

ARABOSAI NEWSLETTER



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The Independence of Supreme Audit Institutions (SAIs)

Supreme Audit Institutions (SAIs) are regarded as critical pillars of transparency, accountability, and good governance in modern democracies. Their effectiveness in ensuring the efficient and responsible use of public funds and resources depends greatly on their independence from executive, legislative, and other vested interests. The independence of SAIs is essential to uphold their integrity, objectivity, and credibility as auditors of the government's financial affairs. This article delves into the significance of SAI independence, the principles that underpin it, and the challenges that SAIs might encounter in maintaining their autonomy.

1. The Significance of Independence

1.1. Objectivity and Impartiality: Independence ensures that SAIs are free from any undue influence or bias, enabling them to approach their audit work with objectivity and impartiality. This means that SAIs can scrutinize the government's financial transactions and decisions without fear of retribution or favoritism.

1.2. Credibility and Public Trust: An independent SAI inspires confidence and trust among the public and other stakeholders. When citizens believe that the SAI operates without interference, they are more likely to accept the findings and recommendations presented in audit reports.

1.3. Checks and Balances: SAIs act as vital components of the system of checks and balances within a democratic society. Their independence empowers them to assess and evaluate government actions and hold public officials accountable for their management of public resources.

2. Principles Upholding SAI Independence

2.1. Legal Framework: SAIs derive their independence from the constitution or relevant legislation, which grants them autonomy in conducting audits and issuing reports. Such

legal provisions often safeguard SAIs from external pressures.

2.2. Financial Autonomy: Adequate and secure funding is crucial for SAI's independence. When SAIs are financially autonomous and their budget is not subject to political manipulation, they can plan their activities without fear of budgetary constraints affecting their work.

2.3. Appointment and Tenure of Auditors-General: The process of appointing the head of the SAI, often called the Auditor General, should be transparent, non-political, and merit-based. Additionally, a fixed tenure protects the Auditor General from arbitrary removal for politically motivated reasons.

2.4. Non-Interference in Audit Work: SAIs should have the authority to choose their audit subjects, methodologies, and scope of work without external interference. They should be free to access all relevant information and records necessary for conducting their audits.

3. Challenges to SAI Independence

3.1. Political Interference: One of the most significant challenges to SAI independence is political interference. Political pressure or influence on the audit process can compromise the objectivity and credibility of audit findings.

3.2. Inadequate Resources: SAIs may face resource constraints, affecting their ability to conduct thorough and timely audits. Limited resources can hamper their capacity to recruit and retain skilled auditors and invest in technology to enhance audit methodologies.

3.3. Legal Limitations: Sometimes, legal frameworks governing SAIs may not adequately safeguard their independence. Ambiguities in laws or regulations could provide room for political interference or constraints on the scope of their work.

3.4. Lack of Follow-up Mechanisms: If audit recommendations are not acted upon by the audited entities or the government, the impact of the audit process may be undermined. SAIs



need mechanisms to track and ensure the implementation of their recommendations.

4. But how can we advocate SAI's independence and enhance it?

Many strategies may be used to advocate for and promote the SAI's independence:

Legal framework and autonomy: Advocate for a strong legal framework that explicitly guarantees the independence of the SAI. The legislation should grant the SAI operational autonomy, financial independence, and protection from interference by external bodies or political influences. Lobby for amendments to existing laws or the creation of new legislation that strengthens the SAI's independence.

Engage with government official legislators, and policymakers: Engage in dialogue with these partners to advocate for the SAI's independence by highlighting the benefits of an independent SAI in promoting transparency and efficiency in government operations. Work with supportive stakeholders to present compelling arguments and evidence to gain their support. Within this, another key-strategy, combined with the first one, could be taken into consideration which may raise public awareness by educating the public, CSOs and media about the importance of an independent SAI and its role in safeguarding public funds and promoting accountability. The use of various communication channels, such as social media, public forums, and awareness campaigns, to inform citizens about the significance of SAI's independence in ensuring governance is a way to consider as well.

Strengthen Parliamentary audit: Work with parliamentary committees responsible for overseeing the SAI to ensure they have the necessary tools and authority to support the independence of the institution. Collaborate with parliamentarians to draft legislation that reinforces the SAI's independence and provides mechanisms for addressing any challenges to its autonomy.

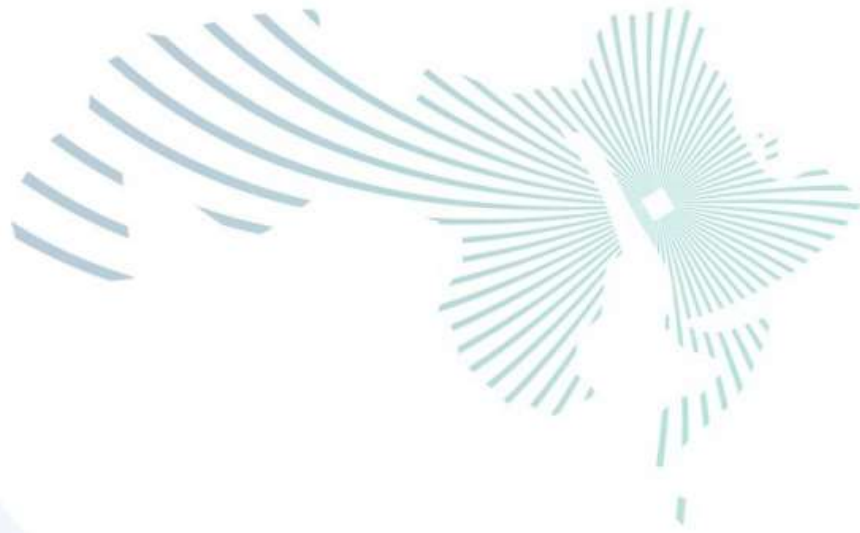
Uphold SAI's Professionalism: Promote professionalism within the SAI, including the recruitment and retention of qualified and skilled staff. A competent and independent SAI is more likely to gain trust and support from stakeholders.

International Standards and Best Practices: Refer to ISSAIs and best practices and INTOSAI guidelines in order to emphasize the importance of SAI independence. Highlight how adhering to these standards can enhance a country's credibility and reputation in the international community.

Hosted by SAI Qatar, IDI and ARABOSAI organized a two-day high-level workshop on Supporting the Independence of the SAIs of the Arabosai Region in Doha-Qatar on May 2023. Many recommendations were discussed to highlight how stockholders would work together to further support that independence in the Arab Region after sharing a detailed diagnostic of the situation.

We should be aware that advocating for SAI independence is a continuous process that requires sustained efforts from various stakeholders. It is crucial to build alliances, maintain public engagement, and work towards reinforcing the importance of independence as a cornerstone of good governance and accountability.

The ARABOSAI General Secretariat (GS)



INSIDE ARABOSAI



ARABOSAI structures meetings:

The first periodic coordination meeting between the Presidency of the Governing Board and the General Secretariat was held from 3 to 5 May 2023 to consider the agenda items agreed upon, including several periodic follow-ups such as:

- Monitoring the progress of the implementation of training and scientific meetings in 2023;
- Follow-up on the progress of the implementation of the tasks and activities of

the various structures, committees and task forces of the organization;

- Informing representatives of the Presidency of the Governing Board about the results of the report of the Financial Oversight Committee of the ARABOSAI for 2022;
- Agreement on the mechanisms for dealing between the parties through the operationalization of the document of rules, controls and the system of follow-up activities.



The 22nd meeting of the Capacity Building Committee:

The Arabosai Capacity Building Committee (CBC) held its 22nd meeting remotely on Tuesday, March 21st, 2023, in the presence of representatives of member SAIs from Saudi Arabia, Jordan, Egypt, Kuwait, Sultanate of Oman, Morocco, Palestine and Iraq.

The discussions evolved, according to the CBC's agenda, on the follow-up of the projects of the strategic priorities assigned to the committee and the working groups that were

formed within the committee and which were entrusted with following up on the implementation of the sub-priorities of the strategic plan related to capacity development. During this meeting, it was also determined how the committee would participate in the symposium on supporting the independence of the supreme audit institutions in the Arabosai region, which was organized by both the General Secretariat and the IDI, its strategic partner



Workshops and Training



The organization's action plan in the field of training and scientific research: finishing of the 2022 Action Plan:

At its sixty-third meeting, held in Doha on 20 and 21 March 2022, the Executive Board approved the Organization's workplan for 2022. The GS, in coordination with the host SAIs of these scientific and training meetings, carried out three meetings during 2022, while the remaining two meetings of the workplan were carried out during January of the year 2023 in accordance with the following dates:

- Scientific meeting on "audit of extractive industries": It was carried out by the SAI of

Kuwait in cooperation with the GS remotely during the period from 17 to 19 January 2023, via the ZOOM platform. The meeting benefited 31 participants belonging to 12 members of the organization.

- Training meeting on "Performance audit of the telecommunications sector": hosted by the SAI of Morocco from 23 to 26 January 2023 at the Council's Centre for Capacity Development in Rabat. 33 participants from 15 SAIs participated in the meeting.

ARABOSAI Action Plan 2023:

In its decision No. 379/2022, the Governing Board (GB) welcomed the hosting by the Arabosai members of training and scientific meetings planned for the year 2023. The GB authorized the General Secretariat (GS) and the hosting SAIs to finish the detailed elements of the meetings. Accordingly, the calendar of scheduled meetings was set during the second and third quarter of 2023. The following meetings were carried out:

- Training meeting on the "Updated Framework for INTOSAI IFPP": carried out

by the SAI of Jordan in cooperation with the GS remotely on May 29, 2023, via ZOOM platform, and 31 trainees from 13 ARABOSAI members participated in the meeting.

- Scientific meeting on "Financial review in crisis": It was carried out remotely by the SAI of Egypt in cooperation with the GS during the period from 5 to 7 June 2023. The meeting was attended by 34 participants from 15 ARABOSAI members.

The organization's e-learning plan:

The series of meetings programmed within the organization's e-learning plan has been completed through the implementation of the e-learning training meeting "Audit Standards for INTOSAI - Compliance Audit", implemented by the SAI of Egypt in cooperation with the GS during the period from 09 January to 06 February 2023, 28 participants from 11 members of the organization participated in the meeting during the meeting, which

lasted nearly a month. Four teaching units were presented using the organization's e-

learning platform Moodle to conclude each unit with an attendance session. The course ended by 16 participants.



COOPERATION AND PARTNERSHIP



IDC-CBC-IFAC's MOSAIC meetings in Jamaica, Kingston.



As was the tradition before the outbreak of the Corona pandemic, the joint meetings IDC- CBC kicked off at the beginning of the week. The International Federation of Accountants also decided to join and hold its meetings (IFAC-MOSAIC) in the same place. These IDC-CBC-IFAC MOSAI joint meetings were hosted by Jamaica's SAI and Auditor General Pamela Munro Ellis. It will be held all week from June 19-23, 2023 in Kingston, Jamaica.

Since its inception on the first day, the meetings witnessed an intense presence of most of its members from the INTOSAI's structures, the IDI, the regions, SAIs and representatives of donors such as the World Bank Group, the USAID, the GIZ and others.

The first day's meetings revolved around revitalizing cooperation and discussing its future strategic directions for the donors' group, in parallel with the implementation of the organization's current strategic plan. It also continued during the second day, with panel discussions about transparency and accountability and covering the independence of SAIs, the role of accountability and audit in the development agenda, and how to enhance both through a more inclusive approach. The EU funded report on peer support will also be launched and its main findings will be discussed.



Photos credit Intosai journal

The meetings were characterized by collective and interactive work to agree on priorities and strategic methods for moving forward. The ARABOSAI participated with representatives of the organization's presidency, the CBC Chair and the general secretariat. The outputs of these meetings will be shared on the organization's website once the final version is approved.

The ARABOSAI participated with representatives of the organization's chairmanship and the chairmanship of the Committee for Institutional Capacity Development and the GS.

CBC meeting documentation 2023 was shared and now available [here](#).



Photos credit Intosai journal



Quality

Assurance

In order to implement point 8 of the decision of the Governing Board of the ARABOSAI No. 264/2019-57 which states the adoption of the recommendations of the Institutional Capacity Development Committee regarding the activities programmed with the AFROSAI-E in relation to the quality assurance program, which is to carry out field assignments with the organization's members to assess their quality system. A regional Audit team carries out the Audit functions by using the quality assurance manual as a professional working tool.

Program:

Through this program, the ARABOSAI seeks to:

- Supporting its members to identify areas for improvement in order to achieve high quality Audit work.
- Identify all the services that the Organization can provide to its members.

Five missions were identified in cooperation with the SAIs of Libya, Syria, Iraq, Palestine and Algeria. The organization first started in cooperation with the SAI of Algeria

Participation in the meeting of the Steering Committee of the INTOSAI Environmental Audit Task Force:

The Steering Committee of the INTOSAI Environmental Audit Task Force held its nineteenth meeting in Rabat, Morocco, from 13 to 16 March 2023, with the participation of the GS of the ARABOSAI and 20 ARABOSAI members, including the SAI of Morocco, the SAI of Egypt and the SAI of UAE.

Various projects included in the Working Group's Operational Plan 2023-2025 were discussed at the meeting and launched. The

representative of the GS briefed the INTOSAI Environmental Audit Working Group and all participants in the meeting on environmental Audit developments in the ARABOSAI region in terms of restructuring as well as the various projects included in the operational plan 2023-2025 of the Commission on Sustainable Development Goal Oversight, which is also at the heart of the Arab Organization's environmental-related projects.

Participation in the third session of the ASOSAI research project on the theme "Remote Auditing":

To give effect to the memorandum of understanding concluded between ARABOSAI and ASOSAI, and to follow up and keep abreast of ASOSAI's current research project on the subject "Remote Auditing" led by Indonesia, a representative of the GS of Arabosai attended the third teleconference session on April 5, 2023, which was devoted to presenting a report on the progress of the work carried out in the framework of the implementation of the research project, as well as sharing experiences among a number of SAIs on the issue of "flexibility of the SAIs in carrying out their tasks".

The GS of Arabosai participated as an observer in the work of this research project and contributed to it by presenting the experiences of a number of Arabic SAIs as well as responding to questionnaires prepared as part of the project's implementation.

The session also saw the active participation of both the SAI of Egypt and the SAI of Morocco through the presentation of a working paper on each SAI's experience with respect to the challenges of the flexibility requirements of the SAIs in the implementation of their functions.



Participation in a on the theme "Digital government":

As part of the implementation of the provisions of the Supplement to the Arabosai-Eurosai Technical Cooperation Agreement, the Eurosai Information Technology Oversight Working Group organized a distance scientific symposium on the theme "Digital identity challenges in e-government" on 19/4/2023.

The SAI of Egypt and the SAI of Tunisia contributed to this meeting by presenting their experiences in the field.

remote scientific symposium identity challenges in e-

The SAI of Sudan, the SAI of Syria, the SAI of Palestine, the SAI of Kuwait and the SAI of Morocco participated as observers.



Participation in the annual meeting of the INTOSAI Working Group on Public Debt audit:

As part of the representation of the ARABOSAI in meetings of INTOSAI structures, committees and task forces, the SAI of Jordan participated in the annual meeting of the INTOSAI Public Debt audit Working Group Steering Committee hosted by the SAI of Egypt from 8 to 10 May 2023, His Excellency the Adviser/Hisham Badawi, Head of the SAISAI of Egypt, stressed that improving public debt management through

good planning of audits and effective risk assessment and internal control, and enhanced transparency and disclosure policies sustainable development ", has become an essential requirement for fiscal policy makers and all Parties to meet sustainable development requirements.

Cooperation with the IDI in organizing a symposium on "Supporting the Independence of the SAIs of the Arabosai Region":

The SAI of Qatar hosted a symposium on "Supporting the Independence of the SAIs of the Arabosai Region" in Doha from 23 to 24 May 2023, which was organized by the IDI and

concept of the independence of the SAIs and diagnosed the autonomy of the Arabic SAIs, as well as discussed how the supervisory organ and parliament would work together to further support that independence.

The symposium was attended by 44 participants, including leaders or representatives of member SAIs, parliamentarians from Arab States, the IDI and the Arabosai GS representatives, as well as remote participation of representatives of the World Bank and Transparency International.

The theme of the symposium was addressed through several themes along the lines of



the Arabosai, the symposium clarified the



global and regional principles and guidelines for the independence of the SAIs, the importance of cooperation between those SAIs and parliaments, the exchange of experiences

on the aspects and means of such cooperation, as well as the presentation of an action plan to enhance interaction between the supreme audit institutions and parliaments in the Arabosai region.



Knowledge-sharing workshop on the Strategy, Performance Measurement and Reporting Initiative (SPMR) held in the Republic of Tunisia from 10 to 14 July 2023:

In cooperation with the INTOSAI Initiative for Development (IDI) and the Arab Organization of Supreme Audit institution (ARABOSAI), a workshop was held in Sousse - Tunisia, on the Strategy, Performance Measurement and Reporting Initiative (SPMR), an initiative launched since 2019 aimed at supporting the capacity of the SAIs in the field of strategic management.

The initiative's phases are as follows:

Phase I: appraisal of the SAI performance using the performance measurement framework.

Phase II: Strategic planning.

Phase III: Implementation and reporting.

The last meeting was held in Muscat, Oman, from 29 July to 4 August 2022. Tunisia's workshop aims to share experiences and knowledge on the implementation of the initiative, discuss the next stages and further develop the methodology for its completion.





The organization's participation in the ESCWA Annual Forum for Sustainable Development 2023:

As part of the implementation of the activities of the Memorandum of Understanding with the United Nations Economic and Social Commission for Western Asia (ESCWA), the ARABOSAI participated in activities.

The Arab Forum for Sustainable Development 2023, held from 14 to 16 March 2023, was devoted to highlighting the work of the supreme audit institutions in the implementation of the 2030 Agenda, organized in cooperation between ARABOSAI, ESCWA and the IDI. The presentations during the session highlighted the performance and readiness of the region's national public health systems in the event of health emergencies and their ability not to neglect anyone, by presenting the results of the audit of Arab SAIs on the implementation of sustainable development goal 3-d.



The presentations were opened by the reporter of the audit Committee on Sustainable Development Goals, who presented the general framework and methodology adopted to accomplish the audit function for the purpose. The SAIs of Sudan, Syria and Morocco were invited to present the most salient results of their audits in destination Goal-3d of the Sustainable Development Goals related to enhanced capacities for early warning, risk reduction and health risk management. The meeting concluded with a series of recommendations, the most important of which were:



Develop and update appropriate legislative frameworks for the management of health emergencies;

- Establish early warning systems to respond to disasters and periodically mitigate and assess risks.

- Activate and institutionalize multisectoral coordination mechanisms among all stakeholders to respond to health emergencies and build partnerships between relevant parties.

- The ministries of health lead the communication process during health emergencies in cooperation with media channels.

- Provide trained health personnel and the required financial resources sustainably and increase the efficiency of their use to ensure the quality and comprehensiveness of health care services.

- Involve communities in health risk assessments and design response programs.

- The Arab countries' supreme audit institutions continue to scrutinize the functioning of health systems and encourage stakeholders to engage with them and interact with their results.



Follow-up by ARABOSAI's SG of the third session of ASOSAI's research project held remotely on April 5th, 2023:

In accordance with the MoU concluded between ARABOSAI and ASOSAI, a representative of the ARABOSAI SG attended the third session of ASOSAI's research project held remotely on April 5th, 2023, which was devoted to the presentation of a report on the progress of that project as well as sharing experiences among several SAIs on the issue of

"Flexibility of Supreme Audit Institutions when carrying out audit ". This cooperative audit was carried out with the participation of SAIs from Iraq, Libya, Sudan and Kuwait. The outputs of this audit are mainly an exemplary audit program in addition to a common report that will be shared with INTOSAI community.

The INTOSAI Working Group for Extractive Industries (WGEI) has held its all members meeting in Jakarta, Indonesia from 24th to 27th July 2023:



The adopted theme for this meeting was "The global energy transition". It was dedicated to review activities under workplan 2020-2022 and for the approval of the WGEI workplan for the period 2023-2025. The meeting was attended by representatives of SAIs from Egypt, Qatar, Kuwait in addition to the representative of SAI Iraq who made a presentation about their actions for the period 2020-2022.

A representative of the GS of ARABOSAI, attended the meeting and gave a presentation about the achievements of the organization in the field of extractive industries, in particular

the outputs of the cooperative audit about "Collection and assessment of revenues of EI". In this context, the ARABOSAI GS commends the active participation of SAI Egypt and SAI Morocco through the presentation of a working paper on the experience of each SAI in dealing with the challenges of SAIs flexibility when carrying out audits. The ARABOSAI GS encourages all Arab SAIs to follow up this project and contribute to strengthen the positioning of our organization at the level of the INTOSAI community





**News from ARABOSAI
Members**



The SAI of Bahrain hosts INTOSAI FIPP meetings and SDP Joint Seminar

The SAI of Bahrain, the National Audit Office (NAO) hosted the meeting of the Forum for INTOSAI Framework Professional Pronouncements and the joint seminar for the preparation of the Strategic Development Plan (SDP) for INTOSAI's framework of professional



announcements from the 8th to the 12th of May 2023 in the Kingdom of Bahrain.

The 5-day event, which was held in hybrid format (virtual and in-person), counted 33 participants from 15 countries: Bahrain, the United States of America, Australia, Austria, Denmark, Norway, Sweden, Luxembourg, Bulgaria, Tunisia, Brazil, India, South Africa, Guatemala and Nepal, with representatives from the African Organization of English-Speaking Supreme Audit Institutions (AFROSAI-E), the INTOSAI Development Initiative (IDI) and the European Court of Auditors.

The Auditor General of the NAO Bahrain, H.E. Shaikh Ahmed bin Mohammed Al-Khalifa, welcomed the opportunity to host these meetings in Bahrain and emphasized the important role they play in the formulation of clear, accessible and up-to date standards to facilitate and enhance professional audit work. He added that these meetings also offered the chance to exchange experiences, share knowledge and build bridges with international audit organizations.

The Joint Seminar between FIPP members and representatives from the Chairs of the INTOSAI Goal Committees discussed the new strategic plan for the development of INTOSAI professional standards whereas the FIPP meetings focused on developing new standards, updating existing ones and the procedures for preparing and updating standards.

The NAO Bahrain recognizes INTOSAI's important role as an international standard setter of appropriate and relevant standards for public sector auditing and conducts its audit work in accordance with these standards. In line with this, it has formed an internal professional standards committee to emphasize the importance of complying with standards to improve audit work and to familiarize stakeholders with professional standards to avoid audit shortcomings. In addition, the NAO Bahrain has supported Mr. Mahmood Hashim, Director of Administrative Audit at the NAO Bahrain, as a FIPP member since January 2020 and has been a member of INTOSAI's Steering Committee of the Professional Standards Committee (PSC) as a representative of the Arab Organization of Supreme Audit Institutions (ARABOSAI) since 2005.





The NAO Bahrain: Symposium on Audit and Partnership

The National Audit Office (NAO) of Bahrain held its second symposium on “Audit and Partnership” in November 2022 with participants from ministries, institutions, and government entities covered by its audit mandate.



The symposium took place as the NAO celebrated its 20th anniversary. Established in 2002 as part of the reform project of His Majesty King Hamad bin Isa Al Khalifa, it began its mission in 2003.

The Auditor General of the NAO Bahrain, H.E. Sheikh Ahmed bin Mohammed Al-Khalifa stressed that the symposium was part of the NAO's efforts to raise awareness of the important role of Supreme Audit Institutions, increase technical knowledge, skills and

capabilities to strengthen auditing systems and perform tasks competently and efficiently, and promote cooperation between the NAO and the entities subject to its audit.

The NAO's second symposium included lectures and working papers from local, regional and international audit experts on the important role of Supreme Audit Institutions (SAIs), international auditing standards and practices, the NAO's work procedures, its specializations and tasks and its procedures for preparing reports and following up on the implementation of its recommendations. In addition, the symposium held discussions about the latest developments and trends in the field of auditing and the future of the auditing profession in view of technological advancements and data security and protection.

The symposium targeted undersecretaries, assistant undersecretaries, managers and CEOs, department directors, consultants, auditors, accountants, legal experts, and audit work coordinators, while specialists from the International Organization of Supreme Audit Institutions (INTOSAI), international auditing firms, local companies and the NAO delivered the lectures and conducted the discussions.





NEWS FROM THE SAI OF ALGERIA

1- Participation in the meeting of the 3rd Assembly of the AFROSAI Organizational Capacity Building Committee

A delegation from the Court of Accounts participated in the meeting of the 3rd Assembly of the Technical Committee of the African Organization of Supreme Audit Institutions (AFROSAI), in charge of Organizational Capacity Building, which took place on January 18th, 19th and 20th, 2023, in Niamey, the capital of Niger. This meeting was devoted to identifying the necessary actions that enable the embodiment of the activities programmed in the operational plans of the concerned committee during the period 2023-2024.

2- Participation in a meeting of the Working Group of the AFROSAI Institutional and Technical Capacity Building Committee

A delegation from the Court of Accounts participated in a remote meeting of the Working Group of the AFROSAI Institutional and Technical Capacity Building Committee, as a member, on January 24th, 2023, which was devoted to identifying and planning the overall tasks contributing to the realization of the activities of the Working Group programmed for the year 2023.

3- The official launch of the task of reviewing the quality assurance of the audit work of the Court of Accounts

Within the framework of the implementation of the agreement concluded between the Court of Accounts and ARABOSAI, related to the task of reviewing the quality assurance of the audit work of the Court of Accounts, a delegation from the SAI headed by Mr. Mohamed Selim Benammar, Secretary General, oversaw the official launch of the aforementioned mission, which took place on

January 29th, 2023, in the presence of the auditors, Mr. Mohamed Radi Mohammed Al-Daghamin, from the State Audit Administrative Control Bureau of Palestine, and Mr. Seddik Mohammed Ali Ibrahim, from the National Audit Chamber of Sudan.

The remote work was also attended by Mr. Munji Al-Hamami, representative of the General Secretariat of the Arab Organization, and Ms. Salma Al-Eisi, head of the audit mission from the State Audit Bureau of Kuwait.

4- A visit on budget transparency

Within the framework of the implementation of the cooperation project between the Court of Accounts and the Financial Services Volunteer Corps (FSVC), related to the Court of Accounts' capacity building, and in order to learn about the budgetary transparency model of the United States of America and to share experiences in the areas of Financial Audit, Performance Audit and Public Programs and Policies Evaluation, as well as interaction with different stakeholders, especially Civil Society Organizations (CSO), a delegation headed by Mr. Mohamed Selim Benammar, Secretary General, visited from 6th to 10th March 2023 to the US Government Accountability Office (GAO), the New York State Comptroller's Office (OSC), the Congressional Budget Office (CBO), the New York State Division of the Budget (DOB), the New York State Department of Taxation and Finance (NYSDTF), and the New York State Citizens Budget Commission (CBC), as well as Taxpayers for Common Sense (TCS).

5- A visit on communication

Within the framework of capacity building and experience sharing, the Court of Accounts' communication team visited from February



27th to March 1st, 2023, the Netherlands Court of Audit (NCA), to learn about the NCA experience in communication with different stakeholders.

6- A training meeting on Public Policies Evaluation in light of the greater CSOs involvement

Within the framework of the implementation of the memorandum of understanding concluded between the Algerian Court of Accounts and the Federal Board of Supreme Audit of Iraq (FBSA), the Court of Accounts organized, from 18th to 21st June 2023, a training meeting on “Public Policies Evaluation in light of the greater Civil Society Organization (CSOs) involvement”.

Twenty (20) participants from the executives and auditors of the FBSA participated in this training meeting. It was an opportunity to promote cooperation relations and exchange

experiences and good practices in the field of evaluation between the two institutions.

The training meeting also touched on the following topics:

General concepts about public policies,

Evaluation methods and tools, and steps for structuring and implementing the evaluation process in accordance with the INTOSAI Guidance “9020: Evaluation of Public Policies”,

Public Policies Evaluation for the health sector that fall within the implementation of the 3rd Sustainable Development Goal,

CSO involvement in Public Policies Evaluation,

The role of communication in facilitating the optimal use of evaluation results,

The experiences of the two SAIs in the field of programs and public policies, as well as CSO involvement in the evaluation.



NEWS FROM THE SAI OF EGYPT

1. The bilateral meeting between the ASA President and the President of the Austrian Court of Audit and the INTOSAI General Secretary

On the 9th of February 2023, the Accountability State Authority of Egypt received H.E. Dr. Margit Kraker, President of the Austrian Court of Audit and the INTOSAI General Secretary as well as her Excellency's accompanying delegation upon the invitation extended by H.E. Counsellor/ Hesham Badawy; the ASA President and the INTOSAI First Vice-President. The bilateral meeting was attended by H.E. Counsellor/ Mohamed El-Faisal Youssef; the ASA Vice-President, along with a number of the ASA senior personnel.

The meeting resulted in a complete consensus of visions between the Heads of both SAIs regarding the work plan of the upcoming stage as well as the common areas of interest between both parties.

During the extensive discussion, H.E. Counsellor/ Hesham Badawy highlighted the

main pillars of the ASA's future work agenda as the INTOSAI First-Vice President and in light of his excellency's upcoming INTOSAI Chairmanship in 2025. The ASA aims to implement the objectives of the INTOSAI's new Strategic Plan 2023/2028, based on the XXIV INCOSAI's outcomes as reflected in the Rio De Janeiro Declaration, especially in the area of the ability of SAIs to better adapt to changes and respond to contingencies. This, in addition to auditing the achievement of Sustainable Development Goals.

On her part, H.E. Dr. Margit Kraker praised the Egyptian support for the objectives of the INTOSAI's new Strategic Plan, and expressed her happiness at the convergence of visions between the Austrian Court of Audit and the Egyptian SAI with regard to the SAIs' role in following up the SDGs' implementation as well as facing the challenges arising from climate change.

2. Hosting the INTOSAI WGPD's Annual Meeting that was held in Cairo from the 8th to the 10th of May 2023.

The ASA hosted the INTOSAI WGPD's Annual Meeting which was held in Cairo from the 8th to the 10th of May 2023. The meeting was attended by a high-level delegation headed by H.E. Counsellor/ Hesham Badawy; the ASA President and INTOSAI First Vice-President, with the attendance of H.E. Mohamed El-Faisal Youssef; the ASA Vice President, together with (82) delegates from (28) WGPD member SAIs that included the esteemed Heads and representatives of SAIs as well as online interventions from several stakeholders, including the International Monetary Fund,

the World Bank as well as the United Nations Conference on Trade and Development (UNCTAD).

In his opening speech, his excellency Counsellor Hesham Badawy emphasized that improving public debt management through good planning for audits, the effective assessment of risks and internal controls, and strengthening transparency and disclosure policies have become key requisite for financial policy makers as well as for all parties towards meeting the requirements of sustainable



development. In addition, H.E. Counsellor/ Hesham Badawy Supported SAI Jordan in its

candidacy as the ARABOSAI Representative in WGPD Steering Committee.

5. ASA participated to the final audit reports of the African Union Commission (AUC) approval in Addis Ababa – Ethiopia:

Under the ASA's Chairmanship of the African Union Board of External Auditors (AUBEA), the Board's meeting was held in Addis Ababa - Ethiopia on the 26th May 2023, where the final audit reports of the African Union Commission (AUC) and its institutions for the financial year ending in December 2022 were approved and signed before reporting them to the AU Permanent Representatives Committee (PRC).

In his speech to the meeting, H.E. Counsellor/ Hesham Badawy, President of ASA of Egypt and Chairperson of the (AUBEA), expressed his appreciation for the efforts exerted by all audit teams - members of the Board since the launch of the Comprehensive Audit Strategy developed by the ASA and adopted by the Board in December 2022.

These efforts have produced many vital results and recommendations that will contribute to safeguarding the AU resources, enhancing its activities' governance and reforming its institutional course. H.E. also pointed out that the outputs of the final audit reports will provide the heads and institutions of the African Union countries (AU members)

with crucial data relevant to their political and economic decision-making in a way that meets the aspirations of the continent's peoples with regard to peace, security and sustainable development.

It is worth mentioning that the ASA assumes the Chairmanship of the Board for the financial years 2022 and 2023 after being elected during the Board meeting in December 2022.

The joint meeting of the Permanent Representatives Committee (PRC) for general supervision and coordination in budgetary, financial and administrative matters (GSCBFAM), and the F15 experts of the Ministers of Finance was held to present the Board's annual report on the audit work of the AUC and its institutions for the financial year 2022, which was held in Addis Ababa - Ethiopia on the 21st June of 2023 with the presence of a high-level delegation headed by H.E. counselor / Hesham Badawy; ASA President and Chair of (AUBEA) with the attendance of the Chair of the Audit Operations Committee (AOC). The meeting highlighted the role of external audit and its importance for activating good governance in the AUC.

6. ASA participated to discuss the AFROSAI SAIs' different methods of work regarding the Organization's new statutes.

The ASA, as Chairperson of the Editorial Board of the African Journal of Comprehensive Auditing participated in the AFROSAI bodies' virtual meeting held on the 7th of March 2023. The meeting was also attended by SAI Senegal, representing the AFROSAI Governing Board, along with the Executive Directorate of the AFROSAI General Secretariat, SAI South Africa (the host SAI), SAI Libya and SAI Cameroon as representatives of the AFROSAI-

E, AFROSAI-A, and AFROSAI-F respectively as well as SAI Kenya in its capacity as Chairperson of the Technical and Institutional Capacity Building Committee (TICBC) and SAI Niger in its capacity as Chairperson of the Organizational Capacity Building Committee (OCBC). The main objective of the meeting was to discuss the AFROSAI bodies' different methods of work in the light of the Organization's new statutes in order to identify



appropriate areas for the efficient and effective application of the activities of common interest.

It is noteworthy that SAI Egypt is a member of the AFROSAI TICBC, which consists of 22 SAIs that work in pursuant to the AFROSAI Strategic Plan with regard to implementing projects that aim at enhancing the African SAIs' independence and developing the professional qualifications of public sector auditors in order to improve the quality of audits as well as participating in the implementation of the UN 2030 Agenda and the AU 2063 Agenda. The projects also aim at working with key stakeholders at the local and regional levels in order to avoid the illicit financial flows' impacts, to support gender equality, and to contribute to developing innovative solutions to any emergency problems facing the AFROSAI member SAIs.

During the meeting, the AFROSAI Executive Directorate invited the

Organization's partners to develop an action plan in cooperation with AFROSAI and with the participation of the AFROSAI technical committees (TICBC and OCBC) in order to conceptualize mechanisms and steps to enhance the SAIs' independence as well as to seek the INTOSAI's support in the same framework.

The AFROSAI Executive Directorate also requested to provide financial and non-financial means to all SAIs, so that they could support their independence. It also recommended sharing knowledge and experiences between SAIs, conducting workshops as well as induction and awareness-raising meetings in order to sensitize SAIs' auditors on the importance of the auditors and SAIs independency in their audit work, and to enhance communication between AFROSAI, SAIs and citizens aiming to enhance the presence and spread in the African continent.



Digital Initiatives of State Audit Institution in the Sultanate of Oman

State Audit Institution adopts digital transformation plan that includes several digital initiatives in line with the government digital transformation program in the Sultanate of Oman, Which focuses on providing distinguished solutions that achieve simplicity, transparency, creativity and efficiency in performance to ensure business continuity, and to carry on consistent improvement through innovation in simplifying business models and enabling the government apparatus to benefit from keeping pace with emerging digital technologies and opportunities available in successive industrial revolutions. The Program also focuses on creating new channels and tools that contribute to improving communication with beneficiaries, supporting and providing a better life and well-being for the community, as well as continuing to digitize the basic, priority and common services, and ensuring their integration and placing them as a main focus that fulfills the needs and expectations of citizens and businessmen. Furthermore, the program will contribute to enhancing the efficiency of internal institutional systems concerned with the institution resource planning or major digital solutions of a specialized nature, in addition to improving the business environment and building future capabilities and skills in the field of digital transformation, as well as developing innovative business models, initiatives and digital solutions that rely on large use of data, advanced analysis tools and artificial intelligence technologies.

SAI digital transformation plan aims to raise awareness of SAI role in protecting public fund and promoting integrity through digital channels, and strengthening partnership with

the private sector in implementing digital transformation projects and initiatives. In addition to providing the work environment with modern digital technologies to raise productivity and improve institutional efficiency, as well as aligning all basic services and procedures of SAI, achieving data integration with relevant institutions, providing digital opportunities for access to data and open data, developing the infrastructure by adopting advanced digital technologies, ensuring business continuity, and other goals that SAI seeks to achieve.

SAI digital transformation plan is represented in a set of initiatives, including development of the website and the complaints and reports window. The new website of State Audit Institution has been launched this year to comply with the standards and to achieve effectiveness and ease of use. Additionally, the website is considered one of the main windows of SAI in enhancing its relationship with all relevant parties at local and international levels, in addition to being the electronic means to provide legislation and information related to SAI various activities. Besides, SAI initiatives include the establishment of the audit management system, the upgrade of the electronic archiving system, as well as the development of the mobile application.

State Audit Institution is working on developing more activities to be made available in a simplified electronic form, including the platform of government official's financial declaration, the "Waa'i/Awareness" service for requesting the implementation of seminars and awareness activities, as well as the automatic response service to citizens in the complaints and reports window.



Papers



Accountability State Authority

Auditing the Financial instruments

“Classification and expected credit loss”

In this article, we discuss the audit evidence, in accordance with the requirements of international standards for auditing, about the classification of financial assets and the measurement of expected credit losses in the light of the differences in accounting treatment of them according to the international Financial Reporting standard “IFRS 9” and the international Accounting standard “IAS 39”.

Risk assessment procedures

- Background

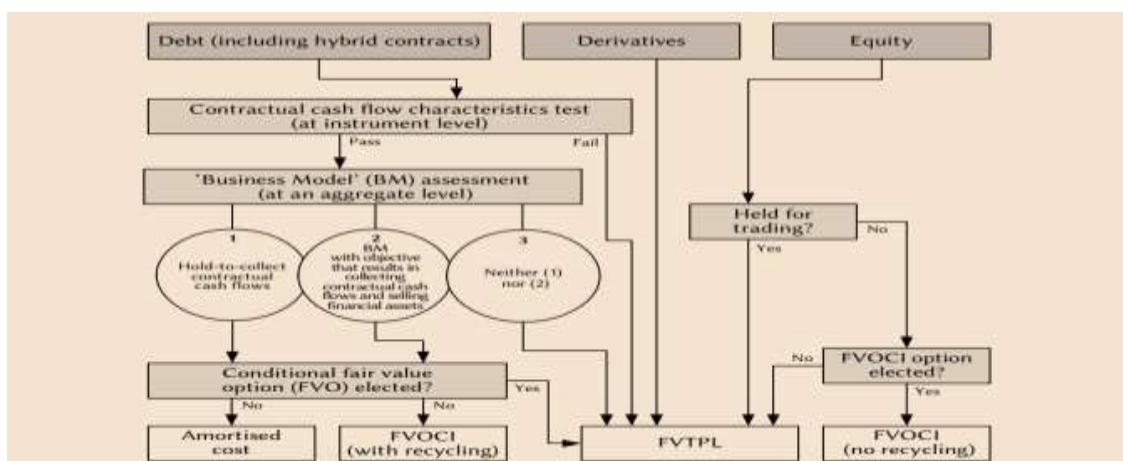
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9: “Financial Instruments”, bringing together the classification and measurement,

impairment and hedge accounting to replace IAS 39 Financial Instruments: Recognition and Measurement. The classification of financial instruments determines how they are accounted for and, in particular, how they are measured on an ongoing basis.

The more principles-based approach of IFRS 9 requires the careful use of judgment in its application as some patterns of facts don’t have a simple and distinctive result. Here, we will highlight, the factors that need to be considered in arriving at a conclusion.

Classification the financial assets

The synopsis below illustrates the thought process on which the classification of financial assets is based:



Classification of debt instruments

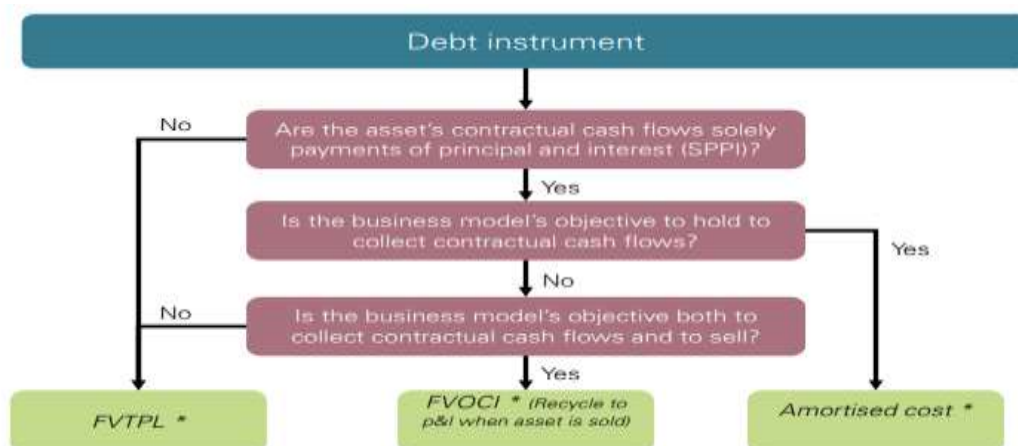
“IFRS 9” introduces a new classification model for financial assets that is more principle-based

than under “IAS 39”. In “IFRS 9”, Debt instruments are classified according to:



- (a) the entity's business model (**BM**) for managing the financial assets and
 (b) the contractual cash flow characteristics of the financial asset (**CCFC**).

Instruments could be measured either at amortized cost, fair value through other comprehensive income (**FVOCI**) or, fair value through profit or loss (**FVTPL**). Thus, "IFRS9" requires an increased amount of judgement in performing the **CCFC** test and the **BM** assessment.



Business Model Assessment

An entity's business model reflects how it manages its financial assets in order to generate cash flows. It also determines whether cash flows will result from collecting contractual cash flows, Selling the financial assets or both.

This assessment is performed on the basis of scenarios that the entity reasonably expects to occur. This means, the assessment excludes so-called 'worst case' or 'stress case' scenarios.

For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, this would not affect the entity's assessment of the **BM** for those assets if the entity does not reasonably expect it to occur. If cash flows are realized in a way that is different from the entity's expectations at the date that the entity assessed the business model (for example, if the entity sells more or fewer financial assets than it expected when it classified the assets), this does not give rise to a prior period error in the entity's financial statements (as defined in IAS 8 – "Accounting Policies and Changes in Accounting Estimates and Errors") nor does it change the classification of the remaining financial assets held in that **BM** (i.e. those assets that the entity recognized in prior periods and still holds), as long as the entity considered all relevant and objective information that was available at the time that it made the business model assessment.

Classification of a financial asset is determined in accordance with the **BM** in place at the point of initial recognition and does not change thereafter except in the event of a reclassification.

Business model
— Considers how financial assets are managed to generate cash flows
— Assessed at portfolio level (not instrument level)
— Sub-division of portfolios may be appropriate
Examples of key challenges:
— Assessment of impact of sales activity
— Data needed for analysis of historical sales
— Prospective view
— Securitisation activities



This outcome chart will illustrate more how to obtain more audit evidence to audit whether the financial asset is classified properly or not:

		Contractual cash flow characteristics test	
		Pass	Fail
Business model	Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows	Amortised cost	FVTPL
	Held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets	FVOCI (with recycling)	FVTPL
	Financial assets which are neither held at amortised cost nor at FVOCI	FVTPL	FVTPL
Options	Conditional fair value option is elected	FVTPL	n/a ¹
	Option elected to present changes in fair value of an equity instrument not held for trading in OCI	n/a ²	FVOCI (no recycling)

¹ Financial assets which fail the contractual cash flow characteristics test are measured at FVTPL.

² Only debt instruments can pass the contractual cash flow characteristics test. The FVOCI option does not apply to those instruments.

EXPECTED CREDIT LOSSES

- Background

During the 2007/8 global financial crisis, the delayed recognition of credit losses that are associated with loans and other financial instruments was identified as a weakness in existing accounting standards.

As part of the joint approach by the IASB and the FASB to deal with the financial reporting issues arising from the financial crisis, the boards set up the Financial Crisis Advisory Group (FCAG) in October 2008 to consider how improvements in financial reporting could help to enhance investor confidence in financial markets.

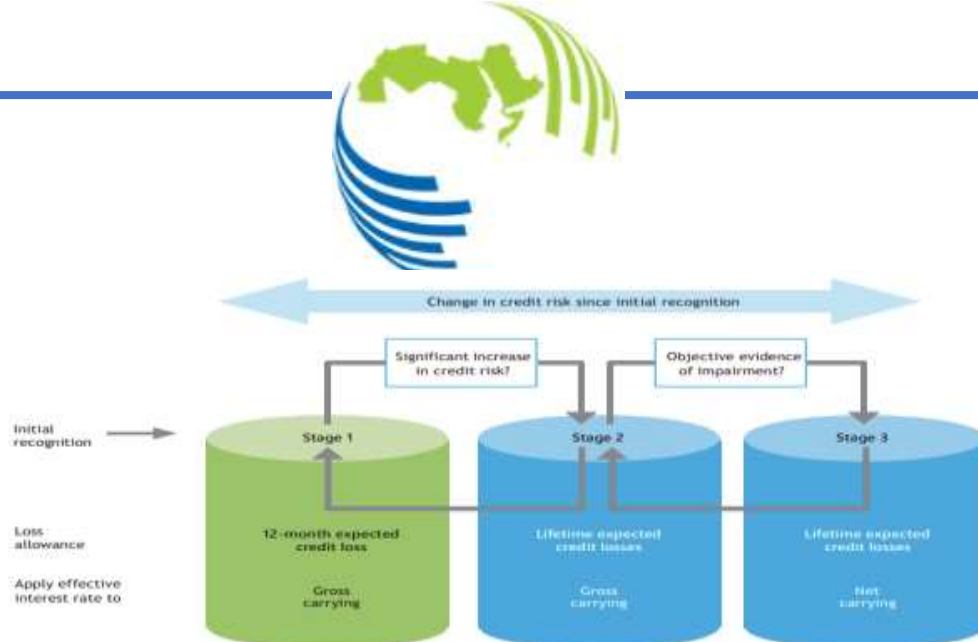
Measurement of Expected Credit Losses

The guiding principle of the **ECL** model is to reflect the general pattern of deterioration, or improvement, in the credit quality of financial instruments. The standard requires the measurement of expected credit losses under the general approach or simplified approach for trade receivables and lease receivables.

A summary of the simplified approach is shown as follows:

Situation	Proposed Approach
Trade receivables and contract assets of one year or less or those without a significant financing component.	Recognize a loss allowance at an amount equal to lifetime expected credit losses.
Trade receivables and contract assets without a significant financing component.	Simplified approach of recognizing lifetime expected loss.
Lease receivables	Accounting policy choice to measure the loss allowance at an amount equal to lifetime expected credit loss.

A summary of the general approach in recognizing either 12-month or lifetime ECLs is as follows:



Credit loss

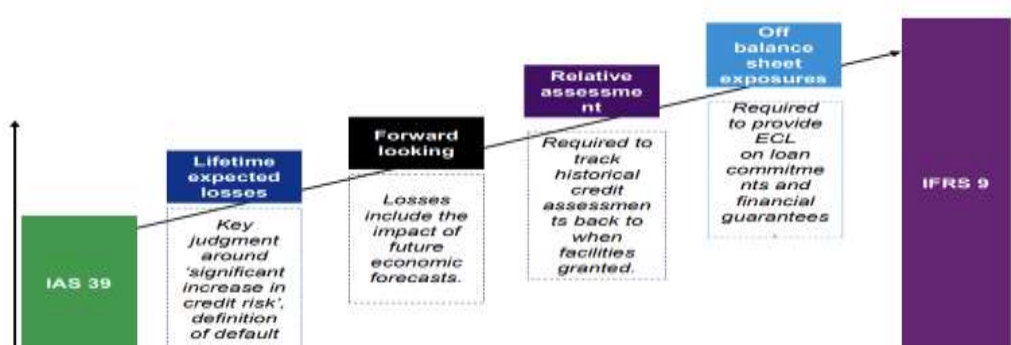
The standard defines credit loss as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original EIR.

- **When estimating the cash flows, an entity is required to consider:**
 - ✓ All contractual terms of the financial instrument (including prepayment, extension, and similar options) over the expected life; and
 - ✓ Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A summary of the general requirement to measurement of ECL is shown below:

Probability of default (PD) and loss rate approaches

The standard does not prescribe specific approaches to estimate ECLs. Some of the common approaches include the **PD** and loss rate approaches:



A-Probability-weighted outcome

The aim of estimating ECL is not to estimate worst case or best-case scenario. Instead, an estimate of expected credit losses shall always reflect the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss

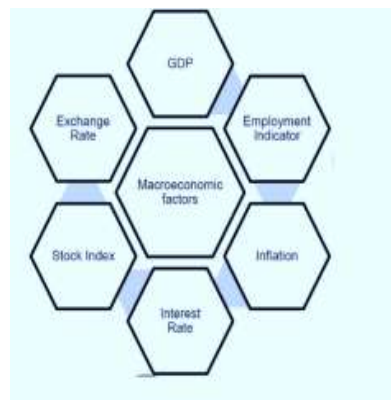
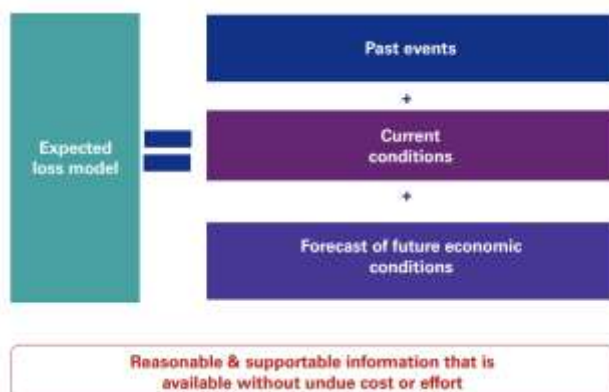
B-Loss rate approach

In this approach, not every entity calculates a separate risk of a default occurring and loss given default, but instead uses a loss rate approach. Using this approach, the entity develops loss-rate statistics on

the basis of the amount written must then adjust these historical and expectations about the



off over the life of the financial assets. It credit loss trends for current conditions future.



Measurement is carried out in the mentioned approaches, according to methods based on mathematical models such as Roll Rate method and the internal credit rating method.

Audit Evidence

The classification of financial assets and the measurement of expected credit losses involves professional judgments and the use of mathematical and statistical methods, which represents a challenge to the audit process. The ISA500 requires the auditor to obtain sufficient and appropriate audit evidence to obtain appropriate assurance for expressing an opinion, through a set of procedures, including:

- A- Evaluating the risks of material misstatement resulting from the inherent risk as well as, the use of estimates and assumptions in addition to the probability of occurrence and magnitude of misstatement (ISA315), thus designing and performing audit procedures based on the nature and extent of the risks of material misstatement and taking into account the controls facing the risk of misstatement and that they operate effectively (ISA330) ,
- B- Identifying the business models of the entity and the degree to which the measurement of the provision “accounting estimate” is subject to the uncertainty and that the models used are appropriate and the extent to which there are indications of the possibility of management bias and that the design of the models achieves the goal of classification and measurement in accordance with the requirements of “IFRS9”, and that sufficient disclosure related to uncertainty has been made (ISA540),
- C- Taking responsibility for consulting the engagement team on the assumptions and models applied for tabulation and measurement (ISA220),
- D- Documenting the procedures undertaken by the engagement team, including discussions with management and those charged with governance, who carried out the audit procedures, the date of completion of those works, the professional judgments that were taken in order to reach the conclusions of the audit (ISA230),
- E- Determining whether classification and measurement of the provision is one of the main audit matters that should be disclosed separately in the report (ISA701), or whether the assessment, accounting estimates related to classification and the measurement of the provision are misstated and the extent of significance of the misstatement and its impact on the financial statements and on the auditor’s opinion (ISA705).

**Lessons Learned:**

The article highlighted the importance of classifying financial assets and measuring expected credit losses as an application of “IFRS9”, which addressed a number of changes to the standard compared to IAS39, resulting in the quality and efficiency of the information used in the classification of the assets and the calculation of credit losses .This assisted SAI members in having determinants of the classification of financial instruments through the auditees’ business models and in auditing the assumptions and estimates of expected credit losses according to models reflecting historical losses, modified by forward-looking information.

The application of the standard has also led to a fundamental change, linking risk management activities to accounting, which helped in decision-making process, as well as providing information more appropriately, and making the measurement and risk disclosure process more accurate.

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