Feasibility Report for Establishing the ASOSAI Working Group on Regional and Municipal Audit (WGRMA)

Prepared by Special Committee
February – September 2024

2024

TABLE OF CONTENTS

Introduction **4**

Executive Brief **6**

I. Regional Audit Institutions Facing the Sustainable Development Agenda . **8**

Local Governance and Global Progress Towards the SDGs 8

Good Practices for Local Audit in INTOSAI Community 12

II. Specifics of the Regional and Municipal Audit in ASOSAI Member Countries **19**

Feasibility Study on Regional and Municipal Audit 19

Key Takeaways 23

National Cases 28

India 28

Indonesia 32

Kazakhstan 35

Malaysia 39

Pakistan 42

Philippines 46

Russia 51

III. Establishment of ASOSAI WGRMA **56**

Purpose of the Working Group Establishment 56

WGRMA Conceptional Framework 57

Objectives and Scope of Work 58

Risks of the Working Group Establishment 58

Advantages of the Proposed Working Group Establishment 59

Work Plan 60

Conclusion **61**

Introduction

On September 7, 2021, the participants of the 15th ASOSAI Assembly approved **the new Strategic Plan of ASOSAI for 2022–2027**. The document became a roadmap for the member SAIs for improving public administration, achieving the SDGs and using advanced technologies in public audit. Enhancing the professional potential of the organization's members based on the principles of cooperation and inclusiveness was identified as one of the key priorities.

Following ASOSAI strategic guidelines, during the 59th ASOSAI Governing Board Meeting on September, 21–22, the Accounts Chamber of the Russian Federation (SAI Russia) made a proposal to establish ASOSAI Working Group on Regional and Municipal Audit as a platform on audit issues at local level open to all ASOSAI members. The purpose of the project is to support SAIs in achieving higher performance indicators, promote the best audit practices and improve approaches to the audit at the local level.

The ASOSAI Governing Board approved the formation of a special committee to study the feasibility of establishing the new ASOSAI Working Group with the Accounts Chamber of the Russian Federation appointed as its chair. In accordance with the practice established in ASOSAI, **a Special Committee** was formed under the leadership of SAI Russia to study the feasibility of creating a new ASOSAI Working Group. The SAIs of China, India, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Malaysia, Mongolia, Pakistan, Philippines, Saudi Arabia, Tajikistan and Thailand expressed their interest to join the Special Committee. SAI Japan confirmed its participation as an observer.

The Feasibility Report gives **an overview of the current state and specifics of the development of the local audit** in the ASOSAI community, aims to identify areas for promising cooperation. The main data source for the report is the responses from seven SAIs collected through the Questionnaire developed by the Special Committee. The analysis has been enriched by insights from international organizations together with conclusions from the Special Committee webinars. SAI Russia

as the Committee Chair is grateful for the support and contribution of the ASOSAI members.

The Feasibility Report will be proposed for approval at the 60th Governing Board Meeting and the 16th ASOSAI Assembly to be held in India from 21st to 27th September 2024.

Executive Brief

Part I

Regional Audit Institutions facing the Sustainable Development Agenda

The lessons learned from the recent crises in the past years have proven **the importance of the effective management of public resources and its objective assessment** at all levels, including regional and municipal ones.

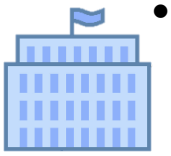
Improving the effectiveness of audit at the local level not only **helps to strengthen financial discipline**, but also to solve key social and economic problems, as well as implement national programs and goals.

There are different drivers to enhance the performance of local audit institutions and improve their professional potential. One mechanism for developing auditors' competencies is to promote and **strengthen cooperation and knowledge-sharing.**

Part II

Specifics of Regional and Municipal Audit in the ASOSAI Community

- Regional and Municipal Audit Institutions differ in their mandates and operating conditions. The comparison of different national practices will allow to **identify strengths and weaknesses of different audit models**, find solutions to existing problems.



- Given national specifics in public auditing, for general understanding Regional Audit Institutions are considered as **external audit institutions responsible for auditing Regional and Local Government Offices or Programs**.

- The expert role of SAIs in matters of local audit is increasing. By setting high quality standards, promoting INTOSAI professional pronouncements and organizing capacity building programs, SAIs **assist regional audit bodies in reaching the next professional level**.

Part III

Establishment of ASOSAI WGRMA

The goal of WGRMA is to create **a platform for professional dialogue** between SAIs and Regional Audit Institutions, to foster the exchange of experience and knowledge on audit at the local level.

WGRMA will focus on discussing and **disseminating best audit practices, developing methodological** recommendations and launching new inclusive cooperation formats.

I. Regional Audit Institutions Facing the Sustainable Development Agenda

Local Governance and Global Progress Towards the SDGs

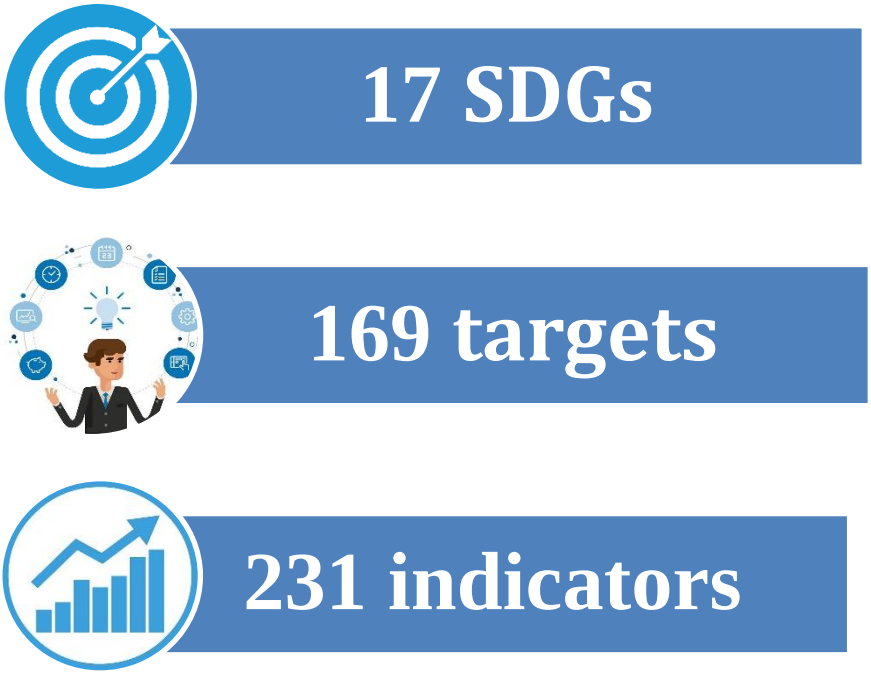
In 2015 the global community adopted the 2030 Agenda for Sustainable Development to end poverty, protect the planet and tackle inequalities. The Sustainable Development Goals were developed as a blueprint within its framework, covering a wide range of critical issues: from eradicating poverty, ensuring equal rights and inclusive opportunities to improving the quality of governance and protecting the environment and ecosystems.

Achieving Sustainable Development Goals is a complex multidimensional process involving actors at national and global levels. Despite tangible efforts, current progress falls far short of what is required to meet the SDGs. The UN Sustainable Development Goals Report 2024[1] estimates that only

[1] The Sustainable Development Goals Report (SDR) is the only UN official report that monitors global progress on the 2030 Agenda for Sustainable Development. Prepared by UN DESA, in collaboration with the UN Statistical System, the report is based on data from over 200 countries and territories. It serves as a foundational resource with the latest data and evidence for developing recommendations and solutions to advance progress towards the Sustainable Development Goals

17% of all SDG indicators are on track, 48% have moderate and marginal progress, 35% are not being met or have fallen below the 2015 baseline.

The global indicator framework



In total, **17 SDGs** contain **169 targets**, each of which includes a set of **231 quantitative indicators** that allow tracking progress towards achieving a particular goal. **The global indicator framework** was developed by the Inter-Agency and Expert Group on SDG Indicators and agreed upon at the 48th session of the UN Statistical Commission held in March 2017.

The COVID-19 pandemic long-term impact, geopolitical and trade tensions, climate change severely hindered SDG progress. Besides, sustainable funding and long-term investment challenges, which coupled with massive shortcomings in global economic and financial systems, undermine socio-economic development. According to the UN Department of Economic and Social Affairs (UNDESA), the financing gap for sustainable development is US$4.2 trillion per year.

Addressing SDGs challenges requires comprehensive measures and coordinated efforts. The UN calls for the whole-of-government approach to overcome negative trends and boost SDG implementation. It is therefore recommended

to strengthen the governance and institutional environment by investing in cooperation with local and regional authorities. This approach means collaboration and coordination among all stakeholders, the high quality of public administration and financial management at all levels of governance[2].

Local government is the closest public administration level to the people primarily responsible for solving everyday problems of citizens. Territorial development, the well-being of residents and the general level of trust in the state are determined by efficient service delivery and financial control on the grounds.

According to the OECD, in 2016, regional and local governments accounted for almost 60% of total public expenditure in OECD countries and almost 40% globally.

The organization estimates that 65% of the 169 SDGs targets would not be achieved without the participation of local and regional governments, which in turn use the SDGs to assess the alignment of local programs with sustainable development objectives and adapt existing national plans and strategies.

Also, one of the factors hindering progress in achieving the SDGs is the lack of accurate, timely and systematized data[3]. Without high-quality evidence base, it is impossible to identify challenges, formulate solutions, monitor implementation and make necessary course corrections.

Building partnerships with diverse stakeholders, including Supreme Audit Institutions and Regional Audit Institutions, makes SDG monitoring more inclusive and comprehensive.

---

[2] In order to provide methodological support to regional authorities, the UN launched a specialized web portal on SDG localization. The resource contains a wide range of methodological materials on strategic planning, implementation and monitoring of socio-economic projects at the local level.

[3] As part of efforts to monitor progress towards achieving the SDGs, international organizations design various approaches and visualization tools (assess both overall progress towards achieving SDGs and the dynamics of each goal for a specific country). For example, ATLAS of Sustainable Development Goals 2023 (World Bank), SDG Financing Tool (IMF), SDG Financing Framework (IMF), Public Investment Management Assessment (IMF), Measuring distance to SDGs (OECD). The list is not exhaustive.

Given their essential role in auditing government finances, SAIs are uniquely positioned to oversee public financial management systems. Providing audits on a government's budget allocations and expenditures, SAIs ensure the implementation of development programs and foster transparent, accountable and effective governance.

However, SAIs traditionally focus on scrutinizing state budgets and evaluating in-country public policies while effective public management requires control at all levels. Therefore, improving the quality of local audit is of particular importance. Strengthening local accountability institutions is crucial for accelerating progress on key social and economic priorities.

One of the drivers for the Regional Audit Institutions development and unlocking their institutional potential is to intensify international cooperation and knowledge-sharing. Establishment of ASOSAI Working Group on Audit at the Regional and Municipal Levels is a way to achieve it. The project goal is to create a platform for professional dialogue between SAIs and regional audit bodies, hone professional competencies, study and disseminate advanced audit approaches. Analyzing international experience, comparing different legal systems, identifying similarities or differences between various public audit models will undoubtedly help improve the quality of audits as well public administration in general.

Good Practices for Local Audit in INTOSAI Community

Aiming to leverage valuable knowledge and best practices to design the WGRMA concept, Special Committee made a snapshot of policy trends and discussed insights on local auditing from studies across INTOSAI community.

INTOSAI is a global body that brings together and supports Supreme Audit Institutions from all over the world[4] under the motto of "mutual experience benefits all". Hence, its primarily focus is to foster SAIs' capacity development and knowledge sharing. Issues of local audit or interaction with Regional Audit Institutions are not in the INTOSAI spotlight. However, INTOSAI pronouncements as internationally recognized professional principles and standards is a starting point to promote high quality public audit at the local level.

Providing methodological support and assistance in adapting standards to local conditions is among the priorities of INTOSAI Regional Organizations.

[4] At present, INTOSAI has 195 Full Members, 5 Associate Members and 2 Affiliate Members.

Nevertheless, Regional Organizations are focused on issues related to the development of approaches to public audit at the local level to varying degrees. The following practices were identified:

INTOSAI is an umbrella organization for the external government audit community. There are seven autonomous Regional Organizations operating within the community, established for the purpose of promoting the professional and technical cooperation of its members on a regional basis:

AFROSAI — African Organization of Supreme Audit Institutions

ARABOSAI — Arab Organization of Supreme Audit Institutions

ASOSAI — Asian Organization of Supreme Audit Institutions

CAROSAI — Caribbean Organization of Supreme Audit Institutions

EUROSAI — European Organization of Supreme Audit Institutions

OLACEFS — Organization of Latin American and Caribbean Supreme Audit Institutions

PASAI — Pacific Association of Supreme Audit Institutions

- Auditing at the regional and municipal levels is not discussed separately within **CAROSAI** and **PASAI**. There is no institutionalized mechanism for interaction between SAIs on this matter primarily due to features of administrative structures of small island states. Financial control issues are under the jurisdiction of SAIs.
- Despite the absence of a separate working body Regional Audit Institutions are involved in the professional dialogue on public audit

within **OLACEFS**. The Organization Associate members include audit bodies of 15 states, one federal district and two municipalities of Brazil, two provinces of Argentina and the city of Bogotá in Colombia, as well as the Association of Members of the Regional Audit Institutions of Brazil [5] (Asociación de Miembros de los Tribunales de Cuentas de Brasil) and the Institute Rui Barbosa[6] (Instituto Rui Barbosa).

- In 2023 **AFROSAI-E** consolidated local auditing practices and developed the Local Government Audit Considerations Guideline. The document covers general considerations for conducting service delivery audits at the local level. It also focuses on the following specific areas: water management service delivery, waste management service delivery, disaster management, infrastructure, financial health. This guideline is not a separate audit methodology, it supplements existing professional pronouncements on Financial, Compliance and Performance Audits.
- The **EUROSAI** Task Force on Municipality Audit (EUROSAI TFMA)[7] set the benchmark in terms of reframing discussions on local (municipal) audit and refinement of methodological approaches. The EUROSAI TFMA activities correspond to EUROSAI strategic goals and promote mutual professional enrichment to have a substantial impact on improving public financial management. Various initiatives are being implemented to foster dialogue with expert community, to highlight risks and current audit problems in municipalities, to highlight and exchange best insights (making studies, compendiums and newsletters on municipal audit issues, organizing workshops and trainings, conducting cooperative audits etc.).

---

[5] The Association of Members of the Regional Audit Institutions of Brazil was created in 1992. The main objective is to facilitate the exchange of experience and knowledge between audit institutions, to design development strategies of finance control and management systems at the state, regional and municipal levels. Recommendations, regulations and resolutions are posted on the Association's website.

[6] Institute Rui Barbosa is a civil association created in 1973 to assist regional courts of accounts in improving its efficiency and sharing experience in implementing control activities.

[7] Task Force was established at the 44th EUROSAI Governing Board meeting in Luxembourg in June 2016.

- The Comptroller and Auditor General, head of **SAI India** inaugurated the International Centre for Audit of Local Governance (iCAL) on 18 July 2024 in the City of Rajkot, Gujarat State. It has been set-up with the vision of creating a collaborative platform uniting policymakers, administrators and auditors which would foster an environment for sharing experiences, expertise and best practices in local governance with focus on its role in achieving **Sustainable Development Goals** (SDGs), fostering grassroots engagement and nurturing citizen ownership and accountability. The activities envisaged for the Centre include acting as a Knowledge Centre for Local Governance issues; undertaking bilateral and multilateral collaboration projects with different stakeholders for research, technology and data exchange; and conducting training for Local Government Auditors from SAIs and subordinate audit formations. This initiative was preceded by an International Conference on Local Government Audit organised by SAI India, held in Delhi from February 28th to March 1st, 2024, which saw participation from the SAIs of 11 countries, viz. Georgia, India, Malaysia, Maldives, Malta, Morocco, Nepal, Oman, Poland, South Africa and Uganda. The conference served as a platform for the SAIs to share their experiences, challenges, and best practices in local government auditing, thus fostering a spirit of collaboration and mutual learning. The proceedings included an overview of Local Audit mandates across SAIs; presentations by the 11 participating SAIs on Local Government Audit in their countries, covering mandate, audit execution, reporting and case studies; and a panel discussion focusing on the issues of engaging Stakeholders in the Audit Process, Performance Audit in Local Governments and Capacity Building.

Relevant methodological practices are also discussed by INTOSAI Working Groups and INTOSAI Development Initiative (IDI). Considering the importance of SDG localization, INTOSAI Working Group on SDGs and Key Sustainable Development Indicators (WGSDG KSDI)[8] pays great

[8] Headed by SAI Russia.

attention to regional perspective of sustainable development and to enhancing cooperation with local audit institutions.

- In 2021 WGSDG KSDI Secretariat prepared translation of the SDG Audit Model (ISAM) developed by the INTOSAI Development Initiative (IDI). To popularize the document in the CIS region, a training seminar for relevant SAIs was held jointly with IDI on 22 December 2021.
- In 2022 to improve the professional audit competencies in the field of SDG auditing WGSDG KSDI created two online courses (available at the platform of the Digital University for the INTOSAI community, U-INTOSAI[9]):
  - SDGs Audit. CIS Countries' Experience (based on the 2021 online seminar), available in Russian and English
  - Audit of Sustainable Development, accompanied by practical examples of the activities of the Accounts Chamber of the Russian Federation, available in Russian
- In 2023, WGSDG KSDI completed its work on Practical Guidance on Sustainable Development Goals Audit at the Regional Level. The document is intended to provide practical assistance to auditors when assessing SDGs achievement at the regional level and is aimed at identifying systemic risks in the field of sustainable development.

SAIs mentoring role in relation to local audit institutions is increasing. Meanwhile, IDI Global Stoking Report 2023 demonstrates that SAIs face a variety of independence, transparency and performance risks. Considering the close ties between SAIs and Regional Audit Institutions, these challenges not only weaken SAIs institutional capacities but could also have detrimental effects on local audit work. IDI Global Stoking Report could be used as a list of red flags to deal with. Therefore, when determining the risks and directions for the SAI development, IDI Global Stoking Report also maps the way forward to strengthen local audit bodies and to forge reliable national accountability ecosystem.

[9] Other courses on the topic of SDGs are available at the link.

In addition, special attention should be paid to European Organization of Regional Audit Institutions (EURORAI). The organization includes 99 members (regional audit bodies) and 8 observers.

EURORAI Governing Bodies:

- **General Assembly** – supreme governing body that establishes the policy that will enable EURORAI to reach its objectives and approves changes to the statutory documents of the organization. The Assembly is held once a year.
- **Management Committee** ensure the correct functioning of EURORAI within the guidelines laid down by the General Assembly. Consists of 7 members (three by right, four members are elected by the EURORAI Assembly for 3 years).
- **General Secretariat** is responsible for the financial and administrative issues of the organization.

The objectives of EURORAI are to **exchange experiences and best practices between regional audit bodies**, as well as to conduct research, prepare and publish educational courses on external public audit at the regional level.

According to the EURORAI Charter, Technical Committees and Working Groups may be formed within the organization. The purpose is to prepare methodological recommendations and other documents on the activities of regional audit bodies. At various times, the following working groups operated within the organization:

- Working group on auditing fraud and corruption
- Working group on the guidelines for independent regional public sector institutions

- Working group on the improvement of external communications of EURORAI member institutions.

One of the main methodological documents (guidelines) developed within the EURORAI for regional audit bodies is the Guidelines for Independent Regional Public Sector Audit Institutions. The document reflects the role and importance of regional audit bodies for ensuring the effectiveness and accountability of public administration, and presents 15 key principles grouped into three main categories: Purpose and types of regional public sector audit, Independence and General principles.

In addition to the Guidelines, the Report with Recommended Practice on Audit Quality was prepared on the basis of the research seminar conducted by EURORAI. Based on the INTOSAI ISSAI 140, the document introduces the concept of "quality control" and aims to integrating the ISSAI 140 standard into the activities of regional audit bodies. EURORAI survey showed that most regional audit bodies are improving the audit and control activities primarily based on their own experience and practice. At the same time, a number of regional audit bodies are seeking assistance and consulting services in improving their methodology from private audit firms.

II. Specifics of the Regional and Municipal Audit in ASOSAI Member Countries

Feasibility Study on Regional and Municipal Audit

In accordance with the established ASOSAI practice of creating Working Groups, SAI Russia set up the **Special Committee to study the feasibility of creating a new ASOSAI Working Group**.

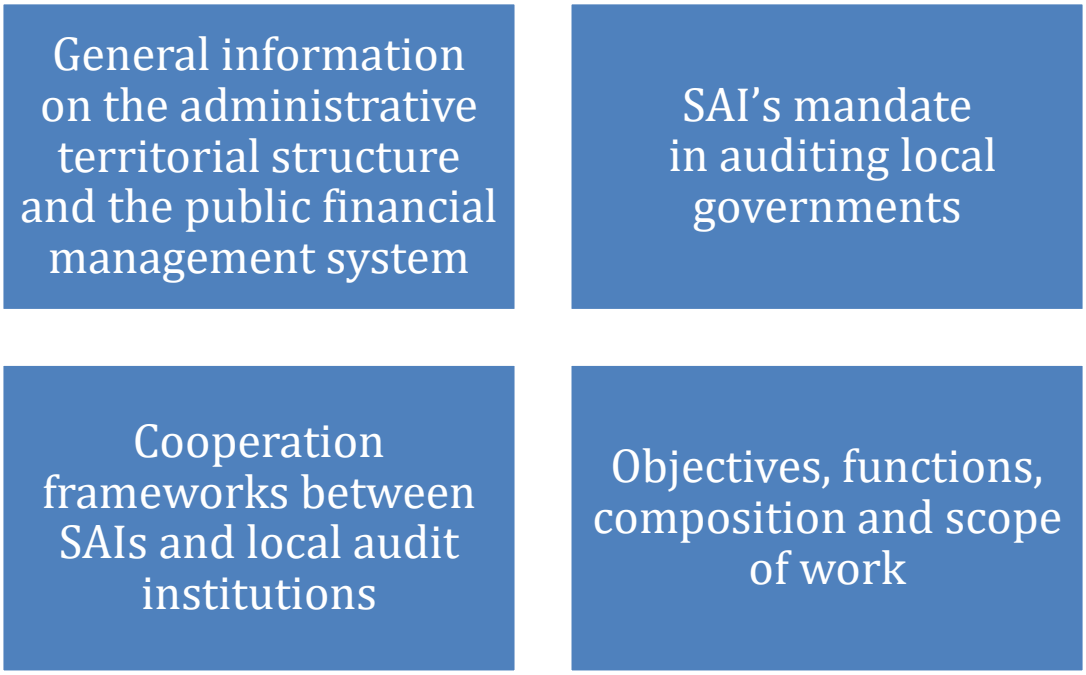
14 ASOSAI members expressed their interest in participating in the Special Committee activities. These members include the SAIs of China, India, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Malaysia, Mongolia, Pakistan, Philippines, Russia (Project Leader), Saudi Arabia, Tajikistan and Thailand expressed their interest to join the Special Committee. SAI Japan confirmed its involvement as an observer.

On February 20, 2024, the kick-off meeting of the Special Committee on establishing ASOSAI Working Group on Regional and Municipal Audit was held via videoconference under the leadership of the Accounts Chamber of the Russian Federation.

The event was attended by senior officials and employees of the Supreme Audit Institutions of India, Indonesia, Kazakhstan, Kyrgyzstan, Malaysia, Mongolia, Pakistan, Philippines, Tajikistan and Thailand as well as representatives of Regional Audit Institutions of the Russian Federation (86 participants in total). Speakers from SAIs of Indonesia, Malaysia, Philippines, Russia and Thailand made presentations on national models for organizing public audit.

Following the kick-off meeting Special Committee members agreed on the main provisions of the **Terms of Reference and Design of the Feasibility Study**. After making the appropriate amendments, the documents were approved.

Main Focuses of the Feasibility Study



I. General information on the administrative territorial structure and the public financial management system. The Special Committee reviewed different models of public audit systems, cooperation frameworks between SAIs and regional audit institutions, challenges and directions for the future development of audit at the local level.

II. SAI's mandate in auditing local governments. The Special Committee examined the legal basis of public sector auditing at the local level, structure and supervisory powers of SAI's regional offices, outcomes and follow-up mechanisms of regional auditing.

III. For countries with the independent local audit institutions the Special Committee analyzed mechanisms of their establishment, types of audit engagements and cooperation frameworks between SAIs and local audit institutions, between regional and municipal audit institutions.

IV. Based on the research results Special Committee determined the objectives, functions, composition and scope of work for the proposed Working Group.

Methodology

This report provides a comprehensive perspective of how the public audit system is structured at the local level in the countries – members of the Special Committee. Both Qualitative and Quantitative Research Methods were used in the process of the Feasibility Study preparation. It provided a holistic approach combining and analyzing the statistical data with official documents screening and contextualized assessments.

To collect primary data a detailed questionnaire was developed together with the Committee members (**62 questions grouped into six thematic blocks**). 14 SAIs were asked to provide information on the legal and regulatory framework of the public auditing, institutions involved in local auditing and their mandates. Collected answers serve as a source for this Report.

All answers received were analyzed with the focus on finding trends in organizing public auditing at the local level, audit reporting and follow-up control. **Conclusions made were enriched by INTOSAI and other international organizations insights**. To gain an in-depth understanding of a specific case or context Questionnaire data was supplemented by materials presented during the Special Committee expert webinar on SDG Auditing at the Regional Level.

On May 14, 2024, an expert webinar on SDG Auditing at the Regional Level was held within the framework of the Special Committee on Establishing ASOSAI Working Group on Regional and Municipal Audit under the leadership of the Accounts Chamber of the Russian Federation.

The event was attended by 164 representatives of Supreme Audit Institutions of the Special Committee member countries and the ASOSAI Working Group on SDGs, as well as Control and Accounts Authorities of the constituent entities of the Russian Federation. Participants discussed best practices of SDG auditing at the regional level. Experts from SAIs of China, Indonesia, Kazakhstan, Philippines, Russia and Thailand shared their national experience in transport infrastructure modernization, fighting hunger and redaction of stunting prevalence, creating a comfortable urban environment, solid waste management.

It is important to acknowledge the limitations of this research. These theoretical and empirical shortcomings concern national cases presented as well as the subject area of research.

- Tight deadlines. Given the time constraints, we were unable to reach the entire ASOSAI community. To draw sound conclusions and policy recommendations more national practices are needed. WGRMA plans to continue collecting national experience and in the future to cover the entire ASOSAI community.
- Methodological constraints. Audit guidelines developed by international organizations, including INTOSAI professional pronouncements, relate to public audit at the national level and support in principle the effective functioning of Supreme Audit Institutions. The amount of materials that directly address local auditing issues is limited. Regional Audit Institutions mainly tailor SAI practices and INTOSAI underlying frameworks to the local context.
- Cross-sectional study design. As noted, the Feasibility Study doesn't investigate the specific subject or types of audits. The key priority is to study the organizational features of public audit at the regional level. At the same time the absence of thematic limits leads to further overlapping with areas of responsibilities of other ASOSAI working and special groups. While acknowledging the critical importance of multisectoral approach, WGRMA will work in close cooperation with all ASOSAI institutions aims to add value by focusing on issues related to public auditing at the local level.

In presenting and interpreting the Feasibility study findings, the aim is not to formulate general guidelines for the development of local audit in ASOSAI, but to take a snapshot of its current state, to draw attention to the regional audit issues and to suggest starting points for deliberating possibilities to strengthen regional audit institution capacities.

The study results will be incorporated in the Special Committee Report and proposed for approval at the 60th Governing Board Meeting and the 16th ASOSAI Assembly, scheduled to be held in India in September 2024. Based on its findings, the final approval for the establishment of the Working Group on Regional and Municipal Audit shall be granted at the Assembly.

Key Takeaways

Organization and Conduct of the Local Audit

- **Administrative and Territorial Structure**. Public Audit System is determined by the administrative and political characteristics of the country. Countries with a multi-level federal structure are mostly characterized by a decentralized audit system with broader powers of Regional Audit Institutions. In unitary states, regional audit bodies are representative offices of Supreme Audit Institutions.
- **Legal and Regulatory Framework**. The audit mandates for SAIs and their Regional Offices derive from Constitution and State Laws. In cases where Regional Audit Institutions have greater autonomy and independence, legal framework on local auditing can be supplemented and outlined by local legal provisions and standards.
- **Public Sector Audit Organizations**. Public audit at the local level is carried out either by the SAIs through its regional offices and authorized audit teams or by the Regional Audit Institutions. RAIs' responsibilities and audit rules are set out in compliance with International Standards on Auditing (ISA), International Public Sector Accounting Standards (IPSAS), INTOSAI professional pronouncements and Guidelines developed by SAI.
- **Audit Types and Outcomes**. All SAIs (inter alia Regional Offices) and Regional Audit Institutions conduct financial, performance and compliance audits. Some audits combine financial and compliance aspects. Depending on the authority and organizational resources, special audits are performed (information technology audit, impact audit, investigation audit, etc.). Audit Reports are submitted to oversight bodies (mainly to legislative) and law enforcement agencies if needed.
- **Quality Management System**. Adoption of ISSAI standards and capacity building activities are considered as a foundation for high-quality audit practices. Audit quality is also maintained through structured audit planning, risk assessment and monitoring of the audit recommendations implementation and follow-up control.

- **Follow-up Audit**. Audit reports are submitted to the Parliament or local legislative branches. Audited entities must respond to audit recommendations (generally within 60 days), while SAIs or RAIs monitor their implementation. Audited entities prepare performance report detailing remedial measures, which are then submitted to SAI and legislative scrutiny.

Challenges and Responses

SAIs and Regional audit bodies struggle with institutional and capacity constraints, which affect their ability to audit.

The respondents identified the following problems:

- Limited organizational and financial resources
- Uncertainty of legislative regulation (when introducing new types of audits)
- Low compliance of Regional Audit Institutions practices with SAI Standards
- Lack of effective mechanism to monitor audit recommendations
- Inadequate development of digital infrastructure
- Low level of staff training
- Security issues.

Study results show that **the expert role of SAIs** in relations to Regional Offices and Regional Audit Institutions **is strengthening**. SAIs continuously seek to enhance audit efficiency and quality of audit reports by improving institutional mechanisms and running capacity building programs. **Key performance enablers are:**

- Support in ISSAI standards adaptation
- Improving audit methodology
- Conducting internal training or assisting in participation in external educational programs
- Digitalization and using Big Data analytics in auditing.

Directions for the Future Development of Local Audit

Good Governance is a basic prerequisite for successful and long-term development. In order to effectively respond to the current challenges and improve the well-being of citizens, government institutions, including SAIs and Regional Audit Institutions, are recommended to review management methods and constantly improve the efficiency of their activities.

Based on the SAIs experience on cooperation development within community, outcomes of INTOSAI knowledge-sharing events and the Feasibility Study results, the following priorities can be identified for the enhancing of the audit at the local level:

- Harmonization of the legal field on public audit at all levels of government. It includes adoption of a regulatory framework that provides a clear, consistent and relevant set of guiding principles of regional and municipal audit bodies activities.
- Development of unified methodological approaches. Regional and municipal audit bodies differ in their mandates and working conditions. This enhances the guiding role of SAIs in facilitating the activities of local audit institutions in accordance with INTOSAI's Framework of Professional Pronouncements.
- Use of advanced audit approaches, especially data analytics and artificial intelligence tools. SAIs manage to quickly respond to changing conditions and take advantage from technological opportunities instead of local audit institutions that have limited human, financial and technical resources for digital transformation. SAIs should support regional and municipal partners through sharing-knowledge and capacity building activities.

A performance check: what steps to take to improve local audit capacity?

Many local audit institutions are constantly strengthening their institutional potential, through capacity building programs, digital transformation, knowledge-sharing with colleagues and partner institutions. Embedding changes takes time, positive outcomes depend on many factors: clear goal

setting and performance evaluation, organizational health [10], provision of necessary financial and human resources, management quality etc.

Furthermore, the experience of the international audit community shows that strengthening institution capacity is not a one-time action, rather a long-term complex process. It requires constant evaluation of the current level of capacity, setting tailored goals and priorities, developing comprehensive strategy and systematic control over its implementation.

There is no universal fast track to performance improvement However, there's a framework that acts as a strategic roadmap for SAIs developed by INTOSAI Capacity Building Committee ("Strengthening Supreme Audit Institutions. A guide for improving performance"). This guide adopts a consolidated SAI transformation approach and focuses on institutional, organizational and professional development. While many local audit institutions operate in collaboration with or under the direction of SAIs this guide could also be used to reach their full potential.

As noted earlier, one of the first and most important steps is the ongoing performance measurement. Based on the CBC Gide, Special Committee mapped out a list of reference questions (red flags) to help identify areas for further action.

- Do the local audit institutions have internal regulations that determine the procedure for organizing and exercising their powers?
- Do the internal regulations of local audit institutions comply with the national public audit legislation?
- Do the local audit institutions have organizational and functional independence?
- Are the local audit institutions guided by international and national standards in the field of public audit?
- Have methodological documents on the implementation of public audit at the local level been approved?

[10] By McKinsey definition organizational health refers to how effectively the place is run. Organizational health comprises three elements: how well the entire organization rallies around a common vision and strategy, how well the organization executes its strategy, and how well the organization innovates and renews itself over time.

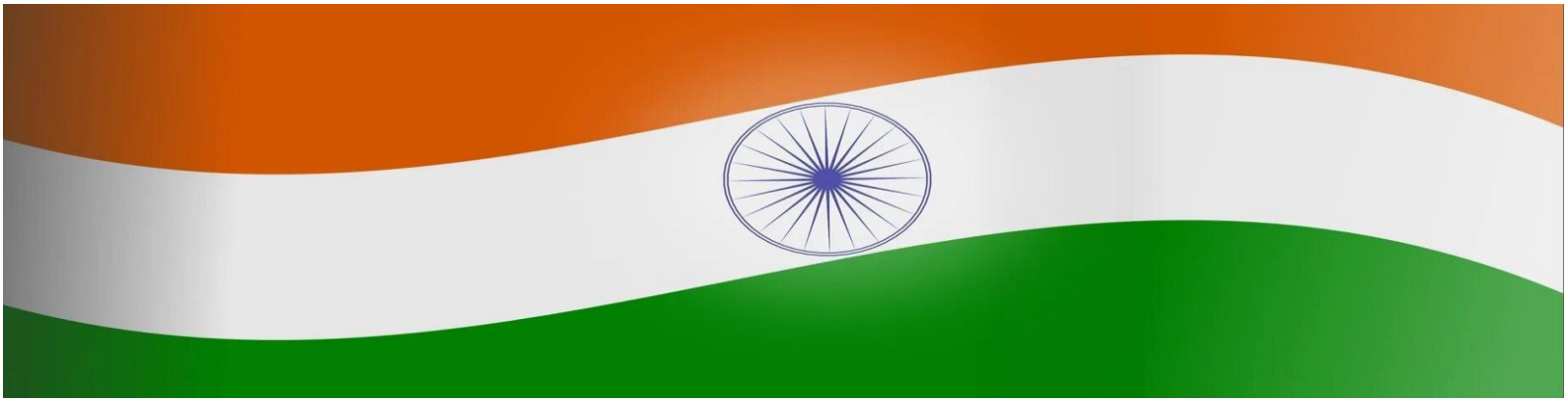
- Are the results of the conducted audits submitted to the legislative (representative) authorities?
- Are local audit institutions provided with the necessary information resources (access to state information systems)?
- Do local audit institutions participate in anti-corruption activities?
- Does the staff of local audit institutions comply with the established requirements (in terms of qualification and anti-corruption requirements)?
- Is the qualification certification of employees carried out?
- Are activities carried out to improve the professional competencies of employees?
- Are the results of the activities of local audit bodies published?
- Have long-term planning documents for the activities of the local audit institutions been approved?
- Do the local audit institutions interact with the SAIs in terms of capacity building?

Potential Focus Areas for ASOSAI WGRMA

- Special Committee members support hybrid operational formats for the ASOSAI WGRMA and stand ready to attend WG meetings once or twice a year.
- SAIs look forward to participate in periodic WGRMA meetings, trainings and workshops, expert meetings and international conferences.
- Priority topics include SDG audit, public procurement audit, health and social protection audit, investment projects audit, infrastructure projects audit, performance evaluation of Regional Audit Institutions.
- Desired WGRMA outcomes: collection of best audit practices, journal publications, methodological document and educational courses.

NATIONAL CASES

This section provides a brief overview of local auditing practices in India, Indonesia, Kazakhstan, Malaysia, Pakistan, Philippines and Russia based on the data received. Given the different degree of questionnaire completion, the volume and structure of the description of national cases may differ.



INDIA

General Administrative

India operates under a federal system of government. There are three levels, the Union (Central) Government, the State (Regional) Government and the Local Governments.

National Level

India is governed by a Union (Central) Government located in New Delhi. The central government consists of three branches: the Executive (headed by the President of India); the Legislature (bicameral and consists of the Rajya Sabha (Council of States) and the Lok Sabha (House of the People); and the Judiciary.

State/Regional Level

India is divided into 28 states (Regions) and 8 Union territories (UTs). Each state has its own government, with Executive, Legislative, and Judicial powers similar to the Central Government. States have a significant degree of autonomy and are responsible for a wide range of issues including

education, healthcare, agriculture, and law enforcement. Union territories, on the other hand, are directly governed by the Central Government, although some have their own Legislatures and Councils with varying degrees of power.

Local Level

At the local level, the States/Regions are divided into Districts, each of which is administered by a District Collector or Deputy Commissioner. Districts are further subdivided into sub-districts or tehsils, which have both villages (Rural) and urban areas.

Local self-government bodies exist at two levels: rural (also known as Panchayati Raj Institutions, comprising of Village Panchayats, Block Panchayats and District Panchayats) and urban (also known as Urban Local Bodies, comprising of Town Panchayats, Municipalities and Municipal Corporations). These Institutions are elected bodies responsible for local administration in rural areas and Urban areas respectively.

Public Audit System at National and Regional Levels

SAI India conducts Financial, compliance and Performance Audits of the National and Regional Governments under provisions of the Constitution, the Comptroller and Auditor General's (CAG) Duties Powers and Conditions of Service Act, 1971 and the CAG's Regulations on Audit and Accounts (Amendments) 2020.

Public Audit System at Local Level

The Financial audit of the Local Governments, both at Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), is primarily carried out by Regional Audit Institutions – Local Fund Auditors, which are departments under the State/Regional Governments. The composition and structure of the Local Fund Auditors vary from state to state. Their mandate and reporting requirements are determined by legislations passed by State/Regional Legislatures.

Many states have specific rules and regulations governing the audit of local bodies, which are framed under the authority of the respective Municipal Acts or Panchayati Raj Acts. These rules typically outline the procedures and standards to be followed by auditors.

The Local Fund Auditors prepare their Annual Audit Plan independently. However, they are assisted by SAI India in the planning and reporting as a part of Technical Guidance and Support arrangement. The Local Fund Auditors conduct financial and compliance audits.

Additionally, SAI India conducts performance audits and compliance audits of selected activities of Local Governments.

SAI's Mandate in Auditing Local Governments

SAI India audits the Local Governments under Comptroller and Auditor General's (CAG) Duties Powers and Conditions of Service Act, 1971 and the CAG's Regulations on Audit and Accounts (Amendments) 2020. The Comptroller and Auditor General may undertake the audit of Panchayati Raj institutions and Urban Local Bodies if such bodies are financed by grants or loans from the Consolidated Fund of India or of any State or Union Territory having a Legislative Assembly and are auditable under the provisions of Section 19 or Section 20 of this Act.

SAI India conducts compliance and performance audits of PRIs and ULBs. In some of the states, the financial audit of Local Bodies is also entrusted to SAI India. Normally financial audit, performance audit and compliance audit are not combined in one inspection.

SAI India is guided by the local audit standards/guidelines/instructions:

- Auditing Standards for Panchayati Raj Institutions and Urban Local Bodies
- Manual of Instructions for audit of Panchayati Raj Institutions
- Guidelines for Financial Audit of Panchayati Raj Institutions.

SAI India continuously reviews and develops professional pronouncements on this matter. Currently, new Guidelines on Local Governments Audit is under preparation.

SAI India has audit offices in all States which is headed by an Accountant General/Principal Accountant General. These offices conduct the audit of PRIs and ULBs in that State.

Interaction between SAIs and RAIs and Local Auditors

SAI India is also the primary auditor for Regional Governments. In respect of the Local Fund Auditors, SAI India provides Technical Guidance and Support (TGS), establishes Audit Standards and Guidelines, provides regular training and capacity-building programs to enhance the knowledge, skills and competences of auditors involved in the local audits.

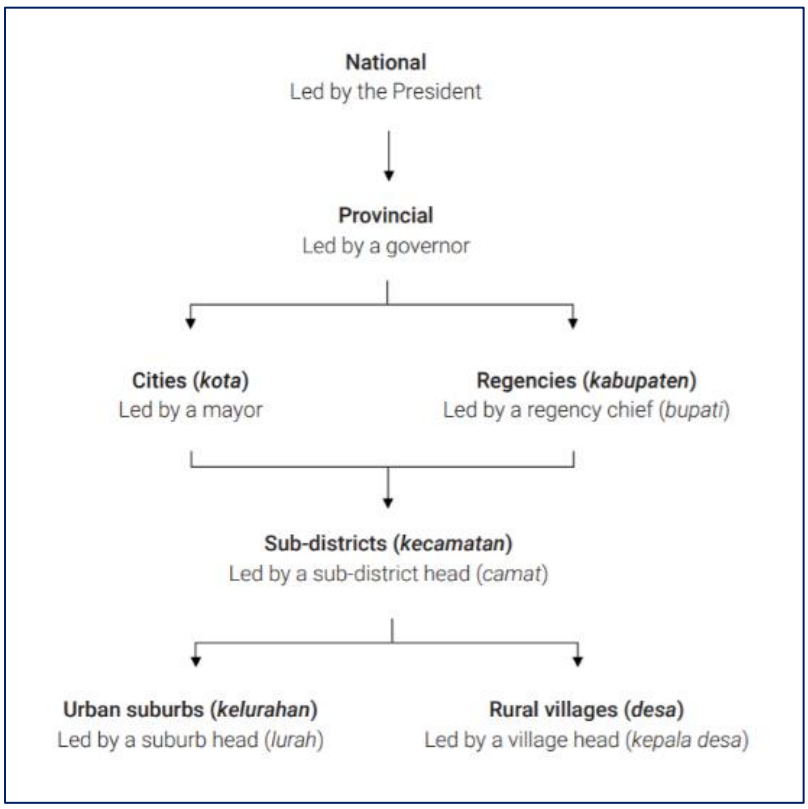
Cooperation between the Comptroller and Auditor General and the Local Fund Auditor under Technical Guidance and Support arrangement may include the following activities:

- The Local Fund Auditor prepares an Annual Plan for audit of Panchayati Raj Institutions and Urban Local Bodies and forward it to the Accountant General (Auditor) of the State for advice.
- The audit of Panchayati Raj Institutions and Urban Local Bodies is performed by the Local Fund Auditor in line with guidelines prescribed by the Comptroller and Auditor General.
- Copies of draft Audit reports are sent by the Local Fund Auditor to the Comptroller and Auditor General for review (to obtain comments regarding the organization of the audit and the quality of the reporting).
- The Comptroller and Auditor General conducts test-check of some of Panchayati Raj Institutions and Urban Local Bodies in order to provide technical guidance. The report of the test- check would be sent to Local Fund Auditor to correct the identified deficiencies.
- All serious violation of financial rules and fraud noticed by Local Fund Auditor will be intimated to the Comptroller and Auditor General.
- The Local Fund Auditor shall develop, in consultation with the Comptroller and Auditor General, a system of internal control.
- The Comptroller and Auditor General undertakes training of the Local Fund audit staff.

INDONESIA

General Administrative

In Indonesia, the structure of local governance is composed of three main levels: Provinces, Regencies, and Municipalities (cities/districts). Each level of government has its executive and legislative branches, which play distinct roles in governing their respective regions.



There are 38 Provinces, 416 Regencies, and 98 Municipalities in Indonesia, including new provinces established in 2022 to acknowledge the rights of the Indigenous Communities: South Papua, Central Papua, Highland Papua, and Southwest Papua. Altogether there are 552 local governments in Indonesia.

Public Audit System at Local Level

Public sector audit at national level is conducted by Badan Pemeriksa Keuangan, BPK (SAI Indonesia) headquarter. Public sector audit at local level is conducted by BPK regional offices (SAI Indonesia has representative offices in each province). Regional offices operate under the coordination of BPK headquarter, which is granted with independence in carrying out audit tasks.

The audit mandate for BPK on local governments is based on several legal provisions:

- 1945 Constitution
- Law number 17/2003 on State Finance
- Law number 1/2004 on State Treasury
- Law number 15/2004 on State Financial Management and Accountability
- Law number 15/2006 on the Audit Board of the Republic of Indonesia.

These regulations provide the legal basis for BPK as an independent institution to conduct audits of local government entities. The legal basis, independence and accountability of BPK regional offices are the same as those of BPK headquarter. The scope of duties of BPK representative office is determined in BPK's organizational structure and work procedures stipulated in BPK Decree.

Audits of regional governments are carried out by BPK representative offices using the same audit standards and methodologies performed by audits of central government, namely State Financial Audit Standards (SPKN). SPKN was developed by the SPKN Committee formed by BPK headquarter. Audit teams can use experts in carrying out auditing procedures. They can also coordinate or communicate with other institutions during the audit, if necessary.

The scope of local government finance encompasses various aspects, including:

- rights and obligations assessed in monetary units, financial transactions
- local government assets, which include properties, infrastructure, investments, and any other tangible or intangible assets owned by the local government
- separated assets, which designated for specific purposes, such as funds for social welfare programs or environmental conservation initiatives.

All of these objects of local government finance that are either owned or controlled by local governments fall under the purview of audit. The audit scope extends from the formulation of policies and decision-making processes to accountability mechanisms. This encompasses all stages of financial management, including planning, budgeting, execution, monitoring,and evaluation.

The audit outcomes are published at the Summary of Semester Audit Report. The audit reports are submitted to the respective Parliament according to the level of the government being audited.

BPK Follow-Up Audit Mechanism is fixed in the Article 20 of Law № 15, 2004 regarding Audit of Management and Responsibility of the State Finance. The responsible official is required to follow up recommendation stated in the audit report and give response or clarification to BPK no later than 60 days after the receipt of an audit report. BPK monitors the implementation of the recommendations. Any responsible official not carrying out the established follow up procedure is given administrative sanction.

KAZAKHSTAN

General Administrative Information

The system of administrative-territorial structure of the Republic of Kazakhstan is based on the national Constitution and Legislation. In accordance with the regulatory framework, Kazakhstan has several administrative division levels:

- Republican level: central government exercises the supreme power.
- Regional level (including the city of republican significance): Kazakhstan is divided into 17 regions and three cities of republican significance – Astana, Almaty and Shymkent. Regions have their own administrations that deal with issues related to regional development, economy, social sphere, etc.
- District level: Regions are subdivided into districts, which usually have administrative centers. Districts also have their own governing bodies responsible for regulating issues concerning specific territories.
- City (including city districts) and rural levels: Cities and villages are self-governing units on the territory of districts. Cities are divided into administrative districts (if such division is actual for the city), while rural districts cover the rural areas.

Public Audit System at Local Level

Public auditing is regulated by the Law of the Republic of Kazakhstan "On State Audit and Financial Control"[11], General Standards of State Audit and Financial Control, Procedural Standards of External State Audit and Financial Control.

The system of public audit and financial control bodies consists of:

- The Supreme Audit Chamber of the Republic of Kazakhstan (SAI Kazakhstan), which is a Supreme Audit Institution of Kazakhstan;
- Audit commissions of regions, cities of republican significance, the capital city (hereinafter referred to as regional audit commissions);
- The authorized body for internal state audit;
- Internal audit services of central government bodies, with the exception of the internal audit service of the National Bank of the Republic of Kazakhstan, local executive bodies of regions, cities of republican significance, the capital city.

The authorized bodies of external public audit in Kazakhstan include SAI Kazakhstan and regional audit commissions.

SAI Kazakhstan is an independent body, directly accountable and subordinated to the President of the Republic of Kazakhstan. SAI Kazakhstan does not have regional offices. SAI Kazakhstan carries out external audit in relation to the republican (central) budget. Since 2023, SAI Kazakhstan was empowered to audit local budget funds on the following grounds:

1. at the instruction of the President of the Republic of Kazakhstan and his Administration;
2. at the request of state bodies, regional audit commissions, individuals and legal entities;
3. upon the information from law enforcement bodies.

Regional audit commissions are independent bodies, which carry out external state audit at the local level over the planning and execution

[11] Law of the Republic of Kazakhstan dated November 12, 2015 No. 392-V ZRK

of the local budgets (budgets of the city of republican significance, the capital city, districts, cities of regional significance), use of state assets and quasi-public entities. The auditees of regional audit commissions are institutions financed and (or) receiving funds from local budget as well as state revenue agencies and other authorized state bodies that ensure the completeness and timeliness of receipts to the local budget.

A regional audit commission submits an annual report on the execution of the local budget for the reporting financial year to the local legislative body (the maslikhat). All stages of audit activities, including audit materials and conclusions are subject to quality control. Quality control is carried out in the manner prescribed by the relevant standard developed by SAI Kazakhstan.

Interaction of SAI Kazakhstan and Regional Audit Commissions

The SAI Kazakhstan interacts with Regional Audit Commissions in various areas. According to the Law of the Republic of Kazakhstan "On State Audit and Financial Control", the SAI Kazakhstan:

1) provides methodological assistance to the regional audit commissions;

2) organizes retraining and advanced training of employees of state audit and financial control bodies, including Regional Audit Commissions;

3) organizes activities to confirm the knowledge of candidates for state auditors who will carry out external state audit both at the republican and local levels, in accordance with the rules of certification of persons applying for the qualification of the state auditor. SAI Kazakhstan chairs the National commission for certification of persons applying for the qualification of a state auditor;

4) develops and approves the rules for conducting external state audit and financial control, including, inter alia, the forms of documents adopted following the results of the state audit;

5) develops and approves a model regulation on regional audit commissions;

6) upon agreement with the Executive Office of the President of the Republic of Kazakhstan, submits to the legislative bodies (maslikhats) of regions, cities of republican significance, the capital city a submission on the appointment of a chairman of the Regional Audit Commission;

7) ensures the development, functioning of a unified database on state audit and financial control for the purpose of exchanging information with state control and supervision bodies, other state bodies, auditees, as well as for conducting electronic state audit;

8) represents, on behalf of the Regional Audit Commissions, their interests in cooperation with central state bodies;

9) assesses the activities of state audit and financial control bodies, including Regional Audit Commissions.

SAI Kazakhstan chairs a Coordination council of state audit and financial control bodies, which is composed of the SAI Kazakhstan, Regional Audit Commissions, Ministry of Finance of the Republic of Kazakhstan, Committee of Internal State Audit, internal audit services. The Coordination council of state audit and financial control bodies reviews law enforcement practices in the field of state audit and financial control, and compliance with state audit and financial control standards. Decisions of the Coordination council of state audit and financial control bodies are mandatory for the state audit and financial control bodies.

MALAYSIA

General Administrative Information

Malaysia is a federal constitutional monarchy with the broad powers of local governments (13 states and three federal territories – 151 local authorities).

Local Authority in Malaysia is divided into three categories as follows:

- City Council / City Hall – local authority that has been upgraded from Municipal Council status after having successfully achieved certain criteria, which include the total population exceeding 500,000 people and the annual revenue exceeding RM100 million (~21,2 million US Dollars).
- Municipal Council refers to local authority in urban or town center, which has a total population exceeding 150,000 people and an annual revenue exceeding RM20 million (~4,2 million US Dollars).
- District Council refers to local authority in rural area. The criteria stipulated for a District Council status is having a total population not exceeding 150,000 people and annual revenue less than RM20 million (~4,2 million US Dollars).

There are 151 local authorities in Malaysia:

- 20 City Halls / City Councils (CH/CC)
- 40 Municipal Councils (MC)
- 91 District Councils (DC)

Public Audit System at Local Level

Public sector auditing is carried out by the National Audit Department of Malaysia (NAD). The audit at local levels is also performed by NAD branches located in every state. There are no specific Regional and Municipal Audit Institutions. Local audit is conducted in reference to standards and guidelines developed by SAI. No specific methodologies developed at the local level.

SAI Malaysia mandate for the public sector auditing is stipulated in:

- Federal Constitution (Article 106, Article 107). The account of the Federation and of the States is audited and reported on by the Auditor General.
- Audit Act 1957 (Section 5, Section 6, Section 7, Section 9). The Auditor General shall in such manner as he may deem fit examine, enquire into and audit the accounts of any other public authority.
- Local Government Act 1976 (Section 60). The Auditor General, throughout the financial year, inspect and examine the accounts of the local authority, the auditor in his annual observations may state his opinions upon all questions arising out of the certificate given by him.

NAD carries out the following audit types[12]:

- Attestation audit – to certify Financial Statements
- Compliance audit
- Performance audit
- Government linked companies audit

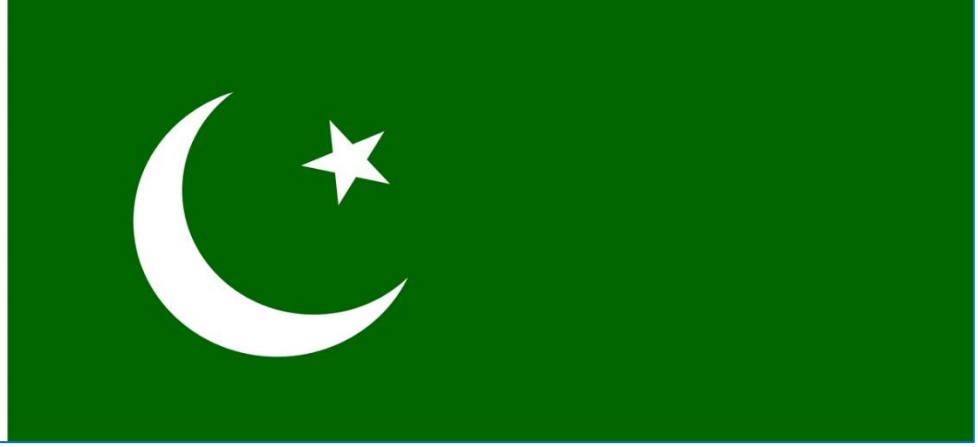
SAI Malaysia performance a financial audit every year for each Local Government (City Hall, Municipal Council, District Council). Performance audit is conducted selectively (based on sample from 151 Local Authorities).

SAI Malaysia closely interacts with other public institutions: State Governments, Accountant General, State Legal Advisory and Valuation and Property Services Department.

[12] Starting 2024, the SAI only conducts financial audit and performance audit. Compliance audit findings are included into performance audit reporting.

If necessary, NAD resorts to expert assistance. The Auditor General may authorize any person he deems competent to conduct on his behalf and under his direction any inquiry, examination or audit and to report th findings thereof to him.

The results of audit engagements are published in Auditor's General Report (LKAN), submitted to Parliament, State Legislative Assembly, Public Account Committee (PAC), Auditor General Report Action Committee (JTLKAN) and monitored through Auditor's General Dashboard (AGD).



PAKISTAN

General Administrative Information

Pakistan operates under a federal system of government. The state administration is divided into federal, provincial, tribal, and territorial governments. These governments are then divided further into a third level of local governments.

Federal Level

Pakistan is governed by a federal Government located in Islamabad. The Parliament of Pakistan, according to the Constitution of 1973, is bicameral and consists of the President and two Houses known as the National Assembly and the Senate. Based on the Westminster system, the government is made up of 3 major branches: Legislature, Executive, and Judiciary. Two major figures of the government are the President and the Prime minister who run the government with support from Cabinet, Ministers, Civil Service, federal agencies and departments.

Provincial Level

Pakistan is divided into four provinces (Punjab, Sindh, Khyber Pakhtunkhwa & Baluchistan), federally administered areas such as Gilgit Baltistan and associated government Azad Jammu and Kashmir. Each province has its government, with Executive, Legislative, and Judicial powers like the Federal Government. Provinces have a significant degree of autonomy and are responsible for a wide range of areas including education, healthcare, agriculture, and law enforcement.

Territorial

Islamabad is the capital of Pakistan and functions as a territorial administrative area under the control of the Federal Government. Islamabad Capital Territory also has its local government system as well that manages local issues.

Local Level

At the local level, Pakistan is divided into Districts, each of which is administered by a Deputy Commissioner or District Coordination Officer (DC/DCO). Districts are further subdivided into towns or tehsils, which are then divided into Union councils which are further divided into villages or urban areas.

Local governments exist at district, tehsil, and union council levels. Local governments of Major cities are named as Metropolitan corporations/Municipal corporations depending on the size of the population. While district and tehsil governments are named.

Districts are administrative units consisting of multiple Tehsils or Talukas. The head of a district is called the "District Nazim or district chairman". Each district also has a District Coordination Officer (DCO), who is a civil servant responsible for coordinating the activities of various departments. Tehsils (in Punjab and Khyber Pakhtunkhwa) or Talukas (in Sindh and Balochistan) are the next level down. They consist of multiple Union Councils. Union Councils (UCs are the basic units of local government in Pakistan. Each Union Council typically consists of several villages or neighborhoods.

Public Audit System at Local Level

Public sector audit at the local level is conducted centrally by SAI Pakistan which has one or two Directorates headed by Director Generals. Directorates have regional directorates headed by Regional Directors.

The Constitution of the Islamic Republic of Pakistan 1973 & the Auditor General of Pakistan Ordinance, 2001, provides the legal framework for the functioning of the Auditor General of Pakistan (SAI Pakistan). Local government laws also empower the Auditor General of Pakistan to conduct various types of audits.

Types of Audits

SAI Pakistan conducts various audits in all public authorities (financial audit, performance audit, compliance audit, specific audit engagement, impact audit, information system audit, environmental audit etc.). Different types of audits are not normally combined in one inspection. However, the head of institutions has the authority to combine different types of audits

Quality Assurance

The Auditor General of Pakistan ensures the quality of audits through a systematic approach outlined in the Financial Audit Manual. Continuous training and professional development programs equip auditors with the necessary skills, while rigorous quality control measures, documentation requirements, and supervisory oversight ensure accuracy and completeness of audit work. Audit reports are scrutinized by the Internal quality control committee and External quality control committee before the approval of the Auditor General.

Audit Outcome and Follow Up

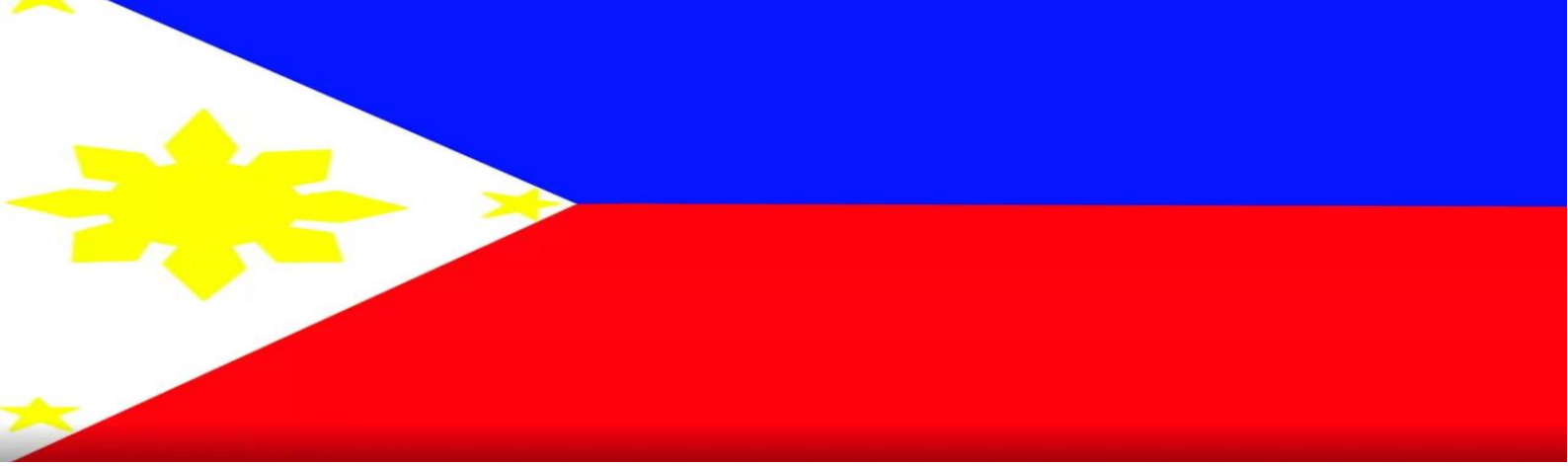
The reports, opinions, and other outcomes resulting from local audits are submitted to the Governors of each province. Audit reports are then presented in the respective Provincial Assemblies for further discussion by the Public Accounts Committees (PAC) of Provincial Assemblies.

SAI Pakistan oversees the implementation of audit results through a structured process. After discussing audit opinions with management, critical issues are reported to Principal Accounting Officers [13] (PAOs) for remedial measures. Reports on unresolved issues are presented to the Public Accounts Committee (PAC) for further scrutiny.

[13] The principal accounting officer is responsible for all financial matters relating to all offices under his administrative control and is custodian and operator of the financial resources.

Cooperation with external agencies

SAI Pakistan cooperates with external experts or other public institutions during the auditing but that is not a common phenomenon. Joint engagements with law enforcement agencies are also not a regular feature.



PHILIPPINES

General Administrative Information

The Republic of the Philippines is composed of 17 Regions, which were created primarily for administrative and political purposes. The territorial and political subdivisions of the Republic of the Philippines are the provinces (81), cities (147), municipalities (1491), and barangays (42,049)[14]. By virtue of Republic Act (R.A.) No. 10742, a Sangguniang Kabataan (42,049) [15] is created in every barangay. Local Government Units (LGUs) enjoy autonomy in terms of legislative powers and the administration/management of its own resources.

One of the 17 Regions, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), which was established in view of the ratification of R.A. No. 11054, differs from the others. The BARMM has the right to exercise self-governance, with a democratic political system under a parliamentary form of government. The BARMM also enjoys autonomy in terms of legislative powers and the administration/management of its own resources.

The National Capital Region (NCR), where the capital of the Philippines is located, is the only Region that has no province, but subdivided into 17 LGUs, which is comprised of 16 cities and one municipality. Regulatory and supervisory authority over the delivery of metro-wide services within the NCR is exercised by the Metro Manila Development Authority (MMDA), pursuant to R.A. No. 7924. The MMDA is tasked

[14] In accordance with Article X of the 1987 Constitution of the Philippines.

[15] Community Council that represents youth in a barangay in the Philippines.

to perform planning, monitoring and coordinative functions, without diminution of the autonomy of the LGUs concerning purely local matters.

Public Audit System at Local Level

Public audit at the local level is conducted by Commission on Audit (SAI) Regional Offices, and the Audit Groups/Teams of SAI Philippines. All governments agencies in the regions, including LGUs, i.e. provinces, cities, municipalities, barangays, and SKs, are audited.

SAI Philippines exercises control and supervision over the Regional Offices. The Commission Proper[16] of SAI Philippines determines their structure and staffing, subject to the review and budgeting requirements of the Department of Budget and Management (DBM). Commission Proper may delegate to the Regional Directors authority on internal administration concerning personnel, planning, financial (budgetary and accounting), and legal matters pertaining to the region.

Each Regional Office performs the following functions:

- Exercises supervision and control over the implementation of auditing rules and regulations in any agency of the government with principal offices or place of operations within the region, including the National Assembly (Senate and House of Representatives)
- Reviews, analyzes and consolidates local, national and corporate audit reports pertaining to the region
- Upon delegation by the Commission Proper, exercises authority on internal Commission administration on personnel, planning, financial (budgetary and accounting), and legal matters pertaining to the region
- Performs such other related functions as may be assigned by the Chairman.

The audit planning process involves several stages:

[16] Chairman and the two Commissioners shall together be known as the Commission Proper

- Officials of the Central Office of the SAI Philippines[17] come up with its medium-term Strategic Plan
- Audit Sectors[18] develop operating/audit strategic plans in the form of General Audit Instructions (GAIs)[19].
- In the Local Government Audit Sector, the GAIs are cascaded down to the Regional Directors (RDs)[20], who in turn will issue their Specific Audit Instructions (SAIs) based on the GAI, after careful planning and assessment, which is also conducted annually
- SAIs are used by Audit Groups/Teams in the formulation of their respective Audit Plans in the conduct of Financial and Compliance Audit.

Audit Types:

- SAI Philippines conducts financial, performance and compliance audits separately the results of which are covered by a separate audit report. There are instances where financial and compliance audit are combined in one inspection. At present, performance audit is conducted by the Performance Audit Office of SAI Philippines. However, there is a plan to capacitate the Audit Groups/Teams in the regions on performance audit.
- SAI Philippines also undertakes special audits: citizen participatory audit (civil society organizations assist the auditors in the auditing), fraud audit (performed if fraud or corruption indicators are identified in government programs, projects and transactions). Other types of engagements performed by Special Audits Office are visitorial audit (when the Government granted subsidy to a private entity), tariff rate audit on public utilities and levy audit.

---

[17] Chairperson, the two Commissioners (collectively known as the Commission Proper), the Sector Heads, and Office / Cluster Directors (CDs)

[18] Local Government Audit Sector, Corporate Government Audit Sector, and the National Government Audit Sector

[19] GAIs are the instructions cascaded down to the level of Cluster/Regional Directors as their guide in the audit of accounts and operations of their respective auditees.

[20] Heads a Regional Office of SAI Philippines.

Audit Outcome

Annual Audit Reports (AARs) are submitted by the Audit Groups/Teams to the RDs, and thereafter transmitted to the Local Chief Executives of the LGUs. Based on the consolidated reports, results of audit and financial statements are ultimately submitted by RDs to the Government Accountancy Sector (GAS) of SAI Philippines for the preparation of the Annual Financial Reports (AFRs) of LGUs.

Once the AFRs are finalized, the GAS submits the same to the President of the Philippines, Senate President and Speaker of the House of Representatives, and likewise uploaded to the COA website. The oversight bodies/committees are provided with copies of these Reports, i.e. local legislative body concerned, the Department concerned (for LGUs, the Department of the Interior and Local Government), the Libraries of the University of the Philippines and the SAI Philippines.

Follow-up Audit

The SAI Philippines has a unique system in-placed because of the settlement of accounts. The Auditors may issue a Notice of Charge when there is underassessment or under-collections of revenue or income; Notice of Disallowance when there are illegal, irregular, unnecessary, unconscionable, excessive, extravagant expenditures of public funds; and Notice of Suspension when the expenditure is of doubtful legality and validity. When accounts are settled by the person/s liable a Notice of Settlement of Suspension/Disallowance or Charges shall be issued.

After the transmittal of the Audit Report to the LGU, an Action Plan [21] is required to be submitted by the LGU 60 days from receipt of the Report from the Audit Group/Team, who validates the same. Thereafter, a Monitoring Plan[22] is submitted to the RD.

Aside from the audit function and processes mentioned above, the SAI Philippines also exercises quasi-judicial powers. Notice

[21] Agency Action Plan and Status of Implementation (AAPSI).

[22] Action Plan Monitoring Tool (APMT).

of Disallowance (ND) is issued on illegal, irregular, unnecessary, unconscionable, excessive and extravagant expenditures of public funds. While Notice of Suspension (NS) is issued for expenditures of doubtful validity that needs further explanation or justification for its incurrence. On the other hand, Notice of Charge is (ND) issued for under-collection or under remittance of revenue or income. Appeals from ND/NS/NC issued by the Audit Groups/Teams are decided upon by the RDs/CDs, and the Commission Proper.

RUSSIA

General Administrative Information

The administrative-territorial division of the Russian Federation determines the system of state authorities, local government bodies and public associations.

The Russian Federation comprises a large number of different political subdivisions, making a total of 89 constituent entities (federal subjects). According to the Constitution of Russia, the federation consists of republics, krais, oblasts, cities of federal importance, an autonomous oblast, and autonomous okrugs that have different degree of autonomy but all of which are equal subjects of the federation. In addition, a new administrative-territorial unit was created – a federal territory (an intra-state entity that is not a subject of the federation, but falls under the direct control of federal authorities).

The entire territory of Russia is divided into eight vast federal districts.

Public Audit System at Local Level

The system of external public and municipal audit in the Russian Federation has three levels (federal, regional and municipal levels) resulting from the federal structure of the country.

Federal Level

The Accounts Chamber of the Russian Federation is a supreme audit institution established in accordance with the Constitution of the Russian Federation. The tasks of the Accounts Chamber include organization and monitoring of the proper and effective use of federal budget funds and public resources as well as auditing the feasibility

and efficiency of achieving strategic goals of social and economic development of the Russian Federation.

SAI Russia also carries out public audit of local government bodies within the competence established by the law. For example, it checks inter-budget transfers and budget loans from the federal budget, including financial support for the implementation of infrastructure projects.

Regional and Municipal Levels

87 Control and Accounts Authorities of the constituent entities and Control and Accounts Authority of the Federal Territory Sirius are formed and accountable to the legislative authorities of the constituent entities of the Russian Federation and representative body of the Federal Territory.

Control and Accounts Authorities of municipalities are formed and accountable to the representative bodies of municipalities.

Audit Institutions have organizational and functional autonomy and carry out their activities independently. The activities of the audit bodies are based on the principles of legality, objectivity, efficiency, independence, openness and transparency.

The powers, composition and regulations of the Regional and Municipal Audit Institutions are established accordingly by the Constitutions (charters) and (or) Laws of the subjects of the Russian Federation, Charters of Federal Territories and (or) Regulatory legal acts of representative bodies of Federal territories, Charters of municipal entities and (or) regulatory legal acts of representative bodies of municipal entities.

Audit Institutions are independent in planning and implementing their audit engagements.

Some of the main powers are:

- Control over the legality and efficiency of the use of local budget funds
- Examination of draft laws on local budgets, verification and analysis of the reliability of their indicators
- Audit of the annual report on the execution of the local budget
- Audit of public procurements

- Assessment of the effectiveness of the formation of state property, management and disposal of such property
- Control over the state of the internal and external public debt of a region, federal territory or municipality
- Assessing the feasibility, risks and results of achieving the goals of socioeconomic development stipulated by the strategic planning documents.

Interaction of the SAI with Regional Audit Institutions (RAIs)

The Accounts Chamber of the Russian Federation actively interacts with RAIs in bilateral and multilateral formats.

Multilateral cooperation is developing within the framework of Regional Audit Institution Council (RAIC) under the Accounts Chamber of the Russian Federation, whose members are the Chairmen of all RAIs of constituent entities of the Russian Federation and federal territory.

The Council is an advisory body whose activities are aimed at improving the quality and the efficiency of public audit at the regional level. In order to ensure the continuity of its activities, the Council has formed permanent working bodies: Presidium, six commissions on current areas of activity, eight branches in federal districts. The activities of the Council and the Presidium of the Council are ensured by the Department for International and Regional Cooperation of the Accounts Chamber of the Russian Federation.

The working bodies of the Council summarize the best audit practices. About 30 analytical materials are prepared annually. Seminars, meetings and round tables are held in the constituent entities of the Russian Federation.

Powers of SAI Russia regarding interaction with Control and Accounts Authorities are:

- Concluding cooperation agreements
- Interacting on issues of planning and implementation of joint and parallel audits in the constituent entities of the Russian Federation and municipalities

- Rendering organizational, legal, informational, methodological, and other assistance
- Assisting in professional training and capacity building of RAIs employees
- Upon request assessing (analyzing) the activities of the Control and Accounts Authorities of the constituent entities of the Russian Federation, federal territories and municipalities, providing its opinion on whether such authorities' activities are compliant with the legislation on public audit and recommendations to improve their effectiveness
- Upon request providing its opinion on whether the nominee chairpersons of the Control and Accounts Authorities of the constituent entities of the Russian Federation and federal territory are compliant with the requirements established by Federal Law
- Developing and approving the general requirements to the standards of public audit for audits conducted by the Control and Accounts Authorities. Upon request, assessing compliance with requirements.

Within the framework of multilateral cooperation, special attention is paid to the organization and implementation of joint and parallel audit and non-audit (expert-analytical engagements) activities. 16 were held in 2023.

In 2014 SAI Russia launched a web-portal for Control and Accounts Authorities of all levels. This is a unique platform designed to interact between public audit institutions, share knowledge and collaborate on projects and researches. The Portal provides different functions: holding videoconferences, electronic document management, knowledge base, personal accounts, database, news. In 2023, over 5,900 materials were published at the platform.

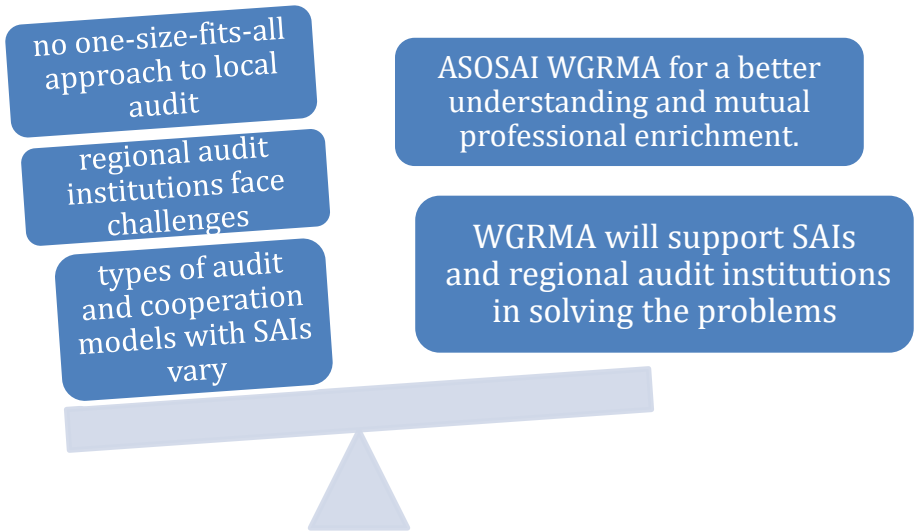
To strengthen professional cooperation, the Concept of interaction between SAI Russia and RAIs was developed. Seven priorities were identified:

- Conducting joint audits
- Convergence of methodological approaches
- Development of professional competencies
- Creation of a unified digital environment
- Improving interaction with Regional Audit Institutions
- Promoting transparency and openness
- Professional ethics and anti-corruption.

III. Establishment of ASOSAI WGRMA

An initiative to create the ASOSAI Working Group on Regional and Municipal Audit was presented by the Accounts Chamber of the Russian Federation during the 59th ASOSAI Governing Board meeting in 2023. The ASOSAI Governing Board approved the formation of a Special Committee to study the feasibility of establishing the new ASOSAI Working Group with the Accounts Chamber of the Russian Federation appointed as its chair.

Purpose of the Working Group Establishment



The study conducted showed that there is no one-size-fits-all approach to external audit of local government. Types of audit entities that carry out public audit at the local level, their competencies and cooperation models with SAIs vary across countries. We propose to establish the Working Group for a better understanding of the specifics of audit at various levels, for mutual professional enrichment.

The accumulated practices of Committee Members, including their experience of practical interaction with regional/municipal audit institutions, reveal that regional/municipal audit institutions or SAI regional offices face challenges as mentioned below:

- Limited organizational and financial resources
- Deficiency in the general principles and guidelines on regional/municipal auditing

- Low degree of compliance with SAI practices and methodological approaches
- Inadequate development of digital infrastructure
- The need to improve staff professional training and strengthen the SAI employees' potential.

The project rationale is to support SAIs and regional audit institutions in solving the problems revealed by developing a standardized set of professional criteria and principles that all these organizations can adhere, promoting best audit practices and improving approaches to the regional and municipal audit.

WGRMA Conceptional Framework

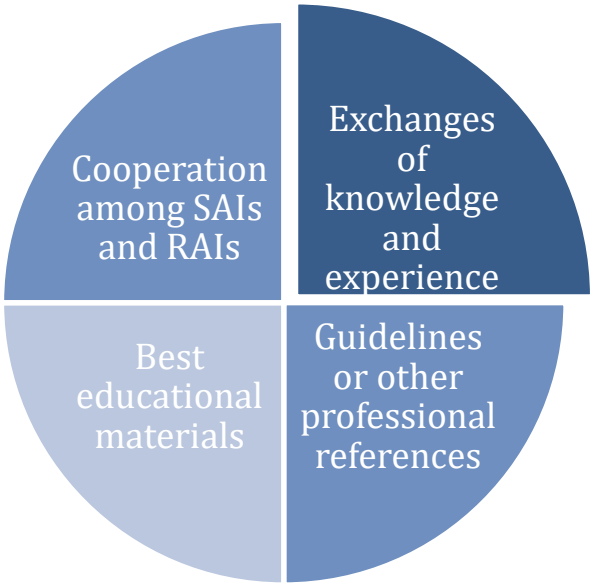
- **Vision – increasing national audit effectiveness** to solve important social and economic problems at regional and municipal levels, regardless of the form of organization of the regional audit institutions.

- **Mission**– creating an environment for **continuous expert dialogue** and promoting the value of regional/municipal audit institutions with/within SAIs, government bodies and professional audit community.

- **The key principles:**
  - **Professionalism** - creating an environment for continuous, open professional dialogue
  - **Cooperation** - strengthening partnerships between supreme audit institutions and regional control bodies, synergy of projects and initiatives
  - **Inclusiveness** - ensuring equal development opportunities for all members of the international audit community
  - **Innovation** - introducing digital tools into audit processes and professional training.

- **Membership**. WGRMA is open to all ASOSAI members and will undertake activities and projects in close cooperation with other ASOSAI Working Groups.

Objectives and Scope of Work



It is proposed that the Working Group on Regional and Municipal audit will be mandated to conduct the following activities:

- To foster and promote cooperation among SAIs and regional/municipal institutions in the various areas of mutual interests
- To promote exchanges of knowledge and experience in public auditing at regional and municipal levels
- To integrate and promote the best educational materials from regional/municipal institutions and leading international organizations on issues related to external public audit
- To prepare and publish a guidelines or other professional references to improve the audit quality and develop institutional capacity.

Risks of the Working Group Establishment

When initiating the project, it is crucial the right level of consideration is given to the sound governance structure, setting clear objectives and weighing potential risks.

WGRMA is intended to improve SAIs and Regional Audit Institutions performance by sharing professional experience and knowledge. To ensure

the Working Group is fit for purpose the **Terms of Reference (ToR) will be prepared.** The document will consolidate the main goals and objectives of the Group, define roles and responsibilities of the key stakeholders, assign milestones and outputs, identify standing agenda items and the frequency of the meetings.

Thorough and robust project planning will permit to avoid overlaps with the activity areas of other ASOSAI Working Groups, Task Forces and etc. Inclusive and constant communication within the Group will ensure that arising issues could be resolved quickly, projects will remain on schedule and all members will be engaged. **Involving external experts will help improve the group's performance** by bringing a fresh perspective and specialized knowledge.

Considering significant differences among SAIs and Regional Audit Institutions, Working Group will encounter challenges related to the development of **guidelines acceptable to all**. To maintain overall consistency Working Group deliverables will be based on INTOSAI professional pronouncements, draw on collective expertise, contain basic concepts and general audit recommendations.

Advantages of the Proposed Working Group Establishment

The proposed Working Group would focus more on the following issues:

- **Study** of the current state and specifics of development of regional/municipal audit through an analysis of existing national practices and regulations
- **Improvement** of regional/municipal audit standards and dissemination of best professional practices
- Launch of **new inclusive digital formats** for professional dialogue.
- Development and implementation of **guidelines and capacity building programs** on local audit by audit institutions.

Work Plan

It is suggested to formulate a WRMA strategic guidelines and activities in line with the Strategic Goals and Cross-cutting Priorities from ASOSAI Strategic Plan 2022–2027.

ASOSAI Strategic Goal	ASOSAI Cross-cutting Priorities	WRMA Activities Planned
Strategic Goal 1: Innovative and Responsive Capacity Development	• Supporting SAIs in promoting good governance • Encouraging SAIs' efforts for the achievement of the SDGs • Leveraging opportunities brought by technological advancement • Responding to emerging issues and emergent situations	• Updating Research on Public Audit at Local Level • Launching of Local Auditing education courses on U-INTOSAI • Guidelines and Trainings on local auditing methodological issues • Regional Audit Cooperation Network
Strategic Goal 2: Quality Knowledge Services		• Scientific and practical conference on public auditing at local level • Organizing knowledge-sharing webinars on relevant audit issues • Preparing a subject matter Collection of cases and best audit practices at local level • E-library of audits reports performed at local level
Strategic Goal 3: Professional and Relevant Regional Organization		• Cooperating with INTOSAI, other regional organizations and stakeholders (workshops, presentations etc.) • Organizing technical and annual meetings • Publishing WGRMA Newsletter • Managing WGMA website

Special Committee **will determine the objectives and scope of work** for the proposed Working Group. It will also study the specifics of regional and municipal audit development in the Asian region. Report on the Special Committee activities will be submitted for approval by the ASOSAI Governing Board and for endorsement by the 16th ASOSAI Assembly (September 21–27, 2024 in New Delhi, India).

Conclusion

The results of the Feasibility Study **showed high interest in further professional cooperation** on the topic of local auditing. It helped to define the scope of work of the WRMA, to weigh benefits of the project and to foresee potential challenges.

Special Committee assumes that **WGRMA will raise professional standards and increase auditors' competences in local auditing** by promoting knowledge and experience sharing among the Working Group members. This will also foster the capacity development of ASOSAI community and enhance prestige of the Organization.

SAI Russia seeks the support of esteemed Governing Board members and requests to approve the establishment of the ASOSAI Working Group on regional and municipal audit. SAI Russia proposes its candidacy for the position of the leader of the Working Group in case of the project improvement by the Assembly.