



APPLICATION OF THE INTOSAI P-12 PRINCIPLE (ON THE VALUE AND BENEFITS OF SUPREME AUDIT INSTITUTIONS) IN THE ACTIVITY OF THE CHAMBER OF ACCOUNTS OF THE REPUBLIC OF AZERBAIJAN

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The public sector auditing carried out by the Supreme Audit Institutions (hereinafter - SAI) is an important institution that benefits society and makes a difference to the lives of citizens. Public sector auditing has a positive impact on trust in society by determining how well public resources are being used.



The role of the SAIs over the stewardship of public finances leads to the increase of demands and expectations of SAIs from stakeholders, as well as requires them to set up their activity to meet the highest standards and to adapt to the changes that occur.

The provision of benefits to society by Supreme Audit Institutions is ensured by the fulfillment of 3 outcomes, directly related to accountability and transparency.

The article deals with the work carried out by the Chamber of Accounts of the Republic of Azerbaijan to achieve these outcomes.

First, regarding "**Strengthening the Transparency, Accountability and Integrity of Government and Public Sector Entities**". Achieving the outcome is measured on the basis of the level of SAI independence, as well as reporting on audits, also monitoring the audit proposals and recommendations implementation.

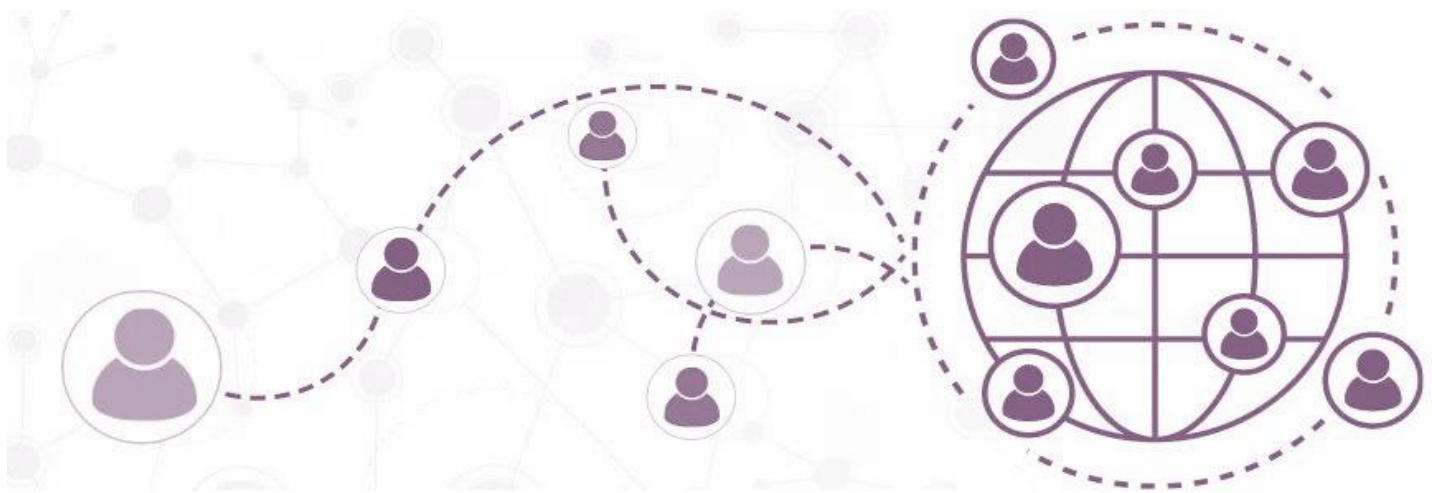


The following can be mentioned as the sample of works carried out in this direction recently and their results:

- According to **Supreme Audit Institutions Independence Index: 2021 Global Synthesis Report** 17 SAIs, including SAI Azerbaijan among 118 countries, had a **high level of independence**. The report was developed based on the Independence of Supreme Audit Institutions (InSAI) assessment and it **includes 10 indicators** (legal framework, transparency in the process for appointing the SAI head, financial autonomy, types of audits, operational autonomy, staffing autonomy, audit mandate, audit scope autonomy, access to records and information, right and obligation on audit reporting)
- Recently, a significant increase has been observed in the number of information on audit results made to the public. In 2021, 54% of portfolio audits were disclosed, in 2022 this indicator increased to 60%, and in 2023 this number increased to 64%. **Our goal is to increase this rate to 70% by 2025**
- The annual reports on our activities reflect the overall implementation status of the recommendations based on the audit results. In 2022, 163 out of 205 recommendations, and in 2023, **152 out of 214 recommendations were fully or partially implemented** by audited entities.
- 72.2% of entities audited twice and more in 2022 and 69.6% of entities audited twice and more in 2023 has relatively **strengthened its financial discipline** taking into account the previous recommendations of SAI Azerbaijan.
- To increase the audit impact, the **section of “Follow-up of Proposals” was created** on the institution's official website in 2024, and it reflects

the implementation status of submitted recommendations (implemented, partially implemented, etc.).

- In terms of measuring the impact of our activities, the misstatements detected during audits have been grouped **with a new approach**, which reflects the damage to the budget and other financial violations.
- Our opinions on participation in the budget process are among the main analytical documents that allow the formation of an image on public finances, having a wide readership. The full text of 9 opinions and 2 reports on the draft budgets and budget implementation of the state budget and extra-budgetary state funds in **each of 2022 and 2023 are available in the official website**. In the remaining period of 2024, 5 opinions and 2 reports were presented to the public.
- One of the innovations is **posting Summaries on our official website**, which serves to improve the readability of reports and opinions. 4 summaries on opinions and reports were posted on the official website in 2022 and 8 of them in 2023.



Next outcome is “**Demonstrating ongoing relevance to citizens and stakeholders**”. As mentioned above, the role of the SAIs over the stewardship of public finances leads to the increase of demands and expectations of SAIs from stakeholders. In this direction, the following can be noted as the works done in recent years, as well as their results:

- ✓ For the first time, the expectations of stakeholders were taken into account in the **Strategic Plan** of SAI Azerbaijan **for 5-years**.
- ✓ Taking advantage of the risk-based audit approach, **issues of public importance are also taken into account** during the annual audit.

planning. National legislation also establishes the right of the President and the Parliament to make additions to the audit plan. Based on the proposal of Members of Parliament (MP), 1 audit was included in the Work Plan in 2022 and 2 audits in 2023.

- ✓ According to the requirements of both international standards and national legislation information on all audit results, as well as annual reports were submitted to the Parliament. The participation of SAI Azerbaijan top management in the Committee and Plenary sessions of the Milli Majlis has been increased (more than 40 in the last 2 and a half years), **MPs were invited to Board meetings** of SAI once in 2022 and 3 times in 2023 for the discussion of opinions and audit results.
- ✓ The process of inviting the representatives of the audited entities to the Board meetings **was reinstated**, and management of the audited entities 3 audits of which completed in the remaining period of 2024 attended the relevant meeting.
- ✓ One of the works done for increasing the audit impact is submission of the information and recommendations on audit results **to the higher executive bodies for the implementation of measures within their powers**. Generally, in 2022-2023, information on 19, and in the first 6 months of 2024, information on 5 audits were sent to the Cabinet of Ministers. The reports on the activities of the Cabinet of Ministers for 2022-2023 reflect information on the implementation of the recommendations given by the Chamber of Accounts.
- ✓ Accountability and transparency in the use of public funds are aimed at **ensuring public control and also an effective preventive measure against corruption**. Since the beginning of 2022 up to present, relevant materials on the results of more than 20 control measures have been sent to the Law Enforcement Agencies.
- ✓ To strengthen cooperation with stakeholders, a **Communication Strategy** based on a new results-based framework was adopted. This Strategy defines more than **100 targets for 5 SMART goals**. The document was sought to be ambitious, an increase of 15-20% on an annual basis was envisaged for most of the targets. In the first half



of 2024, the implementation level for about 50% of the annual targets for the year varied from 70% to 100%.

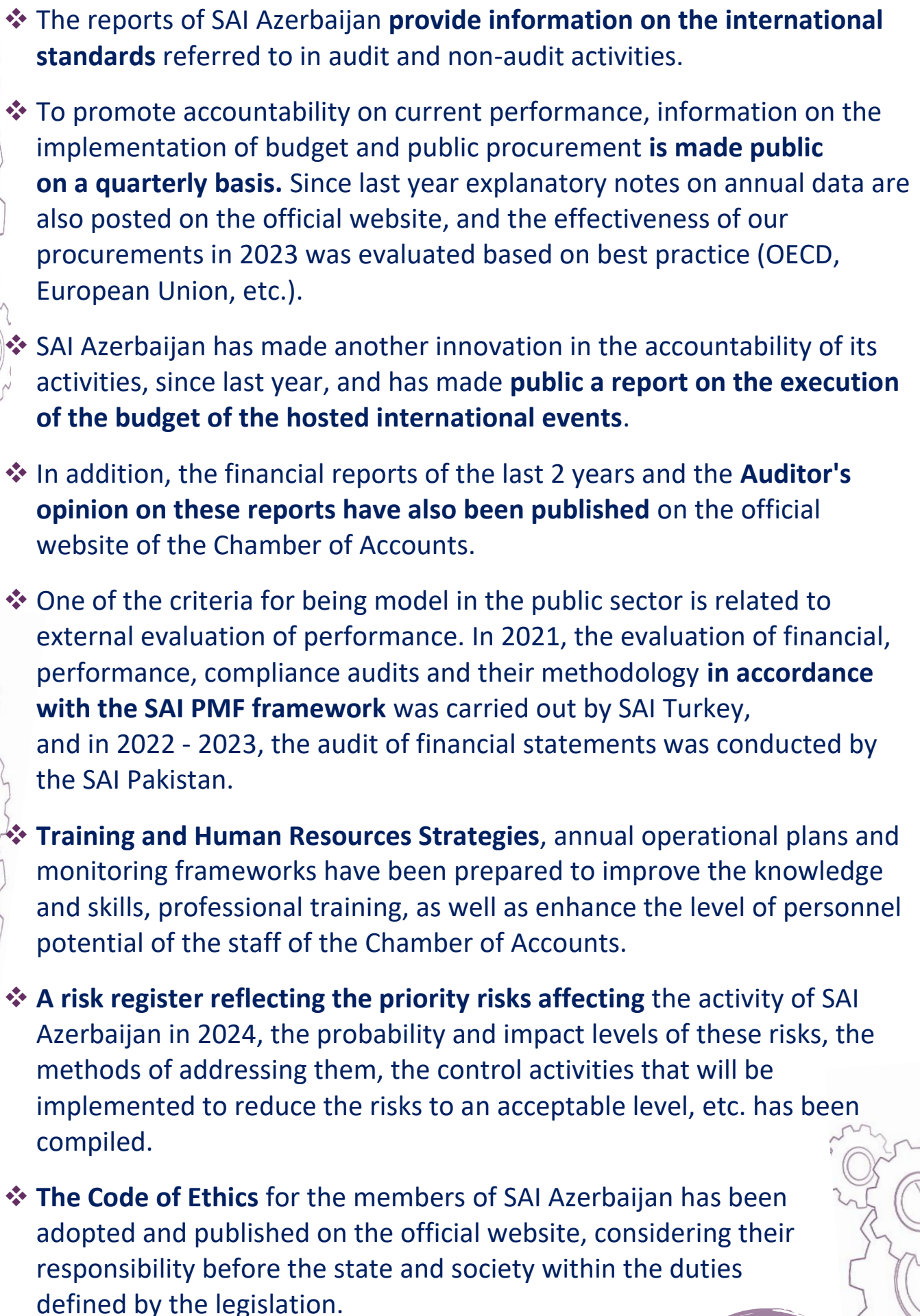
- ✓ For public participation in the state audit, a **sub-section "Propose an audit" was created**, as well as a survey on monitoring the stewardship of state finances, including measuring the level of awareness and satisfaction of the activities of the SAI Azerbaijan was posted on the official web site.
 - ✓ To strengthen relations, to organize joint activities for capacity building, to conduct parallel audits with foreign SAIs and, **Memorandums of understanding** have been signed with SAIs of 8 countries, including Turkey, Pakistan, China, Kazakhstan, Korea, Saudi Arabia, United Arab Emirates and Tajikistan since the beginning of 2022 up to the present date of 2024.
 - ✓ Being assessed as a model institution in the field of strategic management, accepting the offer to evaluate the colleague's performance within the framework of the international project, SAI Azerbaijan has supported the establishment of the Strategic Plan of SAI Tajikistan, and conducted the **SAI PMF assessment**.
 - ✓ SAI Azerbaijan, together with the delegation of the SAI Kazakhstan, has **audited ASOSAI financial statements for 2021-2023**.
 - ✓ The role played by the Supreme Audit Institutions in accountability and transparency makes them the object of various evaluations conducted by international organizations. The "**Open Budget Index**" prepared by the "International Budget Cooperation" organization measures the transparency of budget processes in countries and the public access to budget information. Last assessment covered **125 countries**, including Azerbaijan. In the report, the activity of SAI Azerbaijan was rated as "**adequate**" with **100 points out of 100** (11 points more than previous one). The significant rise of our position was influenced by the assessment of our activity by an external partner, as well as the increased participation of the members of the SAI Azerbaijan in Parliamentary discussions.
 - ✓ SAI Azerbaijan considers **global challenges in its activities**. The results of 6 audits carried out by the Chamber of Accounts in the last 2 years have been posted in the **INTOSAI Atlas on Sustainable Development Goals (SDGs)**.
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Finally, on "**Being a model organization**". The credibility of SAIs depends on being seen as publicly accountable for their operations. In order to make this possible, supreme audit institutions should be model. In this direction, the following can be noted as the works done in recent years, as well as their results:

- ❖ SAI Azerbaijan has made **public its Strategic Plan for 2021-2025**, which reflects its mission, vision, and medium-term goals, through its official website. Both final outcomes of the Strategic Plan cover both accountability and transparency issues. Thus, the 1st outcome is focused on increasing the accountability of state finances, and the 2nd outcome is focused on strengthening credibility on the Chamber of Accounts.
- ❖ For the first time in the country, SAI Azerbaijan has **used the results-based budget model in annual reporting**. Thus, the activities planned and implemented in 2022-2023 have been made public with relevant budget and performance indicators. Compared to 79,4% of budget implementation in 2022, the annual Operational Plan of our Strategic Plan was implemented by 81.3%, and in 2023, compared to 83.3% of budget implementation, the annual Operational Plan was implemented by 91.7%.



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- ❖ The reports of SAI Azerbaijan **provide information on the international standards** referred to in audit and non-audit activities.
 - ❖ To promote accountability on current performance, information on the implementation of budget and public procurement **is made public on a quarterly basis**. Since last year explanatory notes on annual data are also posted on the official website, and the effectiveness of our procurements in 2023 was evaluated based on best practice (OECD, European Union, etc.).
 - ❖ SAI Azerbaijan has made another innovation in the accountability of its activities, since last year, and has made **public a report on the execution of the budget of the hosted international events**.
 - ❖ In addition, the financial reports of the last 2 years and the **Auditor's opinion on these reports have also been published** on the official website of the Chamber of Accounts.
 - ❖ One of the criteria for being model in the public sector is related to external evaluation of performance. In 2021, the evaluation of financial, performance, compliance audits and their methodology **in accordance with the SAI PMF framework** was carried out by SAI Turkey, and in 2022 - 2023, the audit of financial statements was conducted by the SAI Pakistan.
 - ❖ **Training and Human Resources Strategies**, annual operational plans and monitoring frameworks have been prepared to improve the knowledge and skills, professional training, as well as enhance the level of personnel potential of the staff of the Chamber of Accounts.
 - ❖ **A risk register reflecting the priority risks affecting** the activity of SAI Azerbaijan in 2024, the probability and impact levels of these risks, the methods of addressing them, the control activities that will be implemented to reduce the risks to an acceptable level, etc. has been compiled.
 - ❖ **The Code of Ethics** for the members of SAI Azerbaijan has been adopted and published on the official website, considering their responsibility before the state and society within the duties defined by the legislation.

- ❖ In order to provide objective, regulatory and advisory functions that serve the development of its activity and increase its efficiency, the position of "**chief consultant - internal auditor**" has been created in the structure of SAI Azerbaijan.

We aim to strengthen the application of the principles reflected in INTOSAI P- 12, which envisages to make value to society and make positive differences to the lives of citizens by coping with all the duties that fall upon us as a supreme audit institution, in order to further improve the results, we have achieved with the work done.

