المنظمة العربية للأجهزة العليا
للرقابة المالية والمحاسبة
ARABOSAI

Fifty Years of Giving

Towards a Brighter Auditing Future



ISSUE 13

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The ARABOSAI 50 emblem surrounded by the flags of member countries.

PART 1

ARABOSAI 50

Golden Jubilee • Jordan • Historical timeline • Photographs



ARABOSAI celebrates fifty years of giving and of shaping the future of public-sector auditing in the Arab region.

Golden Jubilee

The Golden Jubilee brought together reflection on the past and a forward-looking vision for the future. By commemorating ARABOSAI's journey and its pioneers, documenting its institutional history and recognising researchers and contributors, the celebration underlined the importance of preserving the Organization's legacy and building on five decades of Arab cooperation in public-sector auditing.

The technical sessions — in particular the Scientific Seminar on Artificial Intelligence — reflected ARABOSAI's commitment to keeping pace with technological change and to exploring innovative ways of strengthening audit practice. The celebration was also a platform for strengthening professional relations among member SAIs and partners, exchanging experiences and identifying new avenues for cooperation.

50	1976	24 May	No. 88
years of giving	year ARABOSAI was established	Arab Day of Supreme Audit Institutions	special jubilee issue of the ARABOSAI Journal

> *"The Golden Jubilee is not only a celebration of fifty years of giving, but also a renewed commitment to advancing the auditing profession across the Arab region.*

Celebrating in Jordan

The Audit Bureau of the Hashemite Kingdom of Jordan hosted the celebration of ARABOSAI's 50th anniversary, welcoming Heads and representatives of member Supreme Audit Institutions (SAIs) and partners.



Heads and representatives of member SAIs at the Golden Jubilee celebration.

Opening remarks



President of the Audit Bureau of the Hashemite Kingdom of Jordan

Welcomed the participants and expressed his appreciation for the opportunity to host ARABOSAI's 50th anniversary.



President of the General Court of Audit of Saudi Arabia, Chair of the ARABOSAI Executive Council.

Described the anniversary as an occasion to reflect on five decades of cooperation, institutional development and professional contribution.



Acting Secretary-General of ARABOSAI

Traced the Organization's institutional journey since 1976 and its continuing role in fostering cooperation among Arab SAIs.



President of the Accountability State Authority of Egypt, Chair of the INTOSAI Governing Board

Emphasised the importance of cooperation between SAIs at regional and international levels.

Program highlights

IDENTITY

A new visual identity



The hashtag **#ARABOSAI_50**, together with the anniversary slogan “Towards a Brighter Auditing Future: Fifty Years of Giving” and a dedicated visual identity, accompanied the celebrations throughout the Golden Jubilee year.

HERITAGE

Honouring the pioneers and preserving institutional memory

A session celebrated ARABOSAI’s pioneers and its journey since 1976. A commemorative video presented the Organization’s major achievements and its contribution to cooperation among Arab SAIs, and a commemorative booklet was launched to document its history.

An exhibition of historical photographs, archival documents, official publications and the successive versions of the ARABOSAI logo illustrated the Organization’s evolution over five decades.



RECOGNITION

Scientific Research Awards

The winners of the Scientific Research Awards were announced and received awards and certificates in recognition of their contributions to research and professional knowledge in auditing, public financial management and related fields.





Presentation of the Scientific Research Awards.

DIALOGUE

Open Speech

An “Open Speech” session gave Heads of SAIs and their representatives the opportunity to share messages and reflections on the occasion of the Golden Jubilee.



Heads and representatives of SAIs during the Open Speech session.

PARTNERSHIPS

Messages from partners

Short video messages from partners highlighted the importance of cooperation and partnership in developing public-sector auditing.



Partner video messages screened during the celebration.

LOOKING AHEAD

Scientific Seminar on Artificial Intelligence

Held as part of the jubilee program, the seminar “Artificial Intelligence in the Service of Audit : Arab Experiences” explored how member SAIs are using new technologies to strengthen audit practice.

Photographs



At the podium



At the podium



At the podium

UNDER THE THEME

Towards a Brighter Auditing Future : Fifty Years of Giving

ARABOSAI looks ahead to a new chapter founded on its rich institutional legacy and driven by innovation, digital transformation, professional development, knowledge sharing and stronger cooperation among Arab SAIs.

Historical timeline

Key milestones mentioned in this issue, from ARABOSAI’s establishment to the Golden Jubilee year:

1976	ARABOSAI is established on **24 May 1976** — the date later chosen for the Arab Day of Supreme Audit Institutions.
2022	The Executive Council, at its **63rd session** (Doha, 20–21 March), adopts the “Arab Day of Supreme Audit Institutions”; the **14th General Assembly** (Jeddah) ratifies it.
2025	The Executive Council, at its **69th session** (December), adopts a common set of activities and initiatives for celebrating the Arab Day.
2026	A new composition of committees and working groups takes office after the **15th General Assembly** and the **70th Executive Council session**.
24 May 2026	The Arab Day coincides with the **50th anniversary**: a region-wide media campaign reaches its peak.
2026	The **Golden Jubilee** is celebrated in Jordan, and the *ARABOSAI Journal* prepares **Issue No. 88**, a special jubilee edition.

PART 2

ARABOSAI in Action

Training • Scientific meetings • Committees • Working groups



In 2026, ARABOSAI continued to implement its training programs and the meetings set out in the operational plans of its committees and working groups. The main activities are summarised below.

Training

TRAINING

Quality Management of Audit Reports in Accordance with ISSAI 140

DATE 20–23 April 2026 | **HOST** State Audit Bureau of Kuwait | **FORMAT** Remote |



The State Audit Bureau of Kuwait, in cooperation with the ARABOSAI General Secretariat, organised the course for trainees from Tunisia, Algeria, Saudi Arabia, Sudan, Syria, Somalia, Oman, Iraq, Palestine, Qatar, Kuwait, Lebanon, Libya, Egypt, Mauritania and Yemen.

Participants explored the concepts, principles and policies of quality management, its benefits for SAIs and its elements under ISSAI 140, and strengthened their ability to assure quality at both institutional and engagement level. Presentations and discussions were combined with practical case studies and experience sharing.

TRAINING

Mechanisms for Monitoring the Implementation of Audit Recommendations

DATE 19–21 May 2026 | **HOST Court** of Accounts of Morocco |

Organised by the Court of Accounts of the Kingdom of Morocco with the General Secretariat, the meeting brought together participants from Algeria, Bahrain, Tunisia, Syria, Sudan, Iraq, Qatar, Lebanon, Libya, Mauritania, Egypt, Morocco, Yemen and Saudi Arabia.



Effective follow-up of recommendations is essential if audit reports are to drive reform in audited entities. The meeting shared Arab experiences and leading practices, including digital monitoring of recommendations.

Scientific meetings

COORDINATION

First 2026 Coordination Meeting between the General Secretariat and the Executive Council Presidency

DATE Wednesday 8 April 2026



The meeting followed up on the decisions of the 69th and 70th sessions of the Executive Council and the 15th session of the General Assembly, reviewed progress on the 2026 training activities, and discussed ways to energise committees and working groups and to prepare the 71st session of the Executive Council.

It also addressed preparations for the 50th anniversary, the Arab Certified Auditor Fellowship Program and progress on digital applications.

PUBLICATIONS

Editorial Board of the ARABOSAI Journal

DATE 23–27 June 2026 | **MEETING** 29th |

Meeting for the first time in the composition approved by the 15th General Assembly, the Editorial Board prepared **Issue No. 88** of the Journal, a special edition marking the Golden Jubilee.



The Board reviewed articles submitted by member SAIs, committees and working groups against the approved scientific and quality standards, with a view to publishing the issue in a distinctive format.

Committees

Following the 15th session of the General Assembly and the 70th session of the Executive Council, which approved a new composition of committees and working groups, remote meetings were held to hand over responsibilities from outgoing to incoming chairs.

COMMITTEE

Capacity Development Committee

DATE 7 April 2026

At its 28th extraordinary meeting, the chairmanship passed from the **General Court of Audit of Saudi Arabia** to the **Court of Accounts of Tunisia**. The State Audit Bureau of Kuwait was elected Vice-Chair, and the 2026 operational plan was discussed.

COMMITTEE

Professional Pronouncements Committee

DATE 14 May 2026

At its 26th extraordinary meeting, the chairmanship passed from the **Accountability State Authority of Egypt** to the **Audit Bureau of Jordan**. The Financial and Administrative Control Bureau of Bahrain was nominated Vice-Chair.





Working groups

WORKING GROUP

Working Group on Monitoring the Sustainable Development Goals

DATE 6 April 2026 | **FORMAT** Remote



At its 13th extraordinary meeting, the chairmanship passed from the **Court of Accounts of Morocco** to the **Accountability State Authority of Egypt**. The Audit Bureau of Libya was nominated Vice-Chair, and the 2026 operational plan was discussed.

WORKING GROUP

Working Group on Information Technology Audit

DATE 23–24 June 2026 | **VENUE** Hammamet, Tunisia

Meeting in Tunisia, host country of the General Secretariat, the Working Group elected the Audit Bureau of Libya as Vice-Chair and updated its rules of procedure to align them with ARABOSAI's revised statutes.

Members reviewed the progress of the group's projects and specialised IT-audit training, discussed cooperation with INTOSAI and EUROSAI, planned scientific and training activities, and agreed the recommendations to be submitted to the next session of the Executive Council.

PART 3

ARABOSAI and the World

INTOSAI • EUROSAI • International cooperation • Fellowships



ARABOSAI and its member SAIs remained active in the international audit community in 2026, contributing Arab experience to INTOSAI and EUROSAI forums and opening new learning opportunities for auditors.

INTOSAI

SUSTAINABLE DEVELOPMENT GOALS

Annual Meeting of the INTOSAI Working Group on SDGs and Key Sustainable Development Indicators

DATE 15–16 April 2026 | **VENUE** Rabat, Morocco



The ARABOSAI Working Group on Monitoring the SDGs took part in the annual meeting of the INTOSAI working group (WGSDG), held under the theme “Exchanging Experiences and Best Practices on Sustainable Development Goals 1, 2 and 5” — eradicating poverty and hunger and promoting gender equality.

The Arab group presented national experiences in auditing the SDGs, shared good practice, and joined discussions on developing SDG audit methodologies. The participation supports the contribution of SAIs to the 2030 Agenda and to good governance.

INDEPENDENCE

International Seminar on the Independence of SAIs

DATE 30 June 2026 | **ORGANISERS** INTOSAI NICO, IDI and OECD | **FORMAT** Virtual

The seminar stressed that SAI independence does not rest on legal frameworks alone: it is also shaped by public trust, relations with stakeholders, organisational culture and the political and administrative environment.

Findings from recent international studies were presented, and SAIs from several continents shared good practices for strengthening independence, transparency and accountability.

PROFESSIONAL STANDARDS

New Edition of the INTOSAI Framework of Professional Pronouncements (IFPP) Competition

REGISTRATION 4 May – 31 July 2026



The INTOSAI Professional Standards Committee launched a new edition of its international competition on the IFPP to deepen knowledge of professional standards and encourage their proper application.

Participants sit online tests in two stages — regional and global — and international winners are recognised for their excellence, promoting a culture of quality and continuous learning.

CAPACITY BUILDING

INTOSAI Capacity Building Committee (CBC) Seminar

DATE 4 March 2026 | **FORMAT** Virtual

Held under the Match-Making Cooperation Project, the seminar examined complementary financing for SAI cooperation, including the **Saudi Fund for Improved SAI Performance**: its objectives, the operational needs it supports, and the conditions for applying. An interactive session answered participants' questions.

FINANCIAL STABILITY

INTOSAI Meeting on Debt and Financial Stability

DATE 10 February 2026 | **FORMAT** Virtual | **ARAB SAIS** Qatar, Egypt

The **State Audit Bureau of Qatar** and the **Accountability State Authority of Egypt** took part in a virtual meeting of the relevant INTOSAI working group under the theme "Debt and Financial Stability". Egypt's ASA presented a paper on "The Impact of Public Debt Management on Financial and Economic Stability — the Role of Supreme Audit Institutions".

PUBLIC DEBT

Annual Meeting of the INTOSAI Working Group on Public Debt

DATE 3–5 June 2026 | **VENUE** Cairo, Egypt

Hosted by the **Accountability State Authority of Egypt**, the meeting was attended by several Arab SAIs, including the **State Audit Bureau of Kuwait** and the **Central Organization for Control and Auditing of Yemen.**

EUROSAI

IT AUDIT

EUROSAI IT Working Group e-Seminar: "From Data to Results – Shortcuts to Enhance Audit Efficiency"

DATE 14 April 2026 | **ARAB SPEAKERS** Kuwait, Egypt



The ARABOSAI Working Group on IT Audit took part in the e-seminar organised by the EUROSAI Information Technology Working Group (ITWG). Speaking for the ARABOSAI community, the State Audit Bureau of Kuwait and the Accountability State Authority of Egypt presented their practice in using data analytics and digital tools to raise audit quality and efficiency.

The participation reflects ARABOSAI's commitment to knowledge exchange, innovation and openness to leading international practice in IT auditing.

International cooperation

RISK MANAGEMENT

RIX26 Global Risk Management Connect

DATE 10–12 February 2026 | **VENUE** Türkiye

The General Secretariat, the Court of Accounts of Tunisia, the State Financial and Administrative Control Authority of Oman and the Accountability State Authority of Egypt took part in RIX26, held under the theme "Empowerment for a More Flexible Future".

Oman presented its experience of integrating enterprise risk management with strategic planning, quality management, crisis management, business continuity and foresight — an experience selected as a leading regional practice for a specialised international session on risk-management maturity (see the article in Part 5).

REGIONAL COOPERATION

Technical Committee of the GCC Supreme Audit Institutions

MEETINGS 27th (16 Feb) and 28th (19 May 2026) | **FORMAT** Remote

The State Audit Bureaus of Qatar and Kuwait took part in the two meetings, which aimed to strengthen the Committee's role and continue its work until June 2026, following its launch on the sidelines of the ARABOSAI General Assembly in Jeddah.

Fellowships

6 months	3 months	2026–27
Arab Certified Auditor Fellowship (online)	GAO International Auditor Fellowship	IDI PESA program

ARABOSAI PROGRAM

Second Edition of the Arab Certified Auditor (ACA) Fellowship Program

START 30 July 2026 | DURATION Six months | FORMAT Fully online



The General Secretariat, in cooperation with the General Court of Audit of Saudi Arabia, launched the second edition of the program to strengthen auditors' professional competence in financial audit in line with professional standards and good practice. Online delivery allows wider participation from member countries.

IDI PROGRAM

PESA – Professional Education for SAI Auditors

LAUNCH 18 February 2026 | EDITION 2026–2027

The INTOSAI Development Initiative (IDI) launched a new edition of PESA, which develops the skills of new auditors in financial, performance and compliance audit in line with the latest ISSAIs.

The multilingual program combines self-paced learning, virtual classes, practical exercises and progress reviews under the guidance of international experts and academic supervisors.



GAO PROGRAM

International Auditor Fellowship Program (IAFP)

NOMINATIONS until 15 October 2026 | PROGRAM 31 March – 30 June 2027

Nominations opened for the fellowship offered by the U.S. Government Accountability Office (GAO) to INTOSAI member SAIs. Fellows work in an advanced audit environment and gain practical experience in financial audit, performance audit and risk management, combining theory with hands-on application.

PART 4

Audit in the Digital Age

AI • Big Data • Cybersecurity • Digital transformation



Artificial intelligence, big data and digital platforms featured prominently in ARABOSAI's 2026 program — from scientific meetings to hands-on training and a new platform for monitoring the strategic plan.

Artificial intelligence

SCIENTIFIC MEETING

The Use of Artificial Intelligence in Auditing

DATE 27 April 2026 | **FORMAT** Remote (Microsoft Teams)



Jointly organised by the General Secretariat and the State Financial and Administrative Control Authority of Oman, the meeting brought together experts from the UAE, Bahrain, Tunisia, Oman, Saudi Arabia, Somalia, Iraq, Palestine, Qatar, Kuwait, Egypt, Morocco and Yemen. Its aims were to:

- strengthen the efficiency and accuracy of audit processes;
- support the use of AI in fraud detection and risk prediction;
- explore the technical, legal and ethical challenges of these technologies.

TRAINING

Developing and Using AI Agents in Auditing

DATE 26–30 June 2026 | **VENUE** Hammamet, Tunisia |

Hosted by the General Secretariat under the 2026 operational plan of the Working Group on IT Audit, the course combined practical sessions and interactive workshops on the latest concepts and technologies for AI agents, and participants built prototypes that can support audit work.

The training is part of ARABOSAI's effort to promote innovation and encourage the use of modern technologies that improve the quality and effectiveness of audit.

Big data

SCIENTIFIC FORUM

"Spring of Technology" – 2nd Edition

DATE 25 June 2026 | **OCCASION** Meeting of the Working Group on IT Audit

Held under the theme "Harnessing Big Data and Intelligent Automation to Support Audit and Accountability: Opportunities and Challenges", the forum brought together IT specialists from Arab SAIs, partners, academics and experts to share experience and keep pace with the latest technologies supporting audit.



Cybersecurity

CERTIFICATION

Preparing Information Systems Auditors for CISA Certification

DATE 19–28 April 2026

CISA Certified Information Systems Auditor An ISACA® Certification

A specialised program prepared participants for the Certified Information Systems Auditor (CISA) certification, strengthening Arab expertise in digital auditing, cybersecurity and IT governance.

It covered information-systems governance, technology governance, risk assessment and the protection of information assets, with practical training and mock examinations.

Digital transformation

INNOVATION

A Platform for Monitoring the Strategic Plan

DEVELOPER Audit Bureau of Libya | **STAFF TRAINING** 17–22 April 2026



The Libyan team and General Secretariat staff after the training on the new platform.

In support of digital transformation, the **Audit Bureau of Libya** developed an integrated platform for managing and monitoring the implementation of ARABOSAI's strategic plan. Its interactive dashboard tracks the projects and activities of each committee against precise achievement indicators, giving a complete view of the six-year strategic plan and the annual operational plans and supporting data-driven decisions.

Libyan experts trained General Secretariat staff on the platform's functions, and certificates of appreciation were presented to the project team. The initiative is a successful model of Arab technical support and experience sharing.

> *"*
>
> *Data-driven monitoring of the strategic plan strengthens planning, monitoring and evaluation across ARABOSAI.*

PART 5

Voices from Member SAIs

Selected professional articles



Iraq



Oman



Tunisia



Libya

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04	**Navigating New Horizons: My Evolution as an Engineer at the Federal Board of Supreme Audit**	IRAQ
05	**From Risk Management to Decision Support**	SULTANATE OF OMAN
06	**Mitigating Hallucination Risks in Generative Artificial Intelligence: Strategies and Tools for Reliable Auditing**	TUNISIA
07	**A Labena Initiative in Recruitment and its Role in Supporting Sustainable Development**	STATE OF LIBYA
08	**Knowledge Transfer Strengthens Institutional Capacity at the Libyan Audit Bureau under the GIZ Cooperation Project**	STATE OF LIBYA

Eight articles contributed by member SAIs, reproduced as submitted by their authors. The views expressed are those of the authors.

IRAQ

A Success Story in the Federal Board of Supreme Audit: From Academic Ambition to the Reality of Smart Auditing

Dr. Anmar Hani Mohammed
Financial control

Introduction: Passion Paving the Way for Excellence and Institutional Integrity

The Federal Board of Supreme Audit (FBSA) stands as the impenetrable fortress for protecting public funds and serves as the fundamental pillar for enhancing transparency, institutional accountability, and sound governance in Iraq. Joining an esteemed and historical institution of this magnitude is not merely a routine employment opportunity; rather, it is a profound national responsibility and a pioneering milestone that elevates professionalism, integrity, and dedication to the nation's assets.

This narrative embodies a journey of relentless passion and determination. It began with an ambitious academic concept in 2019 and culminated in remarkable success in 2023, when the dream transformed into reality upon officially joining the FBSA's staff. The journey of continuous self-improvement, institutional development, and ongoing elevation continues to this day, turning aspirations into a living, practical reality.

First Milestone: The Initial Seed and Early Innovation (2019)

The details of this journey began well before my official induction into the Board, when I earned my Higher Diploma in Auditing and Accounting Review. My academic thesis, which crowned this stage, carried a forward-looking and distinctive title reflecting a futuristic vision of regulatory work:

"The Use of Artificial Neural Networks in Determining Audit Risks: A Case Study at the Federal Board of Supreme Audit"

Why this specific title and specialization?

- **Institutional and Emotional Attachment:** I harbored an intense and persistent desire to work at the Federal Board of Supreme Audit. I found in this research a golden opportunity to bridge theoretical academic concepts with the practical, field reality of this venerable institution, making my thesis a window through which I could survey the work environment I had long aspired to join.
- **Early Technical Foresight:** At an early stage, I fully realized that traditional auditing and review methods alone were no longer sufficient to cope with the rapid and massive developments in the complexities of financial work and the diversification of economic transactions. From this perspective, I oriented toward integrating modern, advanced technologies such as artificial intelligence and artificial neural networks to model and forecast audit risks with high precision and objectivity, preventing errors before they occur.

Second Milestone: Realizing the Dream and Refining Accounting and Auditing Expertise (2023)

In 2023, the grand dream materialized. Patience and effort paid off as I officially joined the family of the Federal Board of Supreme Audit as a Financial Auditor.

This transition was not merely securing a routine government job; it was a major, pivotal turning point in my professional and personal career. The Board provided me with a highly stimulating work environment alongside senior leaders and experts whose venerable experiences were generously shared. Through daily field practice and direct engagement with hundreds of meticulous files, contracts, and data sets:

- My expertise evolved significantly and profoundly in understanding and dissecting the accounting process entirely, starting from initial source documents all the way to final financial statements and reports.
- I became capable of auditing financial data with exceptionally high professional accuracy, acquiring the ability to detect flaws and accounting deviations with remarkable skill and speed.

This profound understanding of accounting and regulatory cycles prompted me to continuously think strategically about a core, ongoing question:

"How can we align and apply the latest international accounting and regulatory standards using modern technology and artificial intelligence tools?"

Third Milestone: Breaking Language Barriers and Expanding Cognitive Horizons (Continuous Learning)

The absolute belief that development never ceases, and that a true financial auditor must keep pace with the rapid wheel of global knowledge, drove me to step out of my comfort zone and transcend traditional challenges.

To keep abreast of the latest global methods and research published exclusively in English in the fields of intelligent auditing, big data financial analysis, and the meticulous application of international standards, I made a bold decision to pursue specialized academic studies in another language:

- I enrolled in the College of Arts / Department of Translation and successfully graduated.
- This vital step enabled me to completely break the language barrier, granting direct access to foreign publications, peer-reviewed global academic studies, and working papers and reports issued by international organizations for financial and accounting auditing (such as INTOSAI and other global professional bodies).
- This unique cognitive diversity—bridging advanced accounting auditing, artificial intelligence sciences, and precise translation skills—allowed me to deliver advanced analytical insights keeping pace with the latest international professional practices.

Fourth Milestone: Toward Smart and Sustainable Financial Auditing

Combining practical accounting expertise acquired in the fields of the Federal Board of Supreme Audit with academic research backgrounds in neural networks and artificial intelligence, alongside English language proficiency to track the latest global developments, has forged a comprehensive vision regarding the future of regulatory work.

Today, supreme audit institutions urgently need a gradual transition from traditional, physical sampling audits to intelligent auditing reliant on Big Data analytics and predictive models. This requires us to continue learning, embrace innovative ideas, and develop internal systems to align with the Fourth Industrial Revolution, ensuring the highest levels of efficiency and effectiveness in protecting public funds and combating waste through cutting-edge scientific methods.

Conclusion: A Vision for the Future and Fulfillment of the Regulatory Mission

My success story at the Federal Board of Supreme Audit is merely a luminous page in a voluminous book written daily by hundreds of competent, loyal financial auditors striving to elevate this venerable institution and protect the nation's resources.

The paramount lesson learned from this long journey is that genuine passion paired with pre-planned scientific strategy, robust practical experience, and relentless continuous learning is capable of turning distant wishes and ideas into fruitful, successful institutional reality.

I always aspire, with utmost resolve and determination, to remain an active and ongoing participant in the digital and technical development journey of the Federal Board of Supreme Audit, so that together we may elevate the tools of financial and accounting auditing to broader and more comprehensive horizons that serve the supreme interest of the nation and safeguard public funds with absolute efficiency, effectiveness, and transparency.

IRAQ

Bank Fraud in Iraq and Cases of Currency Smuggling Using Financial Transfer Platforms and the Necessary Corrective Measures

Dr. Mohammed Abdul Jabbar Hikmat
Specialist in Electronic Financial and Accounting Control Systems
Head of the Federal Financial Control Authority

The development of electronic payment platforms has posed a challenge to the elites responsible for formulating and implementing financial, monetary, and regulatory policies in keeping pace with the global trend towards financial systems technology and oversight of electronic transactions. As a result, a set of controls and guidelines were issued to regulate and develop the financial and banking sector, govern digital operations, and enhance cybersecurity. International standards related to security controls, the electronic transaction security standard, and the user security standard for the SWIFT system were adopted to protect the integrity of the global financial network by imposing cybersecurity standards on all system users. Despite this, these measures have not been sufficient to curb currency smuggling and money laundering operations due to the evolving methods of financial crime. Therefore, countries are resorting to activating the role of citizens in reporting financial crimes and strengthening oversight mechanisms to address shortcomings in electronic regulatory systems. For example, in Iraq, a criminal gang exploited a flaw in the currency transfer platform to verify the discrepancy between the quantities of fertilizers to be imported and the actual imports. The bank was informed of suspected smuggling by a private company (S) that was using its contract with the government to construct and equip infrastructure in Iraq to smuggle currency. The company had repeatedly attached the government contract to the currency transfer platform and directed the smuggled funds to more than one country. The transfers were made to beneficiaries in two different countries, country (A) and country (B). The transfer to country (A) was to cover the import amount, while the reason for the transfer to country (B) was unclear. After contacting the counterpart financial intelligence unit in country (B) to inquire about the destination of the transfer, it was confirmed that the funds were sent to a company that had not exported anything to Iraq! After the oversight team analyzed the documentary credit data for the transfers, it became clear that the amount transferred to country (A) covered all import obligations. The audit revealed the absence of an electronic database to calculate the quantity of contracted imported goods and compare it with the amount of funds transferred abroad. Oversight operations remain fragmented due to the lack of interconnection between the Ministries of Trade and Finance, the Central Bank of Iraq, and higher oversight bodies. Furthermore, there is no electronic database to compare import licenses with the actual volume of imported goods, due to the lack of interconnection between the Ministry of Trade and relevant ministries.

In another instance, currency smuggling was uncovered through international research and consulting contracts. The director of the financial company established a company abroad specializing in research and consulting activities, exploiting the absence of a legal requirement for consulting firms to submit detailed technical reports on their work. This company failed to provide the necessary technical reports accurately describing the results of its work in developing, operating, and resolving issues with electronic money transfer systems for beneficiaries, amounting to $1.5 million annually. The oversight team's procedures required the company to submit technical reports along with the invoices to verify the value of the benefit, in addition to tasking the relevant department with investigating the financial violation.

In another case, gangs exploited loopholes in the regulations to smuggle a large number of international electronic cards through airports and border crossings. They offered financial rewards to some travelers to smuggle the cards, which belonged to unsuspecting individuals, out of the country. These cards, pre-loaded locally in Iraqi dinars by the smugglers, were then used by someone abroad. The funds were withdrawn from the cards abroad, specifically during periods of exchange rate discrepancy between the official rate set by the Central Bank of Iraq and the parallel market rate. The funds were withdrawn in UAE dirhams, with the UAE bank's commission deducted. The government's

actions included arresting several smugglers before they could leave Iraq on charges of currency smuggling, based on the Iraqi Anti-Money Laundering Law. The judiciary also issued three-year prison sentences for the owners of the smuggled bank cards for misusing their electronic cards. Audit committees were formed to investigate smuggled cards and those confiscated by the Airports and Border Crossings Inspection Department. The investigation and sentencing of the perpetrators took two years.

In another case, Chinese authorities uncovered a criminal network using inactive electronic cards to smuggle US dollars out of the country. The regulatory authorities investigated a sample of newly opened accounts that were transferring funds abroad via electronic platforms. They found that the transactions of more than 100 accounts, using electronic cards through these platforms, exceeded $50,000 (fifty thousand dollars) in purchases of goods outside of China, totaling millions of dollars. The beneficiaries (recipients of the funds) abroad then transferred the funds back to the original account holders (return dollars) through domestic purchases made outside of China. Based on the initial investigation, the Chinese regulatory team expanded the scope of the audit, examining more than one million transactions exceeding $50,000 across ten different transfer amounts. The authorities categorized the transaction methods, employee characteristics, and types of crimes, identifying hundreds of individuals involved. Chinese law enforcement agencies arrested 26 suspects.

The investigation led to the dismantling of six large clandestine banking networks. Authorities raided 21 locations and confiscated criminal equipment such as computers and ready-to-use, inactive bank cards. The defendants were tried, and the sentences were tailored to civil and anti-money laundering laws due to the lack of proactive measures to deter such cases.

In New Zealand, money laundering activities were uncovered through the international electronic import and export of Company Z. The New Zealand Financial Intelligence Unit received a notification concerning Company Z, which was engaged in electronic import and export of goods. The company's accounts showed unjustified deposits and payments made to electronic cards without any corresponding financial obligations, according to the company's records. The audit was expanded to include companies dealing with Company Z. The investigation concluded that Company Z was engaged in fictitious business activities and money laundering. The audit report was then referred to the enforcement authorities for adjudication. The investigation resulted in regulatory authorities taking steps to curb suspicious activities of Company (Z) by auditing the activities of companies with which Company (Z) dealt.

In Singapore, money laundering operations were discovered through electronic transfers to the account of a person (A) who was not engaged in any business activity. The Singaporean regulatory team received a complaint that person (A), who worked as an accountant for Company (B), registered in Singapore, was receiving repeated deposits from foreign companies into his personal account, despite having no ownership stake in the company. Person (A) withdrew all the funds in cash without transferring them to other corporate entities. The financial investigation conducted by the regulatory team resulted in the Anti-Money Laundering Office seizing a total of $2.5 million (two million five hundred thousand US dollars) from suspect (A). Investigations revealed that suspect (A) embezzled $46.2 million (forty-six million two hundred thousand dollars) from company (B) and its foreign subsidiaries by falsifying import invoices. Suspect (A) was sentenced to 18 years in prison for breach of trust and money laundering.

In China, the government also implemented precautionary measures in managing foreign exchange and regulating withdrawals on international electronic cards, which contributed to a reduction in overall cash withdrawals. According to the State Administration of Foreign Exchange's notice on regulating cash withdrawals and countering cash withdrawals from bank cards abroad, cash withdrawals from individual bank cards abroad are limited to the equivalent of 100,000 Chinese yuan annually (approximately $140,000 USD). Withdrawals are permitted up to the equivalent of $2,780 USD, and in some cases, $4,172 USD annually. This measure aims to reduce the total number of overseas cash withdrawals from domestic bank cards by mitigating the risk of uncontrolled cash withdrawals and transfers to the end user. By keeping funds within the electronic card, these transfers are easily tracked.

IRAQ

Beyond the Paper Trail: The TRACE Model for Digital Customs Auditing

Lessons from Iraq's ASYCUDA Experience

Dr. Nadia Adhal Jebur Al Hchaimi

Abstract

Digital transformation is changing not only how governments deliver services, but also where audit evidence is created and how public accountability can be tested. Automated customs systems illustrate this shift: declarations, approvals, payments and releases increasingly exist as data, system rules, access privileges and electronic logs. Iraq offers a timely institutional example. In 2026, the Federal Board of Supreme Audit of the Republic of Iraq developed an audit program for the Automated System for Customs Data (ASYCUDA), in cooperation with the Netherlands Court of Audit and in accordance with INTOSAI standards (ARABOSAI, 2026). This article draws professional lessons from that experience and proposes the TRACE Model - Traceability, Rights and Roles, Accuracy and Integrity, Continuity and Connectivity, and Evidence and Exceptions – as an author-developed lens for auditing digital public systems. TRACE does not replace INTOSAI guidance; it translates relevant principles into five memorable audit questions that Supreme Audit Institutions (SAIs) may adapt.

Keywords: digital audit; ASYCUDA; Supreme Audit Institutions; INTOSAI; customs audit; data analytics; digital assurance.

1. When the Audit Trail Becomes Digital

Digital transformation changes where accountability is located. In a paper environment, auditors follow declarations, approvals, receipts and accounting records. In digital customs, much of that sequence may be embedded in software configurations, workflows, access privileges, logs, interfaces and databases. The audit trail has not disappeared; it has changed form.

For public auditors, it is no longer sufficient to ask only whether an individual transaction was correctly recorded. Auditors must also consider whether the digital environment that generated, processed, authorised and preserved the transaction can be relied upon. GUID 5100 provides guidance for performance and/or compliance audits of information systems and for informationsystems audit work within broader financial, compliance or performance engagements. ISSAI 100 keeps professional judgement, scepticism, audit evidence, documentation, reporting and follow-up at the centre of public-sector auditing (INTOSAI, 2019a, 2019b).

> *When government evidence becomes digital, audit capability must follow the evidence.*

2. Iraq's ASYCUDA Experience: From Digitalisation to Auditability

Iraq's customs modernisation provides a significant setting in which this shift can be observed. UN Trade and Development reported the deployment of ASYCUDAWorld in Iraq and stated that customs revenue at Baghdad International Airport increased by more than 215% during JanuaryMay 2024 compared with the same period in 2023 (UNCTAD, 2024). This figure should not be treated as proof that technology alone caused the increase; rather, it shows the fiscal significance of activity increasingly processed through a digital customs environment.

Against this background, ARABOSAI reported on 2 May 2026 that the Federal Board of Supreme Audit of Iraq had prepared an audit program for ASYCUDA in cooperation with the Netherlands Court of Audit and in accordance with INTOSAI standards. The program was implemented by a specialised committee with the participation of audit expertise from customs centres, with the aim of improving audit efficiency and reinforcing transparency (ARABOSAI, 2026).

Its wider significance lies not in one software platform, but in the institutional transition it represents: from auditing transactions produced by government systems to also examining the reliability of the digital environment that produces those transactions.

3. The TRACE Model: Five Questions for Digital Public Audit

Building on ISSAI 100, ISSAI 400, GUID 5100 and GUID 5101, this article proposes a practical five-dimensional lens: TRACE. It is an author-developed framework, not an INTOSAI standard. Its purpose is to organize core digital-audit considerations clearly.

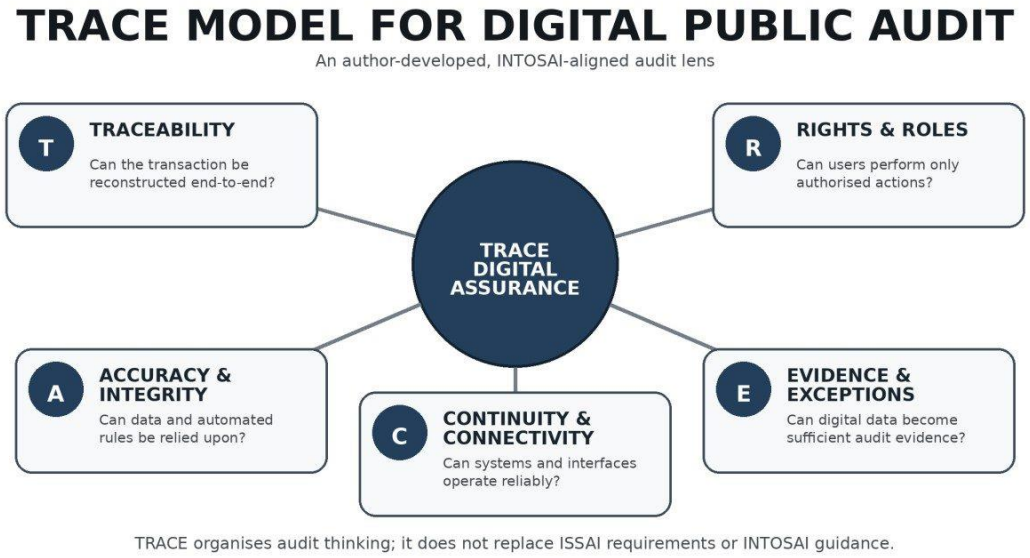


Figure 1. TRACE Model for Digital Public Audit (author-developed).

T - Traceability: Can a significant transaction be reconstructed from beginning to end? Auditors should determine who initiated and approved an action, what changed and whether overrides were recorded. Electronic logs provide meaningful assurance only when they are complete, protected against unauthorized alteration, appropriately retained and capable of linking an original transaction to later changes and approvals.

R - Rights and Roles: Can users perform only the actions appropriate to their authorized responsibilities? Audit attention should extend to privileged users, conflicting roles, inactive accounts, approval powers, access changes and segregation of duties. GUID 5101 provides specific guidance for compliance audits of information security and emphasizes controls supporting the confidentiality, integrity and availability of information (INTOSAI, 2026). Access rights are therefore part of the chain of public accountability, not merely a technical concern.

A - Accuracy and Integrity: Can the SAI rely on the data and automated rules used to process public transactions? Automation may reduce some manual errors, but an incorrectly configured rule can reproduce an error across a large population. Auditors should connect legislation and authorised procedures with system configuration, master data, automated calculations, amendments and outputs. Data analytics can then help identify duplicates, repeated changes, or unusual patterns that require professional examination. Evidence from Egypt found that big data and data analytics had a significant positive effect on the audit process and auditor competence, reinforcing the importance of analytics and capability development together (Abdelwahed, Abu-Musa, Badawy, & Moubarak, 2025).

C - Continuity and Connectivity: Can the system continue operating reliably, and can information moving between systems be trusted? Public systems rarely operate in isolation. Auditors should consider interfaces, rejected

transactions, reconciliation mechanisms, backups, recovery arrangements and continuity procedures. A reliable core application is not enough if important information can be lost, duplicated or altered during transfer.

E – Evidence and Exceptions: Can digital information be converted into sufficient, appropriate and decision-useful audit evidence? Analytics can highlight unusual values, abnormal timing, repeated overrides or exceptional approvals. Yet an anomaly is not automatically an audit finding. Technology identifies patterns; the auditor evaluates their meaning against criteria, materiality, legality and context. This preserves the professional judgement and scepticism required by ISSAI 100 (INTOSAI, 2019b).

4. Why TRACE Matters Beyond Customs

Although inspired by ASYCUDA, TRACE can be adapted to taxation, procurement, payroll, social transfers, treasury operations and electronic payment systems. It turns one institutional experience into a transferable learning tool for the ARABOSAI community.

The Iraqi experience also demonstrates the importance of multidisciplinary audit teams. A digital customs platform sits at the intersection of legislation, public revenue, accounting information, operational procedures, information technology and information security. Auditors need not become software engineers, but teams require enough technical and domain competence to understand how digital controls affect legality, reliability and accountability.

The same logic supports cooperation between SAIs. Digital government is evolving faster than many institutions can develop specialised capability internally. ARABOSAI's account confirms that the Iraqi program combined cooperation with the Netherlands Court of Audit and participation by audit expertise from customs centers (ARABOSAI, 2026). This combination suggests a practical route for linking external professional exchange with domestic field knowledge.

5. From Periodic Inspection to Digital Assurance

Digital systems generate structured information continuously. Where mandate, access, safeguards and technical capacity permit, SAIs can use it to widen testing, identify exceptions earlier and focus audit effort on areas requiring deeper professional examination.

This does not mean replacing auditors with algorithms. The more credible direction is human judgement amplified by digital evidence. Technology can process volumes of data that no audit team could examine manually, but it cannot independently determine the public significance of an exception. The auditor remains responsible for connecting evidence with criteria, legality, materiality, context and accountability.

Conclusion

Iraq's ASYCUDA audit program is important not simply because it concerns a modern customs platform, but because it reflects a broader evolution in public-sector assurance. As government transactions move from paper files to digital platforms, SAIs must increasingly follow the audit trail into databases, access rights, system configurations, interfaces and electronic logs.

The TRACE Model - Traceability, Rights and Roles, Accuracy and Integrity, Continuity and Connectivity, and Evidence and Exceptions - offers a concise way to organise that journey while remaining anchored in INTOSAI principles. Its central message is straightforward: the enduring purpose of public audit has not changed, but the evidence is changing.

When the evidence becomes digital, public audit must become digitally capable - without becoming professionally less human.

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ARABOSAI PROFESSIONAL EXPERIENCE & GROWTH NARRATIVE • IRAQ

Navigating New Horizons: My Evolution as an Engineer at the Federal Board of Supreme Audit

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Starting a career within a Supreme Audit Institution (SAI) is rarely a linear path, especially for a young engineer stepping straight into the intricate world of financial oversight, public accountability, and regulatory compliance. When I first joined the Federal Board of Supreme Audit (FBSA), the transition from theoretical engineering to rigorous administrative and financial control felt overwhelming. With no prior background in auditing, I initially grappled with a deep sense of detachment—a feeling of not quite belonging in such a vast, complex regulatory machinery.

Like many newcomers, the sheer weight of unfamiliar frameworks and financial terminology created a daunting barrier. When assigned to my very first project site visit, I vividly remember feeling deeply anxious about how to carry myself as both an engineer and a financial auditor, coupled with an underlying fear of failure. However, this exact fear became my greatest driver, compelling me to invest extra hours, put in double the effort, and push past my limits to keep pace with seasoned colleagues. Over time, this persistent dedication helped me forge my own distinct methodology for tackling professional challenges, turning early isolation into a steady, proactive drive.

> *"Stepping onto the site, I was struck by an immense sense of responsibility given the massive scale of the project; this realization drove me to be exceptionally meticulous in verifying completion rates and execution accuracy."*

A pivotal turning point in this journey came through active field engagement. Moving beyond office desks to participate in technical site inspections—most notably for the Right Bank Riverfront Development Project in Mosul—completely reshaped my perspective. Walking the ground alongside multidisciplinary audit teams allowed me to witness firsthand how structural engineering execution intertwines with financial allocation and contractual compliance, transforming abstract knowledge into sharp oversight skills.

True growth within an SAI, however, requires pushing beyond one's comfort zone. Beyond engineering inspections, I chose to expand my professional scope into legal contract auditing and financial data analysis. Among the most rigorous challenges I faced was my very first contract audit—a vital infrastructure project involving the reconstruction of a road in the Al-Aden area of Mosul. Navigating this initial contract demanded that I intensely develop my legal and accounting competencies from scratch, carefully examining disbursement mechanisms and ensuring strict adherence to regulatory instructions.

Collaborating with financial audit teams to analyze budgetary records, combined with mastering complex governmental agreements, broadened my technical perspective. Through dedication and cross-functional immersion, this multifaceted approach culminated in a deeply rewarding milestone: authoring and issuing more than ten official contract audit reports within a single year.

Looking back, this transformative year taught me a lasting lesson. No matter how competent one might feel within a specific specialization, there is always room to evolve, and exploring diverse fields is essential to truly broaden one's professional horizons.

In conclusion, this journey from an uncertain newcomer to a confident auditor has shown me that professional excellence is not achieved by avoiding challenges, but by confronting them head-on. For young professionals embarking on a similar path within the ARABOSAI community, embracing new environments with resilience, continuous learning, and intellectual curiosity remains the ultimate key to elevating audit quality, ensuring transparency, and protecting public resources for future generations.



Site Inspection & Field Documentation

SULTANATE OF OMAN

From Risk Management to Decision Support

Oman SAI's Journey toward Integrated Enterprise Risk Management

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From Managing Risks to Anticipating Them

Supreme Audit Institutions (SAIs) operate today in an increasingly complex environment. Digital transformation, emerging technologies, artificial intelligence, cybersecurity threats, changing stakeholder expectations, and growing demands for timely and high-impact audit work are reshaping both institutional management and public-sector auditing. In such an environment, risk management can no longer be viewed merely as a supporting function or a periodic exercise to maintain a risk register. It needs to become an integral part of how an institution plans, prioritizes, makes decisions, and prepares for uncertainty.

This reflects the broader principles of ISO 31000, which emphasize the integration of risk management into organizational activities, governance, strategy, and decision-making (International Organization for Standardization [ISO], 2018). Recognizing this shift, the State Financial and Administrative Audit Authority (SFAA) of the Sultanate of Oman has developed an integrated Enterprise Risk Management (ERM) approach aimed at embedding risk-based thinking across institutional processes and supporting the achievement of strategic and operational objectives. The journey has gradually moved risk management beyond the identification and documentation of risks toward a broader objective: using risk information to support decision-making, strengthen institutional resilience, and enhance the effectiveness of audit work.

Building a Structured Enterprise Risk Management Approach

SFAA developed its ERM approach in alignment with the principles of ISO 31000, establishing a structured process for identifying, analysing, evaluating, treating, monitoring, and reviewing risks (ISO, 2018).

The approach covers both strategic and operational risks and provides a common methodology that enables organizational units to assess risks consistently. Risks are assessed based on their likelihood and impact, while existing controls are considered to determine the level of residual exposure.

Appropriate risk treatment measures are then identified, responsibilities are assigned to risk owners, and relevant indicators support ongoing monitoring. This process provides greater clarity regarding not only what could affect the achievement of objectives, but also who is responsible for managing the risk, what actions are required, and how changes in exposure can be monitored over time.

However, the most important development was not the creation of risk registers or assessment tools themselves. It was the gradual integration of risk management into the wider institutional management system.

Connecting Risk with Strategy, Operations, and Quality

One of the key lessons from SFAA's experience is that risk management creates greater value when it is directly connected to organizational objectives. This is consistent with ISO 31000, which positions the creation and protection of value and integration into organizational activities among the foundations of effective risk management (ISO, 2018).

Accordingly, risks are linked to strategic and operational objectives, enabling the Authority to identify uncertainties that may affect the achievement of intended results. Risk treatment measures can consequently be reflected in relevant initiatives and operational activities.

This connection strengthens the relationship between strategy, risk, and performance. Instead of asking only: "What are our major risks?" the organization can also ask: "Which objectives are most exposed to uncertainty, and what should we do to increase the likelihood of achieving them?" The approach also promotes integration between risk

management and quality management. Risk assessment results can contribute to identifying areas requiring improvement and closer monitoring, while quality processes can provide valuable inputs on weaknesses, recurring issues, and opportunities for institutional development.

This integrated approach reduces the possibility of different management systems operating in isolation and provides a more coherent view of institutional performance.

A Dual Perspective: Institutional Risk and Risk-Based Audit Planning

For a Supreme Audit Institution, risk management can create value at two interconnected levels.

The first is institutional risk management: Like any organization, an SAI faces strategic and operational risks that may affect its ability to fulfil its mandate and achieve its objectives. These risks may arise from technological developments, human capital, information security, organizational processes, stakeholder expectations, or external changes. Understanding these risks supports management in determining priorities and strengthening institutional preparedness.

The second level is the application of risk-based thinking to audit planning.

Risk assessment principles can support the identification and evaluation of risks associated with entities, sectors, activities, and areas subject to audit. This provides an additional basis for prioritizing audit activities and directing available resources toward areas of higher risk and significance. This approach is consistent with the SAI Performance Measurement Framework, which recognizes the application of a risk-based methodology in determining audit priorities and selecting audits or controls to be carried out (INTOSAI Development Initiative [IDI], 2025).

The two perspectives therefore complement each other: Enterprise Risk Management strengthens the SAI's ability to achieve its own objectives, while risk-based audit planning helps direct audit resources toward areas where oversight can generate greater value and impact.

This dual perspective represents an important opportunity for SAIs seeking to strengthen both institutional management and the effectiveness of their audit activities.

From Risk Management to Institutional Resilience

Another important lesson from the experience is that managing identified risks alone is not sufficient. Institutions must also be prepared for disruptive events that may occur despite preventive controls. SFAA has therefore worked to strengthen the relationship between risk management, crisis management, and business continuity. Risk information provides an important foundation for identifying potential disruptive scenarios and understanding their possible effects on critical activities. This connection allows the organization to move from asking how a risk can be prevented or reduced to considering a broader question: "If the event occurs despite our controls, how prepared are we to respond, maintain critical operations, and recover?" This perspective expands ERM beyond prevention and treatment toward institutional resilience.

International standards on business continuity and crisis management similarly emphasize organizational preparedness, response, recovery, and the continual development of capabilities for dealing with disruptive events and crises (ISO, 2019, 2022). Risk management, crisis preparedness, and business continuity can therefore be viewed as complementary components of an organization's ability to anticipate uncertainty, respond effectively, and continue delivering its mandate under changing circumstances.

Building a Risk-Aware Culture

Frameworks, methodologies, templates, and risk registers are important, but they cannot create an effective ERM system on their own. People turn the framework into practice. For this reason, developing a risk-aware culture has been an important component of SFAA's journey. Awareness activities, training, and engagement with organizational units help reinforce the understanding that risk management is not solely the responsibility of a dedicated risk function.

The importance of human and cultural factors is also recognized within the principles of ISO 31000 (ISO, 2018). Risk owners and organizational units play a central role because they understand their objectives, processes, controls, and

operational environment. The role of the risk management function is therefore not simply to "own" institutional risks, but to facilitate the process, establish a consistent methodology, provide guidance, consolidate risk information, and support management with a clearer institutional view of uncertainty.

The experience has also extended beyond the institutional level through knowledge-sharing and capacity-building activities in risk and crisis management. Sharing methodologies, practical tools, and lessons learned with peer SAIs contributes to strengthening professional capabilities and supports the wider exchange of knowledge across the audit community.

Lessons Learned from the Journey

SFAA's experience highlights several practical lessons that may be relevant to other Supreme Audit Institutions.

- Leadership support is essential: ERM is most effective when it is connected to management and decision-making rather than treated as an isolated administrative requirement.
- Risk management should begin with objectives: A risk has meaning because it may affect an objective. Linking risks directly to strategic and operational objectives makes assessments more relevant and actionable.
- A risk register is a means, not an end. The maturity of ERM should not be measured by the number of risks recorded. Its real value lies in whether risk information influences priorities, actions, and decisions.
- Integration creates greater value: Connecting ERM with strategic planning, operational planning, quality management, crisis management, and business continuity reduces fragmentation and strengthens institutional resilience.
- Risk culture requires continuous investment: Policies and methodologies establish the foundation, but sustained awareness, training, communication, and engagement are required to embed risk thinking into everyday work.
- SAIs can benefit from a dual risk perspective: ERM can strengthen the institution internally, while risk-based thinking can simultaneously enhance audit prioritization and contribute to more proactive audit approaches.

Looking Ahead: Risk Management as a Decision-Support System

The development of Enterprise Risk Management is a continuous journey rather than a one-time project. Continual improvement and adaptation to changes in the organizational context are fundamental elements of effective risk management (ISO, 2018).

As the operating environment evolves, new risks emerge and existing risks change in significance. Digital transformation, artificial intelligence, cybersecurity, human capital challenges, and changing stakeholder expectations will continue to require SAIs to reassess their assumptions and strengthen their ability to anticipate change. The next stage of ERM maturity therefore lies in making risk information increasingly timely, integrated, and useful for decision-makers.

For SFAA, the broader ambition is not simply to maintain a system that answers: "What risks do we face?" It is to strengthen an institutional approach capable of answering a more important question: "What should we do today to be better prepared for tomorrow?" When risk management reaches this level, it becomes more than a framework for managing uncertainty. It becomes an instrument for supporting decision-making, strengthening institutional resilience, improving resource allocation, and ultimately creating greater institutional value and audit impact.

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TUNISIA

Mitigating Hallucination Risks in Generative Artificial Intelligence: Strategies and Tools for Reliable Auditing

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Introduction

The rapid advancement of generative artificial intelligence (AI) technologies has led to their growing adoption across professional fields, including the field of audit and oversight, owing to their powerful capabilities in analysing unstructured data, extracting information, and supporting decision-making. Modern large language models (LLMs) can now assist auditors in summarizing voluminous documents, drafting meeting minutes, examining internal control procedures, contributing to the preparation of risk matrices and verification programs, and assessing the quality and logical coherence of audit findings — thereby improving efficiency and reducing the time and effort required to carry out audit tasks.

Yet despite these considerable practical advantages, the use of such technologies in the audit environment raises growing professional and legal challenges, particularly in light of the phenomenon of "hallucination", whereby models may fabricate information or draw conclusions that do not exist in the source material. This risk becomes especially serious when it comes to preparing audit reports, analysing legal texts, or formulating audit findings that may carry regulatory or legal consequences. Recent literature has made clear that hallucination is not limited to the fabrication of facts: it also encompasses inconsistency with the context or with the instructions given to the model, which threatens the reliability and professional accuracy of audit outputs (Sajjadi Mohammad abadi et al., 2025).

Recent studies have likewise shown that scaling up model size and capability does not necessarily eliminate the problem of hallucination; on the contrary, some larger models become even more adept at producing misleading information that appears convincing and coherent, as they absorb common misconceptions prevalent in their training data (Lin et al., 2022). Against this background, a growing body of research emphasises that hallucination should be addressed through a logic of risk management rather than on the assumption of its definitive elimination — especially in sensitive domains that demand high levels of reliability and accountability, such as audit work.

Given the professional and legal liabilities that algorithmic errors may entail under recent legislation, it has become essential for Supreme Audit Institutions (SAIs) to adopt technical governance frameworks and multi-layered verification mechanisms that guarantee the integrity, traceability, and reviewability of outputs, while preserving human oversight as a core element of final evaluation and validation.

This article examines three main axes through which the mechanisms for mitigating generative AI hallucination in audit work are highlighted: upstream control and grounding; downstream verification and validation mechanisms; and, finally, organisational limits, institutional integration, and the human element — leading to a conclusion that includes a professional checklist to help auditors use these technologies safely and responsibly.

1. Axis One: Upstream Control and Grounding

This axis constitutes the first line of defence in a defence-in-depth framework against LLM hallucination in audit work. To mitigate risks before they materialise, SAIs can rely on two complementary strategies: upstream control of the model's reasoning path through advanced prompting, and anchoring the model to trusted legal knowledge bases through grounding techniques.

1.1. Advanced Prompting and Explicit Reasoning Structures

Advanced prompting — or prompt engineering — is an essential step in constraining the language model's degrees of freedom and preventing it from fabricating information. Framing this practice on a rigorous scientific basis, a recent

study (Hao et al., 2026) demonstrated that the use of explicit reasoning structures substantially reduces prompt-induced hallucinations. Under this approach, the model is compelled to follow a defined and constrained logical path rather than engaging in unconstrained inference.

Professional applications consistent with this structuring of reasoning in the audit environment include:

- **Explicit permission to say "I don't know":** because language models are designed to provide an answer in all circumstances, granting the model explicit authorization to reply "I don't know" curbs its tendency to guess incorrect answers when documented evidence is absent from the audit file.
- **The "quote first" technique:** as a supporting professional practice recommended in the contemporary literature, the model is asked to extract verbatim passages (for example, a clause from the terms of reference) before analyzing them or answering questions about them, thereby reinforcing the principle of confining inference strictly to the actual evidence.

1.2. Grounding and Retrieval-Augmented Generation (RAG)

Language models cannot be reliable for audit tasks if they depend solely on their general training data. For this reason, Retrieval-Augmented Generation (RAG) is used: it connects the model to a designated knowledge base (such as legislation and audit manuals) in which it searches and from which it retrieves information before composing its answer.

Grounding, however, has its limits: why is RAG alone not enough? Consistent with this article's central thesis — that reliance on a single technique breeds an illusion of reliability — it must be recognised that RAG is no silver bullet. Gupta et al. (2024) confirm that this technique faces subtle structural challenges, including:

1. **Retrieval quality:** the possibility of retrieving incomplete legal texts.
2. **Bias:** a focus on the texts most frequently represented in the knowledge base, at the expense of exceptions.
3. **Difficulty in integrating retrieved knowledge:** an inability to reconcile several conflicting legal provisions logically.

This shortcoming is reinforced by evidence from recent studies in reference-sensitive research. These studies have shown that even when leading commercial models (such as GPT-4 and Bard) are used to retrieve references, they continue to produce fabricated evidence and citations — with hallucinated-reference rates ranging from roughly 28% to 91% depending on the model (Chelli et al., 2024). This confirms beyond any doubt that grounding systems do not entirely eliminate source fabrication.

In view of these challenges, it becomes clear that RAG and advanced prompting form only the "first layer" of the protection system. To secure audit outputs fully, they must be reinforced with layers of downstream verification — the subject of the second axis.

2. Axis Two: Downstream Verification and Traceability

Having established in the first axis that upstream control and grounding systems such as RAG are not, on their own, sufficient to eliminate hallucination — given their structural constraints and potential biases — the pressing need arises to build a second defensive layer. This axis focuses on downstream verification mechanisms designed to ensure the traceability and reliability of answers before they are relied upon in any audit output, through three advanced techniques whose effectiveness is supported by academic research.

2.1. Self-Consistency and Its Trade-offs

One recognized mechanism for verifying the validity of model outputs is to prompt the model to generate multiple answers to the same audit query and then select the most frequent answer through majority voting. Although this technique appears to raise accuracy, its use in an audit context calls for scholarly caution. Analytical research by Mehta (2026), evaluating the effect of repeated sampling, revealed a subtle trade-off between accuracy and faithfulness. The study found that inference scaling in advanced models (including Claude) does not necessarily translate into greater reliability: its effects vary markedly from one model to another, and gains on one dimension may come at the expense of the model's strict adherence to the underlying reference facts.

2.2. Chain-of-Verification and Constitutional AI

To overcome the pitfalls of reasoning drift, the literature proposes a more rigorous approach to self-verification. Chain-of-Verification (CoVe) is an effective mechanism whereby the model generates verification questions to test and correct its initial answer before its final presentation (Dhuliawala et al., 2023; Sajjadi Mohammad abadi et al., 2025). To strengthen this pathway to a standard commensurate with audit rigour, it is advisable to integrate the concept of Constitutional AI (CAI), founded on the work of Bai et al. (2022). This approach enables the model to engage in self-critique and self-revision against a set of explicit rules — a "constitution". In subsequent work, Chen et al. (2024) demonstrated through the IterAlign framework that this constitutional correction can be iterative, progressively repairing the model's weaknesses. In practice, SAIs can equip the model with an "audit constitution" containing strict rules (for example: "answers must be based exclusively on the attached legislation, and no references may be fabricated"), so that the model evaluates its own first draft against this constitution before submitting it to the human auditor.

2.3. Hallucination Detection through Metamorphic Relations

In complex audit tasks requiring the examination of precise data, a programmatic method allows hallucination to be detected without continuous external intervention, as addressed by Yang et al. (2025) in their work on metamorphic relations. This approach — metamorphic testing — engineers intelligent queries to test the model's logical consistency: the AI's initial answer is taken as a basis for constructing new questions using synonyms and antonyms. If the model provides contradictory answers when the question is rephrased in negated or synonymous form, that inconsistency constitutes decisive logical evidence of unreliability and probable hallucination. This technique offers auditors a critical tool for verifying the soundness of outputs mathematically and logically.

3. Axis Three: Limits, Organizational Integration, and the Human Element

Adopting the advanced techniques described in the two preceding axes raises reliability to an unprecedented degree. Implementing such a complex system, however, confronts SAIs with new organizational, technical, and legal challenges, making a comprehensive technical governance framework indispensable.

3.1. Limits of Multi-Layered Systems

Audit institutions must recognize that reducing hallucination risk comes at an operational and organizational cost, manifest in three main respects:

- **Technical complexity and cost:** the use of downstream verification mechanisms multiplies the consumption of computational resources and increases the financial cost of using application programming interfaces (APIs).
- **Latency:** the successive operations of retrieval, generation, and self-verification require longer processing times, which may impede audit tasks that demand real-time analysis.
- **A false sense of security:** a serious professional risk whereby auditors' reliance on a system that appears highly accurate may dull their critical sense and foster blind trust in its outputs, paving the way for systematic errors to pass unchecked.

3.2. Defence-in-Depth and Human-in-the-Loop

To confront these limits, Sajjadi Mohammad abadi et al. (2025) stress the need to adopt a defence-in-depth strategy: countering hallucination must not be confined to the model itself, but must extend to data quality, the reasoning pathway, and protective guardrails. Within these layers of protection, continuous human oversight (human-in-the-loop) is the cornerstone. As the contemporary literature confirms, human supervision is indispensable in critical domains such as auditing. The system must therefore be designed to empower the auditor — not to replace them — by displaying sources clearly and providing mechanisms for manual verification. Human validation remains imperative for audit decisions on which final reports are built.

3.3. Regulatory Compliance and Legal Liability

It might be assumed that the internal safety frameworks announced by AI development companies are sufficient to protect audit institutions. However, a recent analytical study (Coggins et al., 2025) demonstrated that corporate safety frameworks (such as OpenAI's 2025 Preparedness Framework) are, in essence, instruments of self-regulation

and do not actually guarantee the application of rigorous risk-mitigation practices. This means that SAIs cannot place blind trust in vendor assurances — particularly as hallucination is classified in professional legal analysis as an "algorithmic fault" that may entail serious legal liability under recent legislation (such as the European Union's AI Act). To protect SAIs, independent technical governance protocols must be established, based on:

- **Traceability:** keeping accurate logs of all queries and answers.
- **Source transparency:** documenting the reasoning pathway to ensure that the system remains accountable (auditable AI) — for a system that cannot be traced is, by necessity, a system that cannot be audited.

Conclusion and Recommendations

The use of generative AI in audit and oversight has become one of the most significant recent transformations in the development of audit work, given the powerful capabilities it offers for data analysis, information extraction, and support for verification and decision-making processes. The successful deployment of these technologies nevertheless remains contingent on the ability of SAIs to control the accompanying risks — foremost among them systematic hallucination, which can undermine the accuracy and reliability of outputs and adversely affect the quality of audit reports and the decisions based upon them.

This study has shown that reliance on individual technical solutions — such as Retrieval-Augmented Generation (RAG) or the scaling-up of language models — is not, on its own, sufficient to guarantee the integrity of outputs or to eliminate hallucination risks definitively. It has therefore become necessary to adopt an integrated framework built on a defence-in-depth strategy, combining upstream control of the reasoning path with downstream verification and validation mechanisms, alongside the application of technical governance rules, traceability, and accountability.

The study has also confirmed that continuous human oversight is the fundamental pillar of the safe and responsible use of AI in audit work: no intelligent system can substitute for the professional judgement of the human auditor, especially in matters carrying legal, regulatory, and professional consequences.

In light of the foregoing, the following recommendations can be affirmed:

1. Adopt multi-layered verification mechanisms to mitigate hallucination risks and improve the reliability of audit outputs.
2. Connect intelligent models to trusted legal and audit sources, activating grounding techniques and continuous source documentation.
3. Establish clear technical governance protocols that guarantee traceability and transparency, and preserve logs of queries and answers for subsequent review.
4. Strengthen the role of human oversight and professional validation of AI-generated outputs before their adoption in final audit reports.
5. Invest in building audit capacity and developing auditors' skills in artificial intelligence, data governance, and output-verification methods.

More generally, the following list may serve as a professional verification tool for auditors (an Auditor's Checklist). To translate this framework into daily practice, it is suggested that the following checklist be applied before any AI-generated output is adopted:

☐ **Source grounding:** did the model extract quoted passages exclusively from the attached audit documents, thereby refuting any fabrication of evidence?

☐ **Independent verification:** was the answer subjected to a constitutional self-review, or was its logical consistency tested with antonym-based questions?

☐ **Traceability:** are the query path (prompts) and the answer fully logged and available for subsequent audit?

☐ **Human validation:** did a human auditor review the critical points and validate the citations before final adoption?

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THE STORY OF SUCCESS • STATE OF LIBYA

A Labena Initiative in Recruitment and its Role in Supporting Sustainable Development

Libyan Audit Bureau

The good governance of Human Resources at the Libyan Audit Bureau

The General Administration Department of Human Resources at the Libyan Audit Bureau operates under er a a set of principles, which are reflected in its rational management in accordance with the mechanisms for achieving sustainable development as outlined in the "2030 plan" with standards ensure justice in holding technical and administrative positions, and to build a model institution that is capable and influential of making a difference. These principles are described as being founded on the ideologies of efficiency, transparency, and objective criteria, such as meritocracy, fairness, and eligibility. They include appropriate procedures for selecting and training individuals to assume vacant positions subject to corruption, ensuring their rotation in positions when necessary. They also encourage the provision adequate wages through equitable wage scales, taking into account the level of economic growth of the state for the concerned parties. Therefore, the purpose of developing educational and training programs is to enable those employees to satisfy the requirements of the honorable and proper performance of public office, and to provide them with specialized and appropriate training to raise their awareness of the risks of corruption inherent in the performance of their jobs.

Labena project is a strategic file for the Libyan Audit Bureau, which generalizes the experience to the rest of the sectors. The Libyan Audit Bureau launched the Labena project for outstanding students in relevant disciplines to provide qualified distinct human cadres who will bear the burden and responsibility to work in the Libyan Audit Bureau and build leading institutions.

The Labena Initiative is based on qualifying the human cadres of the Libyan Audit Bureau. The selection is based on criteria and not quotas or nepotism, by providing intensive training courses ranging from six months to a year to hone their skills and equip them to carry out their oversight duties.

During the years 2021 and 2022, the Labena Initiative to recruit the top graduates of Libyan universities was selected as the best initiative that adopts outstanding students. During his speech on the occasion of receiving the shield for the best initiative, the President of the u Libyan Audit Bureau expressed his pride in the initiative's success. He said that "this initiative has cast a shadow over the process of improving the outputs of the Bureau's work over the recent years". He asserted the continuation of this initiative and urging those responsible for the recruitment process in public authorities to adopt this method for employment policy. Notably, the initiative was highly appreciated by officials and those interested in attending the celebration, stressing that it is one of the most important national initiatives in the field of employment and development.

Perhaps the speech of the Deputy of the Libyan Audit Bureau, which he delivered in one of the forums, had a significant impact on the employees, including Labena employees. He said that "the responsibility of the Libyan Audit Bureau is not solely on public funds, but rather on reform; those who reform, we acknowledge their reformations, and those who commit corruption, we also acknowledge their wrongdoings, then help them reform it where pos Thus, these initiatives and directives undertaken by the Libyan Audit Bureau at the current time under its rational leadership are capable of enhancing confidence in the institutional capabilities of oversight in terms of combating corruption and preserving public funds, to achieve more transparency and accountability. Arguably, the Libyan Audit Bureau has played a key role in this field, through its ability to effectively influence institutions and oversight over public funds.

It is worth noting that these initiatives may represent a crucial aspect of the implementation of the standards of international organisations (INTOSAI an ARABOSAI) with the purpose of refining human resources and verifying the proper use

INSTITUTIONAL REPORT & INSIGHTS | PUBLIC SECTOR GOVERNANCE • STATE OF LIBYA

Knowledge Transfer Strengthens Institutional Capacity at the Libyan Audit Bureau under the GIZ Cooperation Project

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EXECUTIVE SUMMARY

This article highlights the strategic impact of the ongoing cooperation project between the Libyan Audit Bureau (LAB) and the German Agency for International Cooperation (GIZ). By institutionalizing knowledge transfer and adopting a Training of Trainers (ToT) approach, the Bureau is successfully transforming specialized municipal auditing expertise into sustainable organizational capacity across its regional branches.

1. INTRODUCTION & PROJECT FRAMEWORK

As part of its continued efforts to strengthen institutional capacity and enhance the quality of public-sector auditing, the Libyan Audit Bureau (LAB) organized a specialized workshop entitled "Application of the Libyan Accounting Manual in the Audit of Municipal Accounts." The workshop was conducted within the framework of the cooperation project between the Libyan Audit Bureau and the German Agency for International Cooperation (GIZ), which aims to strengthen public institutions and promote good governance in Libya.

The workshop represents a significant milestone in the Bureau's strategy to institutionalize knowledge transfer and promote continuous professional development. It also reflects the success of the cooperation project in transforming specialized training into sustainable organizational knowledge that can be effectively disseminated throughout the institution.

2. SUSTAINABLE KNOWLEDGE TRANSFER & THE TOT APPROACH

The activity follows a series of capacity-building programs implemented under the project using the Training of Trainers (ToT) approach. These programs prepared a group of qualified Bureau professionals to serve as internal trainers, ensuring that the knowledge and practical skills acquired through international cooperation remain embedded within the institution and are continuously transferred to colleagues across departments and regional branches.

The workshop was facilitated by Bureau staff members who had successfully completed the GIZ-supported training programs. By sharing the expertise they had acquired, the trainers demonstrated the effectiveness of the project's knowledge transfer model and highlighted the value of developing national expertise capable of leading institutional improvement from within.

> *"The integration of internal trainers ensures that practical skills acquired through international cooperation remain embedded within the institution, driving sustainable reform from within."*

3. HARMONIZATION & CAPACITY BUILDING IN MUNICIPAL AUDITS

Participants included directors and auditors from the Municipalities Audit Departments in the Bureau's Category (A) regional branches, in addition to branch directors. The workshop focused on promoting a common professional

understanding of the Libyan Accounting Manual and ensuring its consistent application during municipal audits. Strengthening harmonized audit practices is expected to improve audit quality and enhance consistency across the Bureau's regional offices.

Interactive discussions enabled participants to examine practical auditing challenges, exchange professional experiences, and identify effective solutions for applying the Libyan Accounting Manual in different audit contexts. This collaborative learning environment contributed to strengthening technical competencies and improving the quality of audit planning, implementation, and reporting.

HARMONIZED STANDARDS
Unified application of the Libyan Accounting Manual across regional offices.

PEER LEARNING
Interactive discussions to resolve complex municipal auditing challenges.

NATIONAL LEADERSHIP
National experts driving internal capacity-building initiatives.

INSTITUTIONAL IMPACT & PARTICIPANT FEEDBACK

The workshop further demonstrated that the cooperation project extends beyond the delivery of training activities. It has established sustainable institutional mechanisms for knowledge sharing and professional learning, enabling the Bureau to continuously develop its human capital while reinforcing an organizational culture that values innovation, collaboration, and continuous improvement.

Participants expressed high satisfaction with the workshop, commending the quality of its technical content, the professionalism of its organization, and its practical relevance to their daily audit responsibilities. They also emphasized its contribution to strengthening communication and experience-sharing among regional branches and promoting a unified professional approach to municipal auditing.

CONCLUSION & LONG-TERM VISION

The Libyan Audit Bureau considers investment in human capital to be one of the fundamental pillars of institutional excellence. In this regard, international partnerships—particularly the cooperation with GIZ—continue to play an important role in supporting institutional reform, strengthening governance, and enhancing audit performance in accordance with internationally recognized standards and best practices.

Through initiatives such as this, the Libyan Audit Bureau continues to reinforce its commitment to sustainable institutional development, empower its professional workforce, and enhance the effectiveness of public financial oversight. These efforts contribute to promoting transparency, accountability, and sound public financial management, while advancing the Bureau's vision of a modern, efficient, and

PART 6

ARABOSAI Community

Arab Day • Member SAI initiatives • People • Achievements



On 24 May each year, Arab SAIs celebrate their shared mission. In 2026 the Arab Day coincided with ARABOSAI's 50th anniversary.

Arab Day of Supreme Audit Institutions — 24 May

The Arab Day is an opportunity to strengthen the culture of audit, promote good governance, transparency and accountability, and highlight the pivotal role of SAIs in protecting public funds.

How the Arab Day came about?

Following a proposal to establish an annual day celebrating Arab audit work, the ARABOSAI Executive Council adopted the "Arab Day of Supreme Audit Institutions" at its 63rd session in Doha, Qatar, on 20–21 March 2022. It set **24 May** — the anniversary of ARABOSAI's establishment in 1976 — as the date of the annual celebration. The General Assembly ratified the decision at its 14th session in Jeddah, Saudi Arabia, in 2022.

A shared menu of activities

At its 69th session in December 2025, the Executive Council adopted a set of proposed activities so that member SAIs could share common celebratory practices while choosing those that suit their national context, or organise joint events with other SAIs:

- a unified visual identity, common slogan and shared features;
- seminars and meetings introducing ARABOSAI, its objectives and activities;
- media and awareness campaigns on the role of public-sector audit in protecting public funds;
- outreach to the media, civil society, students and researchers;
- brochures, leaflets and awareness material on audit culture;
- Open days at SAI headquarters and special issues of audit journals;
- Social and sporting activities that bring SAIs closer to society.

2026 : a celebration with a special dimension

Coinciding with the 50th anniversary, the 2026 Arab Day was marked by a media and communication campaign that peaked on 24 May, including a recorded message from the Acting Secretary-General on behalf of ARABOSAI, video

messages from member SAIs and publications highlighting key milestones. Several SAIs produced audiovisual material, organised scientific and professional events and raised awareness of ARABOSAI's journey.

Member SAI initiatives

6	100+	24 May
member SAIs featured	Libyan staff graduated with international certificates	peak of the regional campaign

LIBYA

Audit Bureau of Libya

ديوان المحاسبة الليبي
Libyan Audit Bureau

On 13 May 2026, the Bureau hosted a major event combining the Arab Day celebration with the launch of a strategy for applying INTOSAI standards. More than one hundred managers and staff who had obtained international professional certificates graduated at the event — a reminder that capacity development has been a pillar of Arab audit work for five decades.

The Bureau also developed the digital platform for monitoring ARABOSAI's strategic plan (see Part 4).

SULTANATE OF OMAN

State Financial and Administrative Control Authority

The Authority ran an integrated media and awareness program: a press release in the national media, a radio interview on the objectives of the Arab Day, an awareness video on social media and its YouTube channel, and infographics spreading the culture of audit and the role of SAIs in protecting public funds.



STATE OF QATAR

State Audit Bureau

The Bureau ran a media and awareness campaign on its social-media platforms on the role of SAIs in good governance, transparency, accountability and sustainable development, produced an awareness video and displayed information on screens at its headquarters.

As part of its community responsibility, it held seminars and workshops for secondary-school and university students, students of military and security institutions, members of the armed forces, audited entities and young people in youth centers and clubs.

STATE OF KUWAIT

State Audit Bureau

The Bureau published media and awareness materials on its official social-media pages introducing the Arab Day, ARABOSAI and its role in developing joint Arab audit work, and emphasising cooperation and experience sharing among Arab SAIs as a means of strengthening professional practice.

ARAB REPUBLIC OF EGYPT

Accountability State Authority

The Authority marked the day with an institutional message on preserving public funds and national wealth as pillars of stability and sustainable development, highlighting its orientation towards proactive audit and the use of AI and digital solutions to protect national resources and the rights of future generations.

REPUBLIC OF IRAQ

Federal Board of Supreme Audit

The Board published a promotional video featuring the message of the Acting Secretary-General of ARABOSAI, prepared by the General Secretariat for the 50th anniversary and the Arab Day, on the role of SAIs in protecting public funds and improving institutional performance.

People & Achievements

ACHIEVEMENTS AT A GLANCE

- **Scientific Research Awards** presented at the Golden Jubilee (Part 1).
- **Libya:** more than 100 staff graduated with international professional certificates; strategic-plan monitoring platform delivered to ARABOSAI.
- **Oman:** enterprise risk-management experience selected as a leading regional practice at RIX26.
- **Iraq:** ASYCUDA customs audit program developed with the Netherlands Court of Audit.
- **Libya:** the Labena Initiative selected as the best initiative for adopting outstanding graduates (2021–2022).



Towards a Brighter Auditing Future

#ARABOSAI_50

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