and Food Control (BPOM), as well as auditors from regional representative offices who assessed the program across 44 local government. The audit revealed several critical findings that, if left unaddressed, could compromise the effectiveness of the program. Key issues included the need to improve the proper integration of policies into planning documents and inadequate execution of data recording and reporting within the relevant information systems.

## Performance Audit as a Driver of Public Sector Accountability

Beyond their implementation, some studies showed that performance audits worked as a robust accountability tool for the public sectors. A recent empirical study from Setyaningrum et al. (2025), which surveyed 180 auditees across ministries, agencies, and local governments that underwent performance audits between 2020 and 2022, revealed significant improvements in organisational governance and responsiveness to audit recommendations. The key areas of performance audit impact include strategic shifts in planning, enhanced procedures, improved risk management, regulatory updates, and strengthened governance, which relate to an increase in accountability.

Respondents rated the audits' usefulness as high in quality and practical in utility, with clear connections between the audit criteria, evidence, and resulting evaluations. This clarity not only reinforced the technical reliability of audits but also increased their legitimacy in the eyes of public officials, which made them more likely to act on recommendations (Setyaningrum et al., 2025).

Similarly, Haliah et al. (2020) found that performance audits in multiple countries, including Indonesia, can enhance accountability when conducted with high-quality methodologies, audit reports, and recommendations. Aligning with these findings to contribute to public sector accountability, BPK has taken steps to strengthen its performance audit framework. Since performance audits were introduced in 2006, BPK has strengthened its audit capacity through bilateral partnerships with other Supreme Audit Institutions such as the Australian National Audit Office (ANAO) and secondment in various SAIs to gain experience and constructive feedback for a better performance audit framework. From 2011 to the present, when this phase marks the maturity of BPK's performance audit methodology, the adoption of thematic audits has increased, which aligns with Indonesia's National Medium-Term Development (RPJMN) (Andrianto et al., 2021).

## Challenges and Opportunities

Despite the impact of performance audits in strengthening accountability, they may face several challenges. Despite BPK's audit results in detailed reports with policy recommendations, the implementation depends on institutional readiness and effective mechanisms for follow-up. Talbot and Boiral (2023) argued that a common issue in performance audits is that public organisations may formally accept audit recommendations but face difficulties in integrating them into actual policies and programs. These might be driven by resource constraints where agencies lack the necessary funding or personnel to fully implement recommendations, or variability in enforcement where different organisations may respond to audits with different levels of urgency.

# Enhancing Public Sector Accountability Through Performance Audit: The Role of SAI - Indonesia

BPK has made significant progress in adopting technology, establishing a robust framework, maintaining a thematic focus, and fostering cross-agency collaboration. However, it is essential to recognise the key opportunities for further strengthening public sector accountability through performance audits. BPK could optimise its use of current technology (Andrianto et al., 2021), including optimising for using BPK Big Data Analytics System (BIDICS), Standardised and Integrated Audit Process (SIAP) for performance audit, follow-up monitoring information systems (SIPTL), and the latest technology of Artificial Intelligence for Data Analytics (AIDA) to support evidence-based audits and data governance compliance. Another key opportunity lies in expanding public engagement. While BPK has made audit results publicly accessible, further efforts to encourage citizen participation in the oversight process can strengthen accountability. This engagement can generate external accountability pressure on government agencies to act on audit recommendations (Brinkerhoff & Wetterberg, 2013; Talbot & Boiral, 2023). Lastly, performance audits could be further institutionalised, such as making performance audits a mandatory part of governance and policy evaluation (Setyaningrum et al., 2025). This would ensure a more consistent approach to using performance audits as an important tool to strengthen public sector accountability.

## Conclusion

Indonesia's experience with performance audits highlights their growing role as a tool for strengthening public sector accountability. BPK's shift toward thematic audits, alignment with national priorities, and efforts to enhance audit capacity demonstrate meaningful progress. However, the effectiveness of performance audits depends not only on producing findings but also on the public institution's readiness and commitment to act on performance audit recommendations.

Key lessons indicate that public sector agencies with strong leadership, sufficient resources, and skilled personnel are better equipped to implement audit recommendations. Moreover, citizen participation has an essential role in reinforcing accountability and increasing audit impact. Lastly, institutionalising performance audits within the governance system can transform them from oversight tools into drivers of policy learning and continuous improvement for the public sector to create public value. By reflecting on these lessons, BPK and other institutions can continue to elevate the role of performance audit in achieving accountable governance.

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## 1. Introduction

Citizens' demand for greater transparency and efficiency in public management reinforces social accountability as a pillar of trust in public institutions and sustainable development. In this context, Supreme Audit Institutions (SAIs) play an essential role in promoting transparency and accountability through their audit activities and their broader social impact.

SAIs' performance is essential in the implementation and evaluation of public policies aimed to achieve national development goals and the Sustainable Development Goals (SDGs), including the fight against climate change. This aligns with Resolution 79/231 of 2024<sup>1</sup> of the United Nations (UN) General Assembly, which underscores the importance of SAIs in the audit of sustainable development.

In a context of technological transformation and widespread access to information, data has become a strategic source to strengthen transparency and efficiency in public management. SAIs, as guarantors of the responsible use of public funds, must address social challenges and stakeholder's expectations, adapting to emerging risks and constantly evolving environments. In this scenario, SAIs' capacity to leverage data analysis and evidence-based auditing improves the effectiveness of their audits and enhances their real impact on the quality of life of citizens, helping public management to fulfil its purpose of generating well-being and sustainable development and promoting sustainable progress.

In the context of SAIs as social actors and agents of change, and in an environment of digital transformation, the data-driven approach emerges as a strategic pillar for the transformation of their audit activity. SAIs can enhance their audit methodologies that allow optimising the application of data science disciplines, which allows detecting risks with greater precision, bidirectional interaction with citizens<sup>2</sup>, evaluating the impact of public policies and strengthening social accountability, and therefore social oversight.

In this way, SAIs contribute with their audit reports to identify opportunities for improving public management.

In this context, INTOSAI P-12 (Principle of Value and Benefit of SAIs)<sup>3</sup> is of particular relevance, as its Principle 7 establishes SAIs as a credible source of independent and objective knowledge and guidance that supports beneficial changes in the public sector.

The alignment of the recent UN resolution and the principles of INTOSAI P-12 strengthens SAIs' commitment to adopting a data-driven approach, enhancing Performance Audits, and strengthening effective and sustainable social accountability.

This article explores the analytical framework that highlights the significance of the data-driven performance audit, presents case studies of SAIs that have implemented data-driven audit strategies, analyses the opportunities that could strengthen SAIs, and examines how these efforts contribute to sustainable social accountability and, and assesses progress in the contribution to the SDGs.

## 2. Analytical framework: relevance of Data-Driven Performance Audit

A data-driven performance audit applies the full audit cycle (planning, execution, reporting and follow-up of recommendations), of techniques and disciplines that facilitate the collection, analysis and generation of data, with precision, based on parameterization and systematization, based on the use of information technologies and the opportunity of the use of cross-cutting strategies in the organization of audit teams.

SAIs can apply a data-driven approach at all stages of the audit cycle, from planning—using risk analysis models and audit portfolios—to execution, where tools such as data analytics, Robotic Process Automation (RPA), and Natural Language Processing (NLP) enhance anomaly detection and improve the tracking of recommendations through indicators, thereby strengthening citizen oversight.

Establishing a 'Data Lab' can maximise the potential of data-driven performance audits. Defined as a cross-cutting data laboratory within the SAI, this unit would be staffed by specialised technicians and equipped with appropriate technologies. Additionally, it could facilitate the execution of coordinated audits with other SAIs or audit institutions.

<sup>1</sup> [https://www.intosai.org/fileadmin/downloads/documents/open\\_access/intosai\\_and\\_united\\_nations/79\\_231\\_2024/EN\\_UN\\_Resol\\_79\\_231.pdf](https://www.intosai.org/fileadmin/downloads/documents/open_access/intosai_and_united_nations/79_231_2024/EN_UN_Resol_79_231.pdf)

<sup>2</sup> The Social Return of Public Audit. José Antonio Monzó Torrecillas. Silva Solanas Alcaide. Leonardo Visconti Cox (Spanish Court of Audit) - Award for the Best Poster in Communications at the 11th National Congress on Public Sector Auditing in Spain

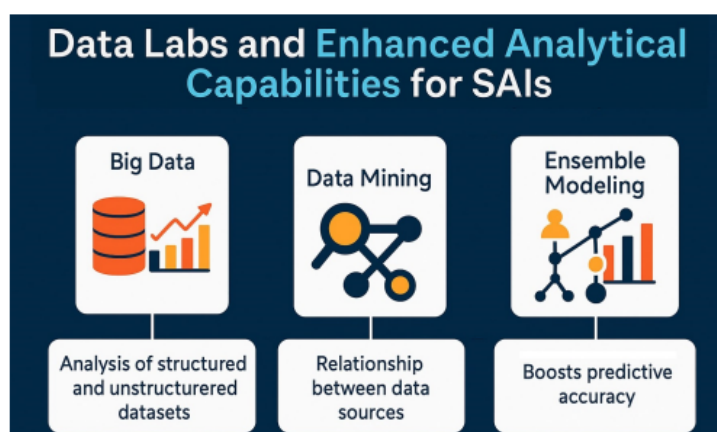
<sup>3</sup> [https://www.intosai.org/fileadmin/downloads/documents/open\\_access/INT\\_P\\_11\\_to\\_P\\_99/INTOSAI\\_P\\_12/INTOSAI\\_P\\_12\\_en\\_2019.pdf](https://www.intosai.org/fileadmin/downloads/documents/open_access/INT_P_11_to_P_99/INTOSAI_P_12/INTOSAI_P_12_en_2019.pdf)

Data Labs serve as ideal environments for the development of data science disciplines such as big data, data mining, and ensemble modelling, which enhance the analytical capabilities of SAIs:

- Big data plays a crucial role in the planning phase, enabling the processing and management of vast amounts of structured and unstructured information. This allows SAIs to analyse large datasets efficiently, improving risk assessment and the selection of audit priorities.
- Data mining is especially relevant during the execution phase, as it facilitates the identification of hidden patterns and relationships within extensive data sources. This supports risk detection, anomaly identification, and fraud prevention, enhancing the precision and depth of audits.
- Ensemble modelling is highly valuable during the reporting and follow-up phase, as it combines multiple machine learning models to improve predictive accuracy and reliability. This enhances SAIs' ability to assess the effectiveness of public policies, monitor compliance with recommendations, and anticipate potential risks in future audits.

By integrating these data science disciplines into different stages of the audit cycle, SAIs can strengthen data-driven decision-making, enhance transparency, and improve social accountability.

**Figure 1. Data Labs and Enhanced Analytical Capabilities for SAIs**



Furthermore, by leveraging these capabilities, **Data Labs can generate the following benefits for SAIs:**

## 1. Advancing Data Analytics in Performance Audit.

- Development of risk detection models to identify critical audit areas.
- Implementation of stakeholder identification and classification systems.
- Design of indicators to assess the efficiency and effectiveness of public policies.
- Application of machine learning and data mining techniques to identify patterns in large datasets.

## 2. Integration of Data from Multiple Sources.

- Cross-referencing public sector databases, and where appropriate, incorporating private sector data.
- Establishment of a centralized data repository accessible to audit teams.

## 3. Supporting Digital Transformation and Data-driven Culture.

- Providing staff training in data science disciplines for audit teams.
- Creating spaces for experimentation and innovation within SAI.

## 4. Strengthening Social Transparency and Social Accountability.

- Facilitating the publication of audit results on interactive visualization platforms, enabling citizens to access and utilize public resource management data.
- Encouraging citizen participation through collaborative auditing platforms, where open data serves as a foundation for social oversight.



## 5. Optimizing Audit Processes with Technological Tools

- Developing algorithms for the automatic detection of irregularities across all types of audits (operational, financial, and compliance). Advancing the use of artificial intelligence to classify documents from audited entities and streamline the analysis of large datasets.

By integrating data science disciplines through Data Labs into their audit methodologies, SAIs can strengthen social accountability by enhancing transparency, improving risk assessment, and fostering Data-driven decision-making. These advancements enable more accurate and evidence-based audits, empowering citizens with accessible and verifiable information on public resource management. As a result, SAIs reinforce public trust, promote greater civic engagement, and contribute to more responsible and sustainable governance.

**Figure 2. Data Labs in Action: Strategic Gains for SAIs**



## 3. Case Studies of Data-Driven Auditing Projects

Spanish Court of Audit (SCA) has developed platforms like Local Entities Accountability Platform and Political Parties Accountability Platform which strengthen transparency and facilitate data-driven audits through automation and risk analysis. These platforms are the bases for the development of Smart Auditing Platforms (SAP), as platforms that strengthen the transparency of public management but also enable the identification of risk areas in the public sector, the design of audits based on risk analysis, the execution of audits through RPA and the monitoring of recommendations from audit reports.

In this regard, the SCA is currently working on the development of machine learning techniques based on Artificial Intelligence (AI) tools in the audits of political parties and electoral processes, in order to automate the processing of information contained in standardised documents.

The Federal Court of Accounts (TCU) of Brazil and the National Audit Office (NAO) of the United Kingdom exemplify how the creation of organizational units specialized in data management can significantly enhance the development of audit activity, and therefore of Performance Audits, and thus contribute to social accountability.

TCU's LabContas<sup>4</sup> centralizes government information and uses data analysis techniques to detect irregularities and evaluate the performance of public policies, allowing citizens to access clearer and more verifiable information. In addition, the NAO, through its Analysis Insights Team<sup>5</sup>, uses predictive modelling, statistical analysis and advanced data visualisation to improve public understanding of public management and facilitate more effective social oversight.

The creation of Cross-cutting Data Labs allows SAIs to develop wide-ranging audit projects with a data-driven approach, improving coordination between organizational units with territorial and sectoral criteria. These units reinforce the capacity to conduct Performance Audits with an evaluative approach, particularly in broad public policies such as Education or Health systems, which require a comprehensive and multidisciplinary analysis. They also facilitate inter- institutional collaboration, articulating multiple levels of government, audit entities and key actors, thus guaranteeing more effective oversight aligned with the complexity of these policies,

<sup>4</sup> <https://portal.tcu.gov.br/>

<sup>5</sup> <https://www.nao.org.uk/about-us/teams/analysis-insights-team/>

In addition to the development of SPAs and Cross-cutting Data Labs, the opportunity to develop audit frameworks that allow the evaluation of audit areas that require a wide deployment of the data-driven approach stands out.

An example of this need is the work carried out by The Netherlands National Court of Audit (NCA)<sup>6</sup>, which has developed an audit framework applicable to both government institutions and the private sector, to assess whether algorithms meet established quality criteria and whether the associated risks have been correctly identified and mitigated. This approach shows that, beyond the opportunity to have advanced technological tools and specialized organizational structures, SAIs can design standardized methodologies for the audit of complex areas linked to data science. Integrating these data-driven audit frameworks will enable SAIs to ensure more effective standardized control, risk analysis, and improve social accountability.

## 4. Social accountability and contribution to the SDGs

Social accountability within the framework of sustainable development, refers as the capacity of present societies to meet the needs of the present without compromising the ability of future generations to meet theirs. SAIs' audit activity should not be limited to assessing regulatory or financial compliance, but should examine whether public resources generate tangible improvements in people's quality of life, reduce inequalities, and promote sustainable and inclusive growth. Through a data-driven approach, Supreme Audit Institutions (SAIs) can provide objective and accessible information on how and to what extent government decisions are contributing to the SDGs, enabling citizens to demand greater accountability and effectiveness in public management.

This citizen expectation reinforces the need for more strategic Performance Audits, based on advanced data analysis, which identify both progress and gaps in the implementation of the SDGs, thereby fostering more transparent and accountable governments.

Within performance auditing, one of the areas where the data-driven approach can generate the greatest impact is in the audit of the measurement of the contribution to the SDGs, due to the large volume of data and key indicators involved. INTOSAI Guide 5202<sup>7</sup> emphasizes the need to assess not only the financial implementation of public programs, but also their actual impact on sustainable development, which requires the analysis of multiple sources of information. Through advanced big data techniques, data mining, machine learning, and predictive analytics, SAIs can monitor trends, identify gaps, and more accurately assess the degree of achievement of SDGs.

This not only optimizes oversight but also strengthens social accountability, enabling citizens and policymakers to access evidence-based information to demand improvements in public management and the fulfilment of the United Nations 2030 Agenda objectives.

## 5. Conclusions

SAIs have a pivotal social role in promoting the efficiency, accountability, effectiveness and transparency of public administration, and thus contribute to the achievement of the SDGs.

A data-driven approach enhances Performance Audits and support their results, and promote social accountability, especially in those that apply the evaluation approach of programs or public policies and/or the measurement of the contribution of the SDGs, due to the vast volume of related data that are involved in the audit cycle of these audits.

By leveraging data as a key driver of this connection, a data-driven performance audit approach reinforces the link between information and social accountability. In this way, SAIs enhance their capacity as transformative agents of social change, contributing to audit reports facilitating the implementation of public policies and measures that improve the quality of life of citizens, and thus driving in the sustainable development of societies, for the benefit of present and future generations.

<sup>6</sup> <https://english.rekenkamer.nl/publications/publications/2021/01/26/audit-framework-for-algorithms>

<sup>7</sup> <https://www.issai.org/wp-content/uploads/2019/08/GUID-5202-Sustainable-Development-The-Role-of-Supreme-Audit-Institutions.pdf>



# ASOSAI News

## E-learning course of ASOSAI Capacity Development Program 2024-2025 on “Dealing with Fraud and Corruption in Auditing” (October to December, 2024)

ASOSAI has successfully concluded the eLearning course of ASOSAI Capacity Development Program on “Dealing with Fraud and Corruption in Auditing” that was held from October 21 to December 20, 2024. The course took place as the first activity of the program which focused on developing the competencies of auditors in dealing with fraud and corruption. As many as 56 participants from 21 SAI took part in. The course required participants to work for at least 2 hours per day to complete all reading materials, quizzes, discussion forum assignments and exercises on the ASOSAI Learning Management System (LMS).

During the nine weeks of the course, six Resource Persons from SAIs of Bhutan, Indonesia, Malaysia, Maldives, Nepal and the Philippines provided the online support together with the Program Manager from SAI Türkiye, LMS Administrators from SAI Philippines and the Subject Matter Expert from SAI Thailand.

Those who successfully completed the necessary activities proceeded to the next stage, “Development of draft Audit Plan”.

### Audit Planning Meetings of ASOSAI Capacity Development Program 2024-2025 on “Dealing with Fraud and Corruption in Auditing” (February to March, 2025)

Audit Planning Meeting in Maldives



Audit Planning Meeting in Thailand



The two Sub-regional Audit Planning Meetings of ASOSAI Capacity Development Program on “Dealing with Fraud and Corruption in Auditing” were held in Ukulhas, Maldives from February 17 to 21, 2025 and in Bangkok, Thailand from March 3 to 7, 2025 with the administrative support of SAI Maldives and SAI Thailand. A total of 50 participants who had completed the eLearning course from 20 SAIs attended the meetings. Applying knowledge acquired from eLearning, active group discussions and facilitation by resource persons deepened their knowledge and contributed to the development of audit plan for each SAI team. For these meetings, five Resource Persons from SAIs of Bhutan, Indonesia, Malaysia, Maldives and Nepal facilitated the discussion with the support of the Program Manager from SAI Türkiye and the Subject Matter Expert from SAI Thailand. Representatives of the Capacity Development Administrator of ASOSAI (SAI Japan) also attended each meeting for organizing the event.

In December 2025, the Audit Review Meeting will be held in Indonesia as the grand finale of this program.





# Featured Articles

# Contributing to High-Quality Development of China's Public Infrastructure Through Auditing - SAI China

Public infrastructure serves as a foundation for meeting social needs and ensuring people's livelihoods, and plays a significant role in promoting sustainable economic and social development. In recent years, China has continuously intensified the construction of public infrastructure on the principle of "high standards, sustainability, and benefits to the people." Substantial investments have been made in key areas such as transportation, municipal facilities, public housing, and social welfare infrastructure, which effectively improve the public service system to meet the people's growing aspirations for a better life.

## I. Strategies and Practices of the Chinese Government in Promoting Public Infrastructure Construction

Following a people-centred development philosophy, the Chinese government constantly improves the basic public service system and strengthens the building of inclusive, fundamental, and safe public infrastructure to address the most pressing and immediate needs of the public.

### 1. Increasing investment in transportation and municipal facilities to accelerate the construction of basic service systems

In 2024, China completed fixed asset investments in railways totalling 850.6 billion yuan, with the total railway operating mileage reaching 162,000 kilometres, including 48,000 kilometres of high-speed railways. The total road mileage reached 5.441 million kilometres, including 184,000 kilometres of expressways. The number of civil airports reached 259, with 38 handling over 10 million passengers annually. Continuous improvements in municipal infrastructure have brought a 99.9% reliability rate for urban and rural power grids. Thanks to updates and renovations of ageing pipelines, urban water supply coverage, piped gas coverage, and sewage treatment rate in China now reach 99.43%, 98.25%, and 98.69%, respectively, providing strong support for urban development and residents' quality of life.

### Enhancing public housing capacity to improve the housing conditions of residents

China is gradually establishing a housing security system that includes public rental housing, affordable rental housing, and subsidised housing for sale, with a cumulative construction of over 64 million units of various types of affordable housing and resettlement housing. The system has helped more than 150 million people in need realise their housing dreams, with low-income families essentially covered, and the housing conditions of lower-middle-income families effectively improved. Comprehensive renovations of old urban residential areas have been carried out, with 258,000 old urban residential areas newly renovated, benefiting over 44 million households and more than 100 million residents. Continuous optimisation of real estate market policies has guided local governments to implement city-specific, precise policies to stabilise the market.

### Focusing on security for low-income groups and improving basic facilities for social services

In China's 13th and 14th Five-Year Plans for National Economic and Social Development, the government has allocated significant funds for the construction of public infrastructure in social services such as elderly care, disability services, and social welfare (including child welfare, juvenile protection, mental health, and basic funeral services). China has built 404,000 elderly care service institutions, 12,000 disability rehabilitation institutions, and over 1,500 juvenile assistance and protection institutions, further enhancing social security capacities and improving social service levels. Additionally, policies have been introduced to encourage the private sector to expand the supply of standardised infrastructure in elderly care, childcare, education, and healthcare.

## II. Auditors' Contributions to Public Infrastructure Development

Public sector auditing plays a crucial role in promoting public infrastructure construction and strengthening public sector accountability. Audit institutions in China actively respond to national strategies, closely monitor key areas, track critical industries, and intensify oversight over major policies, key funds, and major projects. Auditors identified prominent issues, made targeted and actionable audit recommendations to optimise the allocation of public funds and resources, and to accelerate the translation of public investments into maximised tangible outputs.

### 1. Focusing on the planning and implementation of public service facilities to ensure equity and accessibility

# Contributing to High-Quality Development of China's Public Infrastructure Through Auditing - SAI China

To ensure the sustainability of public finances, governments could only allocate limited resources to areas most needed by the public in the construction of public service systems. In an audit of social service facilities organized by the National Audit Office of China, auditors focused on the planning and implementation of public service facilities, and examined regional, urban-rural, and group disparities, the match between supply and demand, and the implementation of major tasks from macro, meso, and micro levels. By comparing medium- and long-term project plans, annual project lists, and local demand surveys, auditors identified issues such as a lack of coordinated planning that led to unreasonable layouts, redundant construction that exceeded actual needs, and non-compliant project standards. Relevant departments attached great importance to the issues raised by auditors, and promptly rectified them by enhancing the equity and accessibility of public services and ensuring that the benefits of development are more fairly and widely shared among the people.

## 2. Focusing on the management and use of key funds to improve efficiency in the use of funds

Auditors have been closely monitoring key stages of public fund management, including fundraising, management, and use, to evaluate the scale and structure of investments, clarify the scope of fund use, management responsibilities, allocation methods, application conditions, and approval procedures, and to identify weaknesses in internal controls. For example, in an audit of affordable housing organised by the National Audit Office of China, auditors identified irregularities in fund management and usage, such as long-time idle funds, misappropriation of special funds, and low occupancy of completed affordable houses. Audit institutions communicated with relevant departments to ensure that they take measures, such as setting implementation deadlines, adjusting expenditure scales, and integrating projects, to rectify these irregularities.

## 3. Focusing on the progress of key projects to improve construction efficiency

Auditors have been focusing on key infrastructure projects such as elderly care and childcare facility renovations, covering the whole process starting from project initiation, feasibility studies, to implementation and completion. Auditors identified issues such as delays due to inadequate preliminary preparations, slow land acquisition procedures, and inflated project costs due to management loopholes. After being audited, relevant authorities resolved bottlenecks and difficulties in project construction, improved management, and ensured timely and quality project completion. Additionally, based on the audit findings, audit institutions conducted in-depth analysis of the causes of problems and made specific recommendations to further optimize the approval processes, policies, and services for public infrastructure projects, and to establish long-term mechanisms to improve the efficiency of key project approvals.

## III. Experiences and Future Prospects of Public Infrastructure Auditing

In the information age, the integration of data technology in auditing has become a major trend. To meet the demands of the times, audit institutions in China constantly improve the application of big data technology to auditing, so as to increase the impact of audit findings, follow up on rectifications, and enhance audit quality and efficiency.

### 1. Leveraging big data technology to empower auditing

Big data technology can break through the time and space limits of traditional auditing, enhancing auditors' ability in identifying issues, making judgments, and conducting macro-level analysis. Audit institutions continuously establish and improve their data collection systems, data planning management systems, and data storage and sharing systems, so as to integrate audit resources. By using technologies such as Geographic Information Systems (GIS), Remote Sensing (RS), satellite navigation systems, and artificial intelligence (AI), auditors can quickly retrieve specific information from massive data sets, accurately identify deep-seated issues, and promptly identify major problems such as unreasonable facility layouts and slow project progress, which significantly improves the efficiency of audit work.

### 2. Giving full play to the think-tank role of external experts

To address frontline auditors' needs, audit institutions in China have been hiring experts from professional institutions, research institutes, industry regulators, and universities in fields such as water conservancy, power, roads, and civil engineering. During the survey phase of auditing, external experts could provide training for auditors; during the implementation phase, external experts could offer technical consultations and professional guidance; during the conclusion phase, external experts' comments are sought on audit recommendations, so as to enhance the quality of audit work.

# Contributing to High-Quality Development of China's Public Infrastructure Through Auditing - SAI China

## **Applying a full-chain penetration methodology**

Tracking the entire chain of public infrastructure planning, construction, completion acceptance, and usage, audit institutions in China have been conducting full-process audits of project fund raising, management, and usage, and penetrating the business processes of central, provincial, municipal, and county-level authorities down to project companies, realizing comprehensive oversight over all parties involved. During auditing, audit institutions strengthen coordination with relevant departments for policy consultation and information sharing. Key elements such as the consequences, causes, historical background, and responsible entities of issues are identified to improve the breadth and depth of audit findings and enhance audit effectiveness.

Looking ahead, audit institutions in China will continue to draw on advanced experiences and technological achievements from SAIs in other countries and regions, and to strengthen the efforts in auditing the planning and construction of public infrastructure and fund management of public investments. We are confident that through our joint efforts, by carrying out public infrastructure audits, audit institutions worldwide will make new and greater contributions to improving all countries' systems and capacity for governance for continued sustainable economic and social development around the world.

# Artificial Intelligence (AI) and Public Sector Auditing : A New Era of Accuracy and Accountability SAI - Malaysia

Farizah Harman

## Abstract

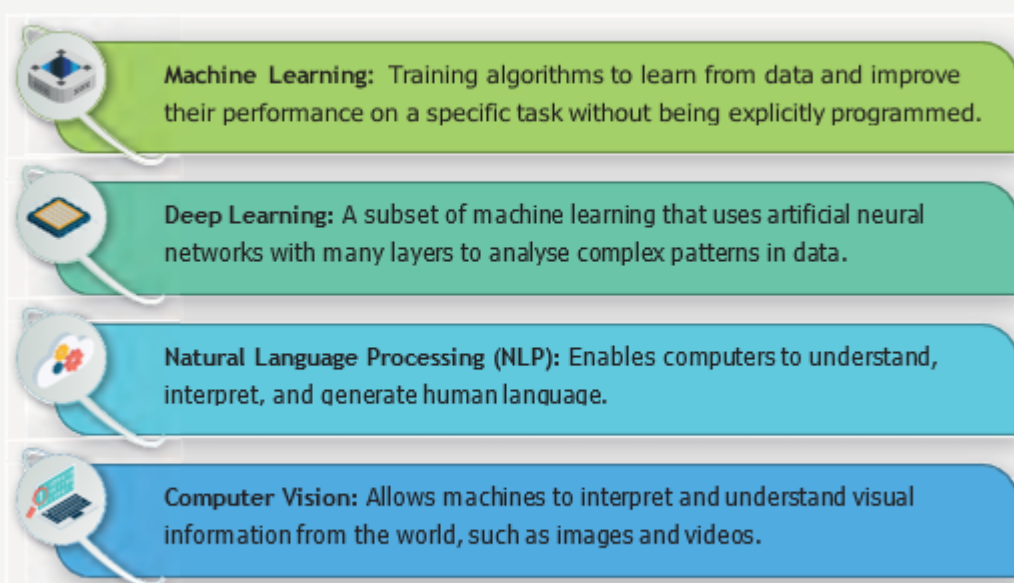
Public sector audits are essential to ensure the integrity and efficiency of the government. They improve financial management by identifying weak controls, reducing risks and improving budgetary oversight. Regular audits lead to better public services through the continuous improvement of government processes. AI integration increases auditing accuracy and accountability, rendering traditional methods obsolete as AI efficiently processes complex transactions. In addition, the prevalence of fraud through undetected activity is driving auditors to adopt AI to speed up audits and improve quality for stakeholders. By embracing AI in auditing, the public sector can stay ahead of the curve and avoid being left behind.

Keywords: Artificial Intelligence (AI), Public Sector Auditing, Accuracy, Accountability

## Introduction

When talking about Artificial Intelligence, many people immediately think of ChatGPT or chat assistants from service providers that help with either Your Banking Application or ticketing needs as the most popular tools. However, AI can do much more, from the communication tools to the most complex business transactions. Today, AI involves with the creation of computer systems capable of performing tasks that normally require human intellect. These tasks include learning from experience, understanding natural language, recognising patterns, making decisions and solving problems. AI encompasses a wide range of technologies and approaches, as listed in Figure 1 below:

**Figure 1**  
**AI Technologies**



Source: MIT Management Sloan School, Machine Learning Explained 21 April 2021

As mentioned above, AI is already being used in various applications, including:

- Virtual assistants such as Siri and Google Assistant;
- Recommendation systems on platforms like Netflix, Amazon and Capcut;
- Self-driving cars on Tesla automobile;
- Medical diagnosis and treatment;
- Fraud detection; and
- Customer service chatbots.



### Overview of AI In Auditing

Artificial Intelligence (AI) is revolutionising the audit profession by improving efficiency, accuracy and the ability to quickly analyse vast amounts of data. AI tools can automate routine tasks, identify anomalies, and provide deeper insights through advanced data analysis, allowing auditors to focus on more complex and judgement-based aspects of their work. In the public sector, the importance of accuracy and accountability cannot be overstated. The assurance provided by audits means that public funds are being used appropriately and transparently, fostering trust among citizens. AI’s ability to improve the accuracy and reliability of audits plays a critical role in maintaining this accountability, ensuring that government operations are conducted with integrity and in compliance with regulations.

### The Role of AI in Public Sector Auditing

Artificial Intelligence (AI) in auditing refers to the use of advanced algorithms and machine learning techniques to improve the efficiency and effectiveness of audit processes. Some common AI technologies used in auditing as shown in Table 1 below:

Table 1  
Major Findings From The State Of Enterprise (SOE) Audit

FIELD	DESCRIPTION
Machine Learning (ML)	ML algorithms can analyse vast amounts of data to identify patterns and anomalies that might indicate errors or fraud. For example, ML can be used to perform journal entry testing by identifying unusual transactions among a large pool of unstructured data.
Natural Language Processing (NLP)	NLP helps in processing and analysing large volumes of textual data, such as contracts and financial statements. This technology can extract relevant information and flag potential issues for further review.
Data Analytics	Advanced data analytics tools enable auditors to process and analyse large datasets quickly. These tools can help in risk assessment, trend analysis, and anomaly detection, providing deeper insights into financial data.
Robotic Process Automation (RPA)	Automates repetitive tasks, such as data entry and extraction to improve efficiency.

Source: IBM (2024)

### Current Application of AI in Public Sector Audit

AI is increasingly being integrated into public sector audit to improve accuracy, efficiency and effectiveness, which has facilitated the overall audit work. Integrating artificial intelligence (AI) into the public sector is a transformative journey that promises to increase efficiency, improve service delivery and foster innovation. This improves the process of assessing, planning and executing audit work as follows:

# Artificial Intelligence (AI) and Public Sector Auditing : A New Era of Accuracy and Accountability SAI - Malaysia

## i. Risk Assessment and Planning

AI can assist auditors in the planning phase by analysing historical data to identify high-risk areas that require more attention. It also improves risk assessment by providing deeper insights into data, allowing auditors to focus on relevant identification of high-risk areas. Thus, AI supports audit planning by automating risk assessments and identifying areas that require more attention.

## ii. Anomaly Detection

AI algorithms can analyse entire datasets, enabling comprehensive scrutiny of all transactions. This capability enhances the detection of potential fraud and irregularities, ensuring a more thorough and accurate audit process. By leveraging AI, auditors can efficiently handle large volumes of data, uncovering patterns and anomalies that traditional methods might overlook. Previous practices often relied on sampling, which could potentially miss significant irregularities due to the limited scope of data reviewed. This approach was time-consuming and less effective in identifying subtle or infrequent anomalies compared to AI abilities.

## iii. Automated Data Processing

AI can automate the processing of financial data, such as reading and reconciling bank statements and legal contracts (Anita Dennis 2024). This reduces the time and effort required for manual data entry and minimises errors. Manual processes in traditional audits are time-consuming because they require manual data collection, entry, verification and analysis, which are labour-intensive and repetitive tasks. These processes are also prone to human error, such as typing errors, misinterpretation of data and overlooked documents, all of which can lead to inaccurate audit results. The tedious nature of these tasks can lead to auditor fatigue, further increasing the likelihood of errors and oversights.

## iv. Fraud Detection

By using data analytics and anomaly detection to analyse large volumes of financial data, irregularities and potential fraud can be detected more effectively than with traditional methods. With data analytics, auditors have access to 100% complete data, enabling them to make a deeper assessment of high-risk areas and examine historical trends to test against management's predictive assumptions, which are used to analyse future trends. Traditional audits typically rely on sample-based testing, which may not capture all anomalies or issues within the data. Because only a sample is tested, there's a chance that anomalies or problems in the untested data may go undetected. The sample selected may not be representative of the entire dataset, leading to inaccurate conclusions.

## v. Continuous Monitoring

AI-powered continuous monitoring enables real-time analysis of financial transactions, allowing auditors to identify and address issues as they arise. This proactive approach not only improves the accuracy and reliability of financial reporting, but also significantly reduces the risk of fraud and error, ensuring a more secure and transparent financial environment. In contrast, traditional audit methods typically involve periodic reviews, often quarterly or annually, which means that any discrepancies or fraudulent activity may go undetected for months. This delay can result in significant financial loss and missed opportunities for corrective action.

## Case Study and Examples of How AI is Being Used in Public Sector Organisation and Audits The National Health Service UK (NHS)

The NHS has used AI to analyse large datasets, including the National COVID-19 Chest Imaging Database, to improve healthcare outcomes and streamline review processes. By using AI, the NHS can efficiently process and interpret vast amounts of medical imaging data, leading to faster and more accurate diagnoses. For example, during the COVID-19 pandemic, AI algorithms were used to analyse chest X-rays and CT scans to identify patterns and abnormalities that could indicate COVID-19 infection. This not only accelerated the diagnosis process, but also helped to monitor the progression of the disease, enabling timely and effective treatment interventions. In addition, AI-driven analysis facilitated more efficient audits by automating the review of imaging data, ensuring consistency and reducing the workload of healthcare professionals.

# Artificial Intelligence (AI) and Public Sector Auditing : A New Era of Accuracy and Accountability SAI - Malaysia

## Transport Canada

Transport Canada has integrated AI into its audit processes to improve efficiency, particularly when conducting risk-based reviews of air cargo records. By using AI, the department can quickly identify potential risks and anomalies in large volumes of data, allowing staff to focus on more strategic and valuable tasks. For example, AI can automatically flag shipments with unusual patterns or discrepancies, such as a cargo declared as low risk but originating from a high-risk region. This allows auditors to prioritise these flagged cases for further investigation, making a more effective and focused use of their expertise.

## National Audit Office UK (NAO)

The NAO has adopted AI to improve its oversight of public spending by analysing vast amounts of data more efficiently than traditional methods. By using AI, the NAO can quickly identify patterns and anomalies within financial data, helping to identify inefficiencies, potential fraud and areas where public funds are not being used effectively. This advanced analysis enables the NAO to make more accurate and timely recommendations to improve financial management and ensure that taxpayers' money is spent wisely, ultimately contributing to better governance and accountability.

## Information Commissioner's Office UK (ICO)

The ICO conducts AI audits to ensure that organisations comply with data protection laws. These audits involve a thorough examination of how personal data is collected, processed and stored by AI systems. In this way, the ICO helps organisations identify and mitigate data protection risks and ensures that personal data is handled responsibly and ethically. This process not only helps organisations avoid legal penalties, but also builds public trust by demonstrating a commitment to protecting individuals' privacy. For example, a company developing a new AI-driven customer service chatbot could undergo an ICO audit to ensure that the chatbot's data handling practices comply with GDPR regulations, thereby protecting customer information and maintaining trust.

## Royal Malaysian Police (RMP)

The RMP has integrated AI to streamline its administrative processes and improve service delivery. The Auxiliary Force, part of the RMP, has started using AI-powered body cameras equipped with facial recognition technology. These body cameras help identify suspects by comparing captured images with those in the police database. This technology not only helps with identification after an incident, but also increases transparency and accountability.

AI is used to analyse data to identify crime patterns and predict potential criminal activity. This helps the RMP to make informed decisions and deploy resources more effectively. The integration of systems such as the Police Reporting System (PRS) and the Cars Accident Reporting System (CARS) allows for the efficient handling of crime and accident reports.

## Accountant General of Malaysia

The Accountant General's Department has achieved improved accuracy in automated document processing for a high volume of diverse documents using an AI document processing tool. This has led to significant improvements in operational efficiency and a reduction in processing errors, allowing for a more strategic reallocation of human resources. This process involves the management of financial data from ministries and departments, helping to produce reliable year-end financial statements and the basis for the preparation of the national budget.

## National Audit Department of Malaysia (NADM)

In the case of Malaysia, one of the NADM's initiative is the launch of a digital audit platform called the NADM's Digital Public Infrastructure (DPI) service. The implementation of DPI prioritises the implementation of a centralised data storage solution to establish robust security protocols, improve data management practices and ensure data integrity. This project was launched in 2023 as part of the 12th Malaysian Plan development programme. The plan is in line with the MyDigital initiative launched by the Malaysian government, which focuses on a digitisation-driven programme to improve public sector auditing to make it more transparent and reliable.

To effectively integrate AI, it is critical that public sector organisations foster a cultural shift towards continuous learning and adaptability. Leaders must implement change management strategies to address resistance and promote the benefits of AI through open communication and engagement. Robust data management and governance frameworks are essential for AI integration to ensure data quality, security and privacy.

In addition, collaboration with private sector partners and other government agencies can accelerate AI integration by providing access to advanced technologies and expertise. For example, pilot projects allow AI applications to be tested on a smaller scale before full implementation, helping to refine policies and identify potential challenges. The NADM is currently making efforts to ensure the successful implementation of DPI, including the establishment of guidelines for auditing through the new digital platform and ongoing training for auditors on the specific topics to increase their capacity and competence.

Advantages of Artificial Intelligence in Public Sector Auditing

There are a few advantages that could be benefitted from the implementation of AI in the domain of auditing, such as enhancing the accuracy of the audit findings, boosting accountability towards the organisations that produce the audit reports, etc. The benefit of AI is discussed further as follows:

Enhancing Accuracy With AI

Audit findings are believed to be presented with a higher accuracy level with the emergence of AI. Several scholars in their studies proved that the process in finding audit evidence as well as undertaking necessary analysis would be much easier with the help of technologies in the process of gathering information and audit evidence. Among the benefits that could help in boosting the accuracy of audit findings via the emergence of AI could be viewed through the discussion below:

i. Data Analysis and Anomaly Detection

AI-driven data analysis and anomaly detection involves using advanced algorithms to sift through large data sets to identify patterns, trends and outliers. By automating this process, AI can quickly spot anomalies that could indicate errors, fraud, or other irregularities that could compromise the accuracy of the data. This has not only increases the reliability of the data, but also allows proactive measures to be taken to address potential issues before they escalate. Some of the notable examples of successful data anomaly use of AI as shown in Table 2 below:

Table 2  
Successful Data Anomaly Using AI

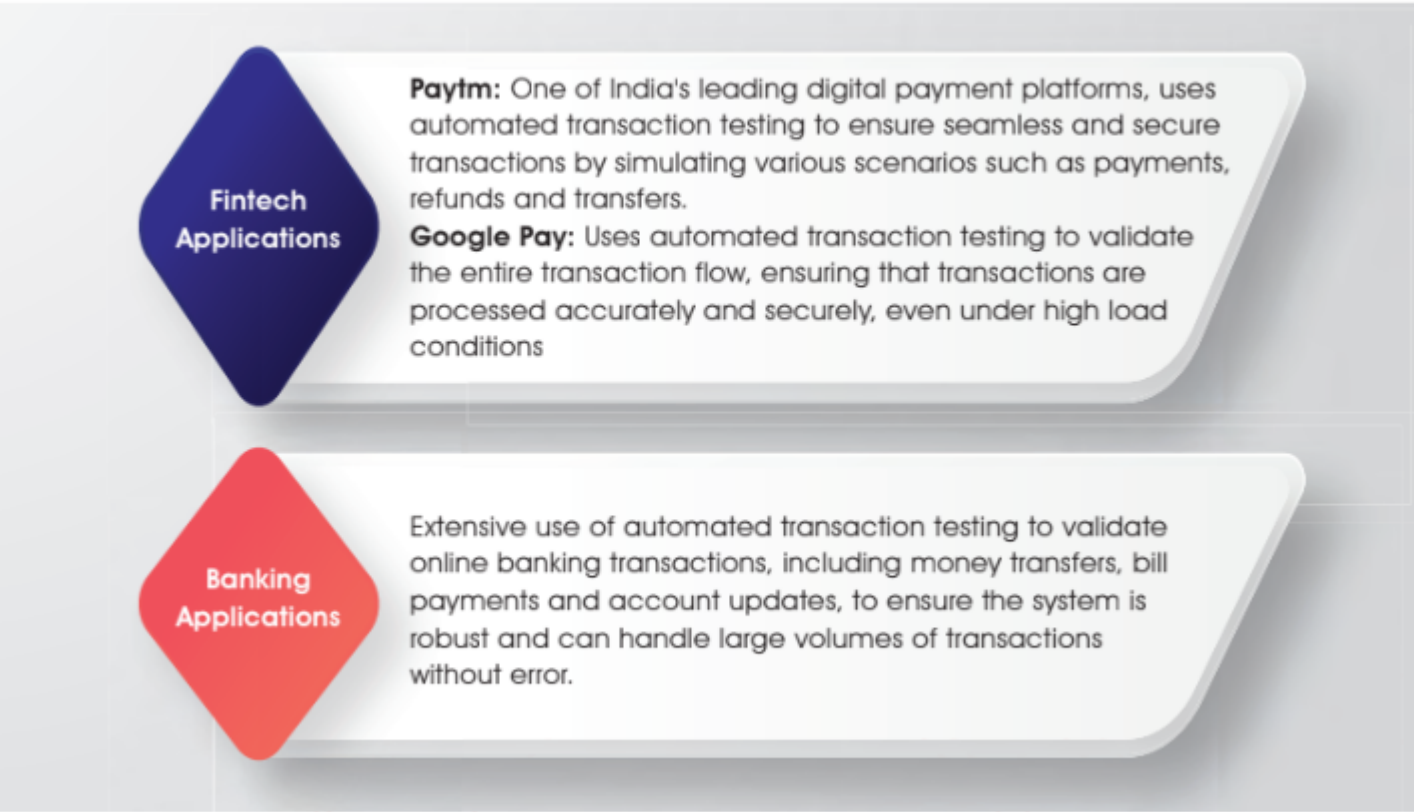
FIELD	DESCRIPTION	EXAMPLES
Fraud Detection in Financial Services	AI-powered anomaly detection is used to identify fraudulent transactions	Large withdrawals, purchases in different locations
Healthcare Monitoring and Disease Detection	AI monitors patient data and detects health anomalies	Irregular heartbeats, sudden changes in blood pressure
Predictive Maintenance in Manufacturing	AI monitors equipment performance to predict failures	Anomalies in sensor data
Network Security and Intrusion Detection	AI detects network intrusions by analysing traffic patterns	Unauthorised access attempts, data breaches
Supply Chain and Inventory Management	AI detects anomalies in inventory levels and processes	Timely restocking, preventing overstocking or stockouts

Source: Financial News UK - Swift (2024)

ii. Automated Transaction Testing

Automated transaction testing leverages AI to simulate and validate transactions within a system to ensure they are processed correctly. This involves creating test cases that mimic real-world scenarios and running them through the system to check for any discrepancies or errors. By automating this process, organisations can ensure that their transaction systems are robust, accurate, and reliable, reducing the risk of financial errors and enhancing overall data integrity. Some successful automated transaction testing came from Fintech and financial institutions as shown in Figure 2 below:

Figure 2  
Successful Automated Transaction Testing



Source: Nishil Patel (2023) - Transaction Flow Testing In Fintech Apps : How To Do It Strategically

iii. Improving Data Accuracy and Reliability

Improving data accuracy and reliability involves implementing robust data validation processes, ensuring that data is consistently collected and maintained, and using advanced analytical tools to detect and correct errors. This can include regular audits, automated error-checking algorithms, and comprehensive training for data handlers. By improving these practices, organisations can ensure that their data is trustworthy, leading to more informed decisions, increased operational efficiency and better overall results.

A notable example of improving data accuracy and reliability in Malaysia is the National Registration Department (NRD). The NRD undertook a comprehensive data governance initiative to improve the accuracy and reliability of its citizens' records. This involved the following processes as shown in **Figure 3** below:



Figure 3  
Successful Data Governance Initiative for Accuracy



Source: National Registration Department of Malaysia

As a result, the NRD has significantly improved the reliability of its data, which is critical to several government functions, including issuing identification documents and maintaining accurate population statistics. This initiative not only improved operational efficiency, but also increased public confidence in the department's services.

#### iv. Cost and Time Efficiency

AI-powered drones can significantly reduce the time and cost of traditional audits, particularly for inventory checks, infrastructure inspections and environmental assessments. They can cover large areas and account for assets such as vehicles or equipment, reducing the need for manual labour and travel. Drones capture high-resolution images and video from multiple angles, ensuring accurate data collection that minimises human error in audits. This enables auditors to perform 100% inventory counts.

For example, Ernst & Young (EY) and PricewaterhouseCoopers (PwC) have used drones to improve inventory audits. An EY project used drones to autonomously scan barcodes and QR codes in large warehouses. Meanwhile, PwC is using drones to measure the volume of coal piles. Traditionally, this task required auditors to climb over the coal piles, which was time-consuming and posed a safety risk.

#### Boosting Accountability Through AI

# Artificial Intelligence (AI) and Public Sector Auditing : A New Era of Accuracy and Accountability SAI - Malaysia

Public sector audit plays a vital role in ensuring the integrity and efficiency of government operations. By providing unbiased assessments, audits help to build trust between the government and its citizens by reassuring the public that their taxes are being used effectively and responsibly. In addition, audits improve financial management by identifying areas where financial controls can be strengthened, thereby reducing financial risks and improving budgetary control. They also promote accountability by holding public officials to account for their actions and decisions, ensuring transparency and performance. In addition, regular audits facilitate the continuous improvement of government processes and systems, leading to more effective and efficient delivery of public services. These important accountability functions can be enhanced through AI.

## i. Transparency in Audit Processes

AI can significantly improve audit transparency by providing unbiased and comprehensive analysis of financial transactions, operational procedures and regulatory compliance. AI systems can quickly process large volumes of data, identifying anomalies or patterns that may indicate fraudulent activity or inefficiency. Machine learning algorithms allow these systems to improve over time, identifying new types of risks as they emerge. Coupling AI with blockchain technology ensures tamper-proof, transparent transaction records, improving compliance and building trust with investors, regulators and the public by ensuring that all actions are traceable and verifiable.

## ii. Real-Time Monitoring and Reporting

By integrating AI with monitoring systems, organisations can continuously track operations and receive instant reports on various performance metrics and risk indicators. AI enables proactive management by immediately alerting relevant personnel when certain thresholds are exceeded, or unusual activity is detected. This real-time capability ensures that issues can be addressed promptly before they escalate into major problems. It also enables more dynamic decision-making based on current data rather than relying on historical reports. This continuous monitoring and instant reporting improve the organisation's ability to respond quickly to change and maintain operational efficiency.

## iii. Reducing Human Errors and Biases

AI can significantly reduce human error and bias by ensuring consistent and objective performance. Unlike humans, AI does not suffer from fatigue or personal beliefs that might influence decisions. This consistency is particularly useful in tasks like data entry verification or complex decision-making, where impartiality is essential. Ultimately, AI delivers more accurate and fair results, boosting reliability and credibility.

## Challenges And Limitations

Although the implementation of AI offers significant benefits, particularly for auditors, there are certain challenges that need to be addressed. Some of the notable characteristics identified include:

### i. High Upfront Costs

Implementing AI audit tools can require a significant initial investment. Purchasing the necessary software can be expensive, especially if it involves advanced features or enterprise-level solutions. To support new software, organisations may need to upgrade their existing hardware, such as servers, computers and network equipment. For example, the cost to implement the NADM's Digital Public Infrastructure (DPI) service to improve public services in line with the NADM's Digitalisation Strategic Plan for a period of five years from 2021 to 2025.

### ii. Data Quality and Bias

Ensuring data quality and mitigating bias are critical challenges in AI-powered auditing. Poor data quality can lead to inaccurate insights, while biased data can lead to unfair or incorrect conclusions. For example, if an AI system auditing public health spending relies on data that is biased towards urban areas, it could miss discrepancies in rural health spending. This could lead to an unfair allocation of resources, further disadvantaging rural communities. To avoid such problems, auditors need to ensure that the data they use is accurate, comprehensive and representative of all demographic groups, thereby enabling fair and accurate audit results.

### iii. System Reliability

The reliance on technology means that system failures or cyber-attacks can disrupt the audit process. Today, all public sector organisations rely heavily on technology to produce reports, especially when producing a full set of financial statements running into billions of ringgits. For example, the Employee Provident Fund (EPF) announces annual dividends to its contributors, based primarily on its financial performance. While the use of technology for data management is beneficial, the information must be protected from system failure to safeguard the interests of its nearly 16 million members.

# Artificial Intelligence (AI) and Public Sector Auditing : A New Era of Accuracy and Accountability SAI - Malaysia

## iv. Integration Challenges

Implementing AI solutions within existing systems can be complex and time-consuming. Legacy systems may not support AI technologies, requiring significant modifications or even complete overhauls. AI tools may use different data formats or communication protocols, requiring custom interfaces or middleware. During the data migration phase, aligning data fields between legacy systems and new systems often requires detailed mapping and validation. Ensuring that data is transferred accurately and without loss or corruption can be a significant challenge for IT.

## v. Data Security

Cyber-attacks typically involve malware, ransomware, phishing and other forms of cybercrime designed to steal or compromise data. Ensuring the security of sensitive data is a major concern when it comes to personal information such as social security numbers, credit card details and health records that should be kept confidential. Measures such as incorporating access control, preparing data for encryption, and regularly auditing and monitoring for suspicious activity and remediation of vulnerabilities. In addition, regular backup and recovery is required to ensure that data can be recovered in the event of a breach or loss.

The implementation of AI in public sector auditing should be supported by a defence system that can protect the platform and data from breaches and provide possible features for the entire system. The Malaysia Cyber Security Strategy (MCSS) 2020-2024, which consists of five core pillars, 12 strategies and 35 action plans, outlines the country's cyber security agenda, including legislative initiatives such as the Cyber Security Act, capacity building for cyber security professionals, promoting public-private collaboration and strengthening international relations. For example, the government is also in the process of tabling the Cybersecurity Bill in Parliament, which highlights the need to prepare for the continuous evolution of AI technology to maintain a proactive stance against cyber threats. The forthcoming legislation aims to provide a robust legal framework for cyber security, addressing issues such as cyber-crime, data protection and critical infrastructure security.

## vi. Ethical and Legal Implications

The integration of AI in auditing raises significant ethical and legal challenges, particularly in relation to privacy and the potential misuse of AI technologies. Auditors must carefully protect sensitive personal data accessed during audits, ensuring that it is used only for its intended purpose and protected from unauthorised access. To maintain public trust, auditors must carefully navigate these issues and avoid surveillance that goes beyond the intended scope. By addressing these ethical implications, auditors can maintain the integrity of their profession while using AI to enhance their audit processes.

## vii. Regulatory Framework

A comprehensive legal framework is essential for the oversight of AI applications in public sector audit. Such a framework must ensure compliance with legal standards, protect the privacy rights of individuals, and maintain the integrity of public trust. In practice, regulations could require clear disclosure of the algorithms used in AI-assisted audits, as well as the specific data being analysed. For example, if an AI system is used by a government agency to conduct audits, it would be required to transparently disclose the categories of data under scrutiny, as well as the objectives driving the audit process. This level of openness not only serves to increase public trust, but also ensures that there is a mechanism in place to hold these entities accountable for their use of technology in sensitive areas of the government.

## viii. Skill Gaps

The readiness of AI applications for auditors to be trained in the use of these new digital tools, which can be a barrier to adoption. This includes the understanding of how data analytics work, cybersecurity and the use of specialised software for auditing. Training programmes and continuous learning need to be comprehensive, covering both theoretical knowledge and practical application. By mastering AI technology, it will make individual auditors be more productive. This will help companies to increase productivity per employee.

## ix. Resistance to Change

There may be resistance from staff accustomed to traditional methods. Some auditors may be reluctant to adopt new technologies due to their comfort with traditional methods or fear of the unknown. Effective training can help mitigate this by demonstrating the benefits and ease of use of digital tools. Resistance may also come from management or auditees, where limited knowledge of AI and its benefits may lead to reluctance to adopt new technologies. For example, the public and other stakeholders may have trust issues with AI, fearing that it may not be as reliable or transparent, or concerned about who is responsible for the decisions being made by the AI system.

# Artificial Intelligence (AI) and Public Sector Auditing : A New Era of Accuracy and Accountability SAI - Malaysia

## Future Prospects

Artificial Intelligence has significant potential to revolutionise public sector audit by improving efficiency, accuracy and openness. It can automate repetitive tasks such as data entry and analysis, allowing auditors to focus on more complex tasks. As AI continues to develop, its incorporation into public sector auditing is expected to strengthen audit processes and improve governance and accountability.

## Emerging AI Technologies in Auditing

Emerging AI technologies in auditing such as advanced data analytics, machine learning algorithms and robotic process automation (RPA), are changing the auditing landscape. These technologies enable auditors to quickly and accurately analyse large data sets and identify anomalies or patterns that may indicate fraud or error. In Malaysia, where digital transformation is a national priority under the Malaysia Digital Economy Corporation (MDEC), AI can significantly improve auditing efficiency. For example, implementing RPA for routine compliance checks can free up human auditors to focus on the more complex tasks, improving overall audit quality and effectiveness.

## Potential For AI To Transform Public Sector Audits

AI has the potential to revolutionise public sector audit by assisting in risk assessment, control testing and continuous monitoring of transactions. This shift can lead to more proactive and predictive, rather than reactive, audit processes. In Malaysia's public sector, where accountability and transparency are critical, AI can provide real-time insights into government spending and performance. In a practical scenario, AI-driven analytics could be used to monitor procurement processes across different government departments to identify inefficiencies and signs of corruption, thereby increasing transparency and trust in public administration.

## Recommendations For Policymakers and Auditors

For policymakers and auditors in Malaysia considering integrating AI into their practices, several recommendations are essential. Investing in training programmes to develop the necessary skills to work with AI technologies is crucial. In addition, establishing clear guidelines on data privacy and ethical considerations related to the use of AI is essential. Policymakers should also create innovation-friendly regulations that encourage experimentation with new technologies, while ensuring robust oversight mechanisms. For example, developing a regulatory sandbox for AI in auditing could allow for controlled testing and refinement of AI applications, fostering innovation while maintaining high standards of accountability and transparency.

Malaysia's digitalisation policy, primarily driven by the My DIGITAL initiative and the Malaysia Digital Economy Blueprint, aims to transform the country into a digitally driven, high-income nation and a regional leader in the digital economy. The key objectives of Malaysia's digitalisation policy are to enhance economic growth through the use of digital technologies, improve the quality of life for all Malaysians through digital inclusion, and position Malaysia as a competitive force in the global digital economy. One of the objectives is to foster an integrated ecosystem that enables society to embrace the digital economy. There are three phases of the MyDIGITAL initiative, starting with Phase 1 (2021- 2022): Strengthening the basis for digital adaptation. Phase 2 (2023-2025) focuses on driving inclusive digital transformation, and Phase 3 (2026-2030) focuses on positioning Malaysia as a regional leader in digital content and cybersecurity.

There are also several guidelines and codes of ethics being developed for the public sector in relation to AI. The two main ministries involved are the Ministry of Digital and the Ministry of Science, Technology and Innovation (MOSTI). They are researching and developing an Artificial Intelligence Ethics and Governance Code (AIGE) to ensure the responsible development and implementation of AI. These guidelines emphasise principles that are in line with the country's religious, cultural, identity and legislative will. There is also the National Blockchain and Artificial Intelligence Committee (NBAIC), led by the Ministry of Higher Education, which is responsible for setting strategic goals and aligning and monitoring initiatives in the Pelan Hala Tuju Kecerdasan Buatan Negara 2021 - 2025. The guidelines include seven principles to help AI controllers while ensuring safe use for the public. The seven principles of AI include fairness, secondly trustworthiness, security and control, thirdly privacy and security, fourthly agility, fifthly continuity, sixthly accountability, seventhly human benefit and happiness.

Artificial Intelligence is revolutionising public sector auditing by improving accuracy and accountability through technologies such as data analytics, anomaly detection and automated transaction testing. These advances improve data reliability and reduce human error and bias, while real-time monitoring and transparency increase accountability. However, challenges remain, including data privacy, system integration and skills gaps. As emerging AI technologies continue to evolve, they have the potential to significantly transform public sector auditing, so it is critical for policymakers and auditors to stay informed and adapt accordingly.

# Artificial Intelligence (AI) and Public Sector Auditing : A New Era of Accuracy and Accountability SAI - Malaysia

## Way Forward For AI in Public Sector Auditing

Integrating AI into public sector auditing in Malaysia offers a transformative opportunity to improve audit quality, efficiency and transparency. AI can quickly analyse large amounts of data, identifying patterns and anomalies that may be missed by human auditors. This capability allows for more comprehensive and accurate audits, leading to better detection of errors and fraud. In addition, AI can automate routine tasks, freeing auditors to focus on more complex and high-risk areas, increasing overall audit efficiency. Real-time monitoring enabled by AI can also ensure continuous auditing and timely detection of issues.

However, the successful implementation of AI in public sector auditing in Malaysia requires overcoming several challenges. Significant investment in training and education is required to equip auditors with the necessary digital skills. The initial setup and maintenance costs of AI systems can be significant, posing a financial challenge. In addition, robust governance frameworks need to be put in place to manage the implementation of AI, ensure data security and address ethical considerations. By investing in training, ensuring strong governance and fostering collaboration between government agencies, academic institutions and private sector experts, Malaysia can effectively harness the potential of AI to modernise public sector auditing.

To effectively integrate AI into public sector auditing, Malaysia should invest in comprehensive training programmes and foster a culture of continuous learning for auditors, establish robust governance and ethical frameworks with clear guidelines and stringent data security measures, encourage collaboration through public-private partnerships and pilot projects, and address financial constraints by securing funding and conducting cost-benefit analysis to ensure significant returns on AI investments.

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# **Tentative Schedule of Asosai Capacity Development Activities**



**Tentative schedule of ASOSAI capacity development activities for 2025**  
(As of the end of April 2025)

Year	Date	Event	Venue
2025	May 26-30	ASOSAI Seminar (Theme: Audit on Public Debt)	China
	December 1-5	Audit Review Meeting of ASOSAI Capacity Development Program 2024-2025 on “Dealing with Fraud and Corruption in Auditing”	Indonesia



# Email/ Web Pages of Member Sais

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Armenia	intrel@armsai.am	http://armsai.am/en
Australia	external.relations@anao.gov.au	https://www.anao.gov.au/
Azerbaijan	office@sai.gov.az, international@sai.gov.az	www.sai.gov.az
Bahrain	info@nao.gov.bh, tr.ir@nao.gov.bh	www.nao.gov.bh
Bangladesh	international@cagbd.org iaw@cag.org.db	http://www.cagbd.org
Bhutan	info@bhutanaudit.gov.bt	www.bhutanaudit.gov.bt
Brunei Darussalam	info@audit.gov.bn	www.audit.gov.bn/
Cambodia	ir.audit@naa.gov.kh	www.naa.gov.kh
China	cnao@audit.gov.cn	www.audit.gov.cn
Cyprus	cao@audit.gov.cy, akikas@audit.gov.cy	www.audit.gov.cy/
Georgia	iroffice@sao.ge	www.sao.ge
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Jordan	info@ab.gov.jo	www.ab.gov.jo
Kazakhstan	int.rel@esep.gov.kz	www.esep.kz
Korea	koreasai@korea.kr	www.bai.go.kr
Kuwait	IR@sab.gov.kw	www.sab.gov.kw
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