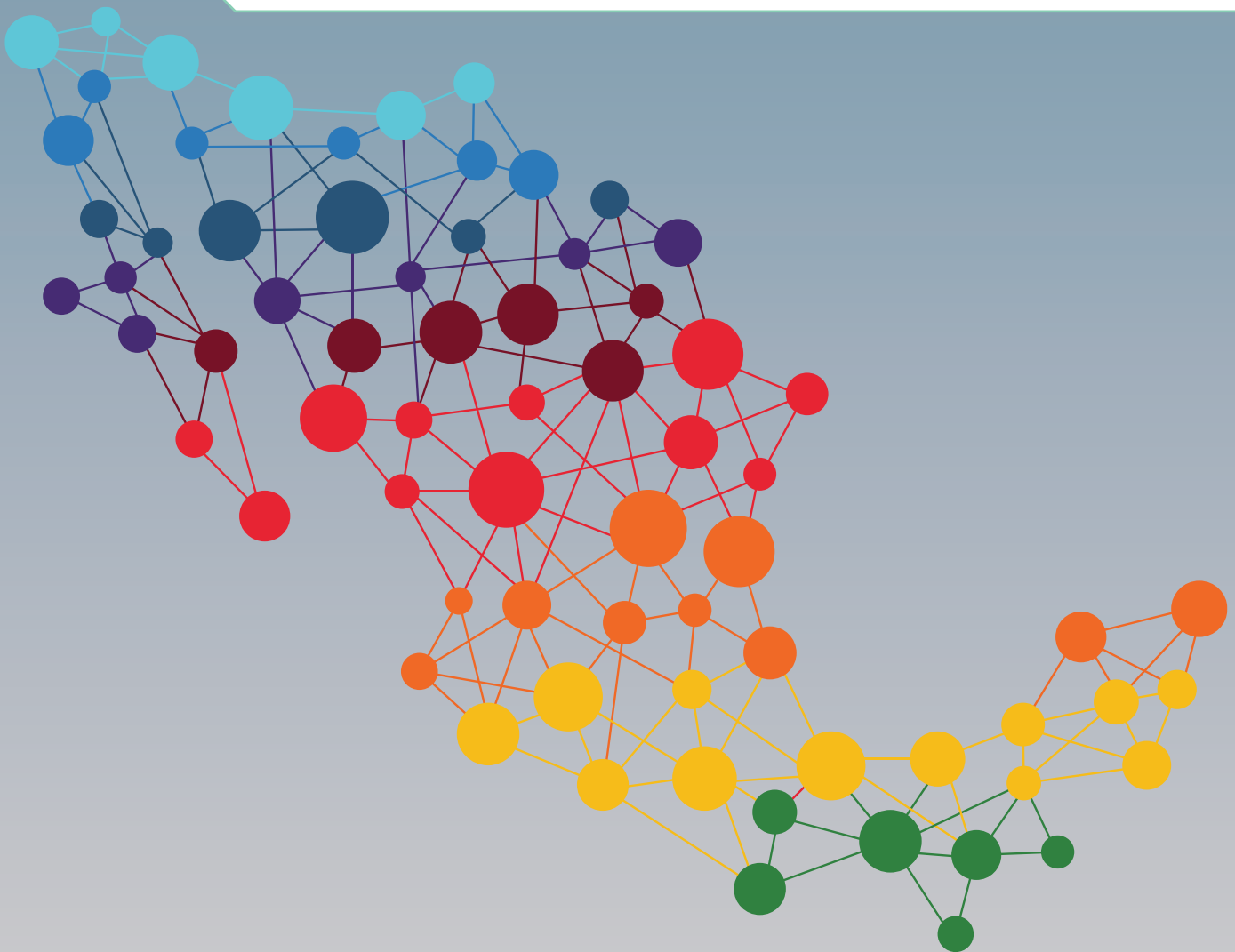




# Progress Report on the Implementation of the Mexican Superior Audit of the Federation's Mandate

INCREASING IMPACT AND CONTRIBUTING TO GOOD GOVERNANCE



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# Foreword

In the context of the COVID-19 crisis, supreme audit institutions (SAIs) are adopting a strategic approach to ensure that public resources are used effectively to protect the population, particularly the most vulnerable, and to accelerate economic recovery. At the same time, governments are under pressure to do more with less and ensure that public services are delivered effectively and efficiently. SAIs have the potential to provide insight and foresight by producing information on programme effectiveness and the degree of preparedness for future crises.

The OECD has been working with Mexico's Superior Audit of the Federation (*Auditoría Superior de la Federación*, ASF) for five years to strengthen its contribution to good governance. As part of this work, ASF asked OECD to assess progress made in achieving the recommendations of the 2018 *Progress report on the implementation of Mexico's National Auditing System: Roadmap for strengthening accountable governance*, particularly regarding strategic and operational readiness, risk and performance-based approaches to audit selection and programming, and measuring and communicating impact.

ASF is a central institution in Mexico's National Anti-corruption System (*Sistema Nacional Anticorrupción*, SNA). To better support good governance, ASF is seeking to improve responsiveness to the needs and concerns of Congress and other stakeholders; refine its methods for audit selection and programming; strengthen specific audit areas, such as those related to public works/infrastructure and forensic audit; and assess its return on investment (ROI) to demonstrate the value of its work.

These efforts are part of ASF's Institutional Strategic Plan 2018-2026 (*Plan Estratégico Institucional*), which reflects these new priorities and the potential of ASF to promote accountability and integrity as pillars of good governance in Mexico.

This report finds that ASF has made substantial progress in implementing OECD recommendations and adopting internationally recognised good practices. To build on this progress, the report provides further proposals to demonstrate the positive impact of recent reforms. Furthermore, by acting on these areas for improvement, ASF can continue to position itself as a benchmark among SAIs of OECD countries and as a model for state-level audit institutions in Mexico.

With the implementation of the SNA, citizen expectations in the fight against corruption are high. Moreover, public institutions must strive to perform and deliver optimally in order to lessen the negative social and economic consequences of the COVID-19 crisis. The recommendations in this report, based on good practices of SAIs in OECD countries that have delivered results, aim to help strengthen the capacities of ASF and make its achievements more visible. OECD will continue working with ASF in the context of its Auditors' Alliance and risk management and audit reviews, in the pursuit of better policies for better lives.

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This document was approved by the OECD Working Party of the Senior Public Integrity Officials (SPIO) on 2 December 2020 and declassified by the Public Governance Committee on 28 December 2020. It was prepared for publication by the OECD Secretariat.

# Acknowledgements

Under the direction and oversight of Elsa Pilichowski, OECD Director for Public Governance, János Bertók, Deputy Director for Public Governance, and Julio Bacio Terracino, Acting Head of the Public Sector Integrity Division, this review was co-ordinated by Jacobo Pastor García Villarreal, Senior Policy Analyst. The primary author was Lisa Kilduff, OECD Junior Policy Analyst, with guidance and contributions from Gavin Ugale. José R. Oyola researched and drafted the Annex on measuring the value and benefits of supreme audit institutions. Editorial assistance was provided by Meral Gedik. Charles Victor provided administrative assistance.

The OECD expresses its gratitude to Mexico's Superior Audit of the Federation (*Auditoría Superior de la Federación*, ASF) for its fruitful cooperation and leadership. In particular, the OECD would like to thank David Colmenares Páramo, Supreme Auditor; Eber Betanzos, Technical Secretariat; Agustín Caso Raphael, Performance Special Auditor; Gerardo Lozano Dubernard, Financial Compliance Special Auditor; Emilio Barriga Delgado, Federalised Spending Special Auditor; and Isaac Rojkind Orleansky, Monitoring, Reports and Investigation Special Auditor, as well as their teams. Mariana Calderón, from the ASF Technical Secretariat Office, served as the contact point for the project.

Likewise, the OECD would like to thank other institutions whose representatives were interviewed during the fact-finding missions, namely the Energy Regulatory Commission (*Comisión Reguladora de Energía*, CRE), the Mexican Institute of Social Security (*Instituto Mexicano del Seguro Social*, IMSS), and the National Bank of Public Works and Services (*Banco Nacional de Obras y Servicios Públicos*, S.N.C.).

Ambassador Sybel Galván, from the Permanent Delegation of Mexico to the OECD, was instrumental in supporting the OECD in this project.

This report is part of a series of governance reviews in OECD and G20 countries. It is also part of a series of reviews of supreme audit institutions to advance good governance and public integrity. It incorporates information shared during an OECD workshop on the use of data to prevent fraud and corruption. Special thanks to ASF and its officials for their support in organising and carrying out this workshop. The OECD is also grateful to Jacob Arturo Rivera Pérez, Policy Analyst, Digital Government, OECD, and the peer experts who participated in the workshop: Auditor General Yli-Viikari, Miikka Saarteinen and Suvi Karki, from the National Audit Office, Finland; and Angélica Castillo Ríos, Deputy Manager for Audit, General Comptroller's Office, Peru.

The OECD Mexico Centre, under the leadership of Roberto Martínez, and the staff in charge of publications, notably Alejandro Camacho, were instrumental in co-ordinating the editorial process for the Spanish publication.

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# Abbreviations and acronyms

ACAG	<i>Consejo de Auditores Generales de Australasia</i> Australasian Council of Auditors General
AESII	<i>Auditoría Especial de Seguimiento, Informes e Investigación</i> Special Audit for Monitoring, Reports and Investigation
AGSA	<i>Auditoría General de Sudáfrica</i> Auditor General of South Africa
AIEG	<i>Auditoría Interna y de Evaluación de la Gestión</i> Internal Audit and Management Evaluation Unit
ANAO	<i>Oficina Nacional de Auditoría de Australia</i> Australian National Audit Office
ASF	<i>Auditoría Superior de la Federación</i> Mexico's Supreme Audit Institution
CGR	<i>Contraloría General de la República de Costa Rica</i> Costa Rica's General Comptroller of the Republic
CNBV	<i>Comisión Nacional Bancaria y de Valores</i> National Banking and Securities Commission
COA	<i>Tribunal de Cuentas de Portugal</i> Portugal's Court of Auditors
CSO	<i>Organizaciones de la Sociedad Civil (OSC)</i> Civil Society Organisations
DGAF	<i>Dirección General de Auditoría Forense</i> General Directorate of Forensic Audit
DGPE	<i>Dirección General de Planeación Estratégica</i> General Directorate of Strategic Planning
DGRID	<i>Dirección General de Relaciones Institucionales y Difusión</i> General Directorate of Institutional Relations and Dissemination



ECA	<i>Tribunal de Cuentas Europeo (TCE)</i> European Court of Auditors
ESI	<i>Fondos Estructurales y de Inversión Europeos</i> European Structural and Investment Funds
EU	<i>Unión Europea (UE)</i> European Union
GAO	<i>Oficina de Rendición de Cuentas Gubernamental</i> Government Accountability Office
HRM	<i>Gestión de Recursos Humanos (GRH)</i> Human Resource Management
INTOSAI	<i>Organización Internacional de las Entidades Fiscalizadoras Superiores</i> International Organization of Supreme Audit Institutions
PRN	<i>Número de Tarifas Premium</i> Premium Rate Number
LFRCF	<i>Ley de Fiscalización y Rendición de Cuentas de la Federación</i> Auditing and Accountability Act
MIR	<i>Matriz de Indicadores de Resultados</i> Results Indicator Matrix
NAO	<i>Oficina Nacional de Auditoría</i> National Audit Office
OECD	<i>Organización para la Cooperación y el Desarrollo Económicos (OCDE)</i> Organisation for Economic Co-operation and Development
PAAF	<i>Programa Anual de Auditorías para la Fiscalización Superior de la Cuenta Pública</i> Annual Audit Programme for the Public Account
QMS	<i>Sistema de Gestión de la Calidad</i> Quality Management System
ROI	<i>Retorno a la Inversión</i> Return on Investment
SAI	<i>Entidades de Fiscalización Superior (EFS)</i> Supreme Audit Institutions
SAT	<i>Servicio de Administración Tributaria</i> Tax Revenue Service
SDG	<i>Objetivos de Desarrollo Sostenible (ODS)</i> Sustainable Development Goals

SFP	<i>Secretaría de la Función Pública</i> Ministry of Public Administration
SHCP	<i>Secretaría de Hacienda y Crédito Público</i> Ministry of Finance and Public Credit
SICSA	<i>Sistema de Control y Seguimiento de Auditorías</i> Audit Control and Monitoring System
SNA	<i>Sistema Nacional Anticorrupción</i> National Anti-corruption System
SNF	<i>Sistema Nacional de Fiscalización</i> National Auditing System
SNT	<i>Sistema Nacional de Transparencia</i> National Transparency System
SWOT	<i>Fortalezas, debilidades, oportunidades y amenazas (FODA)</i> Strengths, weaknesses, opportunities and threats
TCU	<i>Tribunal de Cuentas de la Unión</i> Tribunal de Contas da União
UELRI	<i>Unidad de Enlace Legislativo y Relaciones Institucionales</i> Unit of Legislative Liaison and Institutional Relations
UHLPTS	<i>Unidad de Homologación Legislativa, Planeación, Transparencia y Sistemas</i> Unit of Legislative Approval, Planning, Transparency and Systems
UIF	<i>Unidad de Inteligencia Financiera</i> Financial Intelligence Unit
UK	<i>Reino Unido</i> United Kingdom
US	<i>Estados Unidos de América (EE.UU.)</i> United States of America



# Executive summary

In recent years, Mexico's supreme audit institution, *Auditoría Superior de la Federación* (Superior Audit of the Federation, or ASF), has transformed its audit practices and in turn, the impact of its work. From the establishment of the *Sistema Nacional de Fiscalización* (National Auditing System, or SNF) to its implementation, ASF has adopted a multi-dimensional approach to improving its relevance and impact, aligning and integrating its work with the *Sistema Nacional Anticorrupción* (National Anti-Corruption System, or SNA) to reinforce its position in Mexico's accountability landscape. Furthermore, ASF has taken steps to improve the national and subnational dimensions of auditing, addressing the complexities of harmonising audit practices while recognising the nuances of auditing in various contexts. As a result, ASF has enacted significant reforms to its institutional arrangements and demonstrated a commitment to positively contributing to effective and accountable governance in the public sector. In conjunction with undertaking these changes, ASF has worked extensively with the OECD, which has provided guidance and recommendations to facilitate ASF's positive transformation.

There have been many changes to ASF's mandate and working practices since 2018. Through a series of reforms, ASF has been granted an extended mandate to better fulfil its accountability and oversight function in the Mexican public sector. ASF's *Plan Estratégico Institucional* (Institutional Strategic Plan) 2018-2026 illustrates a shift in strategic priorities and a clear move towards enhancing the preventive nature of its audit work. Moreover, ASF has made a number of changes to its intra-institutional arrangements, processes and operations, and has developed its capacity in key areas, including auditing of public works and regulatory governance. With the changes summarised here and detailed in this report, ASF is striving to ensure the relevance and impact of its work to its stakeholders.

- Since OECD's 2018 report, ASF has enhanced its strategic and operational capacity and readiness. By establishing two units, the *Unidad de Enlace Legislativo y Relaciones Institucionales* (Legislative Liaison and Institutional Relations Unit, or UELRI) and the *Unidad de Homologación Legislativa, Planeación, Transparencia y Sistemas* (Unit of Legislative Approval, Planning, Transparency and Systems, or UHLPTS), ASF is building capacity and strengthening inter-institutional relationships, including by developing a systematic approach to how it communicates with and responds to Congress.
- ASF has also made progress in how it undertakes risk-based audit selection and has integrated programme-focused approaches to audit planning and execution. For example, ASF is now able to identify entities or programmes that should be audited taking into account not only its risk analysis, but also the importance of certain programmes in terms of the government's policy agenda. This has been made possible as a result of the *Dirección General de Planeación Estratégica* (General Directorate of Strategic Planning, or DGPE) within the UHLPTS, which harmonises the approach to audit selection. It also has taken steps to enhance the capacity of its forensic audit function. Nonetheless, opportunities for improvement remain as highlighted in Chapter Two.
- ASF has taken steps to improve how it measures and communicates impact, as well as how it follows up on auditees' implementation of recommendations. ASF established the *Auditoría*

*Especial de Seguimiento, Informes e Investigación* (Special Audit for Monitoring, Reports and Investigation, or AESII) to track recommendations. ASF also aims to better assess the impact of its work by calculating the return on investment (ROI) of audit activities, which can be a valuable tool for demonstrating value to Congress and taxpayers. The development of simplified audit reports and an application that presents ASF's activities in plain language have made ASF's products more accessible to citizens and the wider public, as discussed in Chapter Three.

ASF has made progress in implementing all OECD recommendations from the 2018 report; however, many of the challenges ASF faced then are perennial and evolving. As such, this report also offers new insights to help ASF build on the progress it has made. For example, to ensure agility in its audit work, ASF's strategic review processes could integrate a number of different frameworks, such as PESTLE or SWOT analysis. The report also offers proposals for how ASF can continue to improve its strategy and activities related to forensic audit, including leveraging its expertise in this area to raise awareness about fraud and corruption risks.

The report and the supporting Annex also present in detail how qualitative considerations could be integrated into existing ROI calculations to further demonstrate ASF's value, coupled with a more comprehensive communications strategy to inform the public about ASF's work. These additional measures are not meant to move the goalposts from past recommendations, but rather to support ASF in advancing even further in its pursuit of a more accountable and better-governed public sector in Mexico.

# 1 Strategic considerations and operational readiness

## Introduction

In 2016, a package of seven laws was put forward to operationalise a reform for the *Sistema Nacional Anticorrupción* (National Anti-Corruption System, or SNA), which included changes to the *Ley de Fiscalización y Rendición de Cuentas de la Federación* (Auditing and Accountability Act, or LFRCF). As a result of such changes, ASF has been granted an extended mandate to fulfil its accountability function in the Mexican public sector, which has allowed ASF to broaden its work and develop new areas, such as contributing to the improvement of regulatory quality and developing a more preventive approach to its audit work, including how it audits public works and infrastructure projects. The reforms inevitably impacted ASF's *Plan Estratégico* (Strategic Plan) 2018-2026, which reflects ASF's strategic priorities. In light of these changes, ASF has had to refine its core activities to ensure the quality and relevance of its work, expand its operations into new areas, and make improvements to existing audit processes. This chapter focuses on the progress ASF has made in response to previous OECD recommendations that specifically relate to strategic considerations and operational readiness. This refers to having well-articulated strategic objectives and putting in place suitable institutional arrangements, processes and developing capacity to achieve ASF's strategic objectives and successfully take on its extended mandate.

Indeed, with the release of its Strategic Plan 2018-2026, ASF emphasised the need to clarify its strategic priorities and direction to effectively fulfil this mandate. In particular, ASF focused on promoting quality, improving operational efficiency and strengthening institutional linkages, partly in response to the recommendations from previous OECD reports. The steps taken by ASF demonstrate its motivation to improve the regulatory framework that guides the institution, ensuring that its mandate can be broadened to incorporate a more preventive focus. As such, in recent years ASF increased its interaction with Congress to achieve this vision. In this regard, ASF made considerable progress in aligning its operational capacity with its updated strategy.

In past reports, the OECD made a series of recommendations to support ASF with a focus on improving its strategy and enhancing its operations in light of a growing mandate. This chapter assesses progress made in achieving these recommendations, which include the following:

- ASF could undertake a systematic review of the efficiency of its overall allocation of human, financial and technical resources as soon as possible.
- ASF could take steps to ensure the impact of its reports, as well as the relevance and quality of its products to Congress.
- ASF could invest further efforts in making projections as to when real-time audits will be undertaken, and how they will impact its audit programming.
- ASF could further define its vision and strategic objectives for carrying out its forensic audit and investigative role, focusing on its comparative advantage in auditing.

- ASF could consider factors that would affect capacity development for specialised investigative skills, as well as how to minimise strategic, operational and reputational risks that can come with conducting investigations.

## Improving strategy, capacity and external co-ordination

### ***ASF could undertake a systematic review of the efficiency of its overall allocation of human, financial and technical resources as soon as possible***

This recommendation was made in the OECD 2018 progress report (OECD, 2018<sup>[1]</sup>) as a prerequisite for finalising the establishment of ASF's internal structures and to provide clarification on ASF's medium and long-term strategic priorities. Following the 2018 report, ASF has made progress in how it assesses and allocates resources. ASF created the *Dirección General de Planeación Estratégica* (General Directorate of Strategic Planning, or DGPE) within the *Unidad de Homologación Legislativa, Planeación, Transparencia y Sistemas* (Unit of Legislative Approval, Planning, Transparency and Systems, or UHLPTS) to carry out strategic planning and mapping for its audit activities in response to OECD's previous recommendations. The creation of this unit demonstrates ASF's commitment to developing a systematic approach to implementing its strategic vision and undertaking its audit activities, which signals a move away from a compliance-focused approach to audit and control. In addition, the objectives of the Strategic Plan 2018-2026 are integrated into a strategic map, which allows ASF to align them accordingly. The strategic mapping takes into account the following:

1. Results: Detailing which objectives need to be met in order to achieve ASF's strategic vision.
2. Customer value proposition: Outlining the objectives of creating institutional value that will allow the generation of results.
3. Operational strategy: Describing the operational objectives that must be met.
4. Resources: Determining ASF's needs in terms of capacity in order to ensure that it can operate efficiently.

For each of the objectives in the strategic map, performance indicators, goals and detailed initiatives are defined, as well as the units responsible for their execution. The map also includes details on specific deliverables and deadlines. While taking into account external factors that may affect ASF's resources, i.e. proposed reductions to ASF's budget or changes to the approved budget during the fiscal year, this mapping exercise allows ASF to develop a longer-term view of how it can achieve its strategic objectives, considering its operational capacity in the process. Furthermore, by assigning responsibility for certain activities as a result of the strategic map, ASF can better assess and review resource allocation.

The processes ASF has established for reviewing its strategy and resources, focusing on results and value to the public, effectively fulfil the original OECD recommendation. ASF carries out a review of its strategy on an annual basis, and holds quarterly meetings during which units assess their compliance with the objectives and goals of the Strategic Plan. ASF uses a tool called "ClearPoint Strategy" to monitor the alignment of its activities with the strategic plan. Moreover, although ASF's Strategic Plan covers an eight-year period, it is not a static document. Indeed, the plan contains measures that allow ASF to deal with unforeseen or extraordinary circumstances, such as the ongoing COVID-19 crisis.

To build on this process and to ensure agility in ASF's work, ASF could consider a number of approaches to review its resources and priorities. Such reviews allow SAIs to be prepared, flexible and agile. For example, ASF could consider using a PESTLE framework when undertaking reviews. This framework considers the following factors:

- **Political** environment and changes that may impact ASF.
- **Economic** factors.
- **Sociological** context.
- **Technological** considerations, in particular, advancements that may improve processes.
- **Legal** environment.
- **Environmental** factors.

Within government institutions, the PESTLE framework allows for analysis of the external environment impacting a policy or the working processes of an entity. It comprises a checklist of areas to be examined when analysing these factors. It is used to determine the external factors that have or will have an enabling or hindering impact and which are later either translated into opportunities and threats in the SWOT analysis or used independently. ASF could also consider undertaking a SWOT analysis, which considers strengths, weaknesses, opportunities and threats (Vági and Rimkute, 2018<sup>[2]</sup>). Box 1.1 provides an example from the United Kingdom (UK) National Audit Office (NAO) on how the body assesses the changing external environment and modifies its priorities accordingly

### **Box 1.1. Aligning strategic priorities with a changing environment: Experience of the United Kingdom's National Audit Office (NAO)**

To ensure that they are delivering products and services efficiently, Supreme Audit Institutions (SAI) must use resources strategically to ensure value for money for citizens and other stakeholders. Indeed, SAIs are subject to scrutiny both in terms of the quality of their audits and how they use and allocate resources. SAIs are also affected by external factors that may affect their resources and capacity, and therefore must take these factors into account when setting priorities and assessing their performance.

In the United Kingdom (UK), the National Audit Office (NAO) outlines how the body measures its performance for the previous year, in adherence to its performance framework and strategic objectives laid out in its annual report. The NAO's programme of work and wider assurance activities are shaped by an assessment of the external environment and what issues Parliament should focus on. In its Annual Report and Accounts 2018-19, the NAO describes how the changing external environment has impacted its work during the previous year, namely exiting the European Union (EU), the year-on-year increase in demand for the NAO's financial audit work as requested by Parliament, and the complexity of delivering public services as a result of increasing devolution and work with private sector contractors, which comes with greater risk exposure. In response to this environment, the NAO outlines what its four main priorities have been in serving Parliament for the previous year. These are:

- prioritising its work to focus on the issues that matter to government and Parliament in the current environment, particularly in light of the decision to leave the European Union
- innovating and adapting to developments in the audit industry so that the NAO can continue to deliver high-quality work
- responding to feedback from public bodies for further cross-government insights and deepening the NAO's engagement with those we audit
- continuing to be an innovative and data-led organisation that uses management information well and embeds new technology in its working methods.



Furthermore, the annual report includes the budget of the NAO for the following year, accompanied by an explanation for how the net resource requirement was used. For the 2019-20 period, the NAO notes that the budget reflects its programme of work dealing with the UK's departure from the European Union, the NAO's ongoing investment in the use of technology and data analytics, and investing in skills and capacity for its staff, among other areas. It also sets new expectations in terms of strategic priorities for the coming year.

Source: (NAO, 2019<sup>[3]</sup>).

### ***ASF could take steps to ensure the impact of its reports, as well as the relevance and quality of its products to Congress***

In the original report and in 2018, the OECD made several recommendations to support ASF in enhancing the impact and relevance of its reports for the Congress, auditees and the public. This included recommendations to develop internal capacity, strengthen audit methodologies and practices, as well as enhance outreach and measure impact, as described in Chapter 3. In recent years, ASF has made a concerted effort in these areas. For example, in light of the redesign of the organisational structure of ASF, activities related to audit execution have been separated from those that relate to follow-up, clarifications, observations and recommendations. Related processes have also been adjusted: for instance, ASF has made it easier for audited entities to request clarification about recommendations in the months following the presentation of an audit report.

In the past two years, ASF has also added two units with responsibilities that directly address past OECD recommendations to build capacity and take a more strategic approach to its core activities. Previously, ASF did not have a dedicated unit for external outreach with the Congress or other key external stakeholders. In SAIs with comparable models to ASF, where committees in the Congress are key stakeholders, such units have proven to be effective mechanisms to manage relationships and ensure the relevance of the audit work. For instance, the U.S. Government Accountability Office (GAO) has a Congressional Relations team that fosters and maintains relationships with Congressional committees, Members of Congress and congressional staff. Their work includes the development of Congressional Protocols to help educate the Congress, GAO staff and the public on how the GAO interacts with the Congress (See Box 1.2). Since the previous progress report, ASF amended its Internal Regulations to establish two administrative units, the first in order to manage its relationship with Congress and other legislative bodies. As stipulated in Article 20 bis of ASF's Internal Regulations, the UELRI does the following, among other responsibilities:

- Serves as the ASF liaison with the *Comisión de Vigilancia de la Auditoría Superior de la Federación* (Surveillance Commission of the Superior Audit of the Federation), as well as co-ordinating with other Chamber Commissions that address issues pertinent to ASF.
- Co-ordinates relations of ASF with the different parliamentary groups of the *Cámara de Diputados* (Chamber of Deputies).
- Co-ordinates the integration of legislative projects that address issues of interest to ASF.
- Manages and strengthens the relations of ASF with the Chamber of Deputies, through Congressional Commissions, Committees, Parliamentary Groups and Legislators.
- Keeping informed the Office of the Auditor General with regards to legislative bills, determinations and regulatory proposals relative to ASF's work advanced in the Chamber of Deputies.
- Coordinating the follow up and timely addressing information and opinion requests from the Chamber of Deputies relative to ASF's audit function.

### Box 1.2. Congressional Relations at the U.S. Government Accountability Office

In order to meet the needs of Congress, senior officials within the Government Accountability Office (GAO) regularly consult with senior congressional leaders and committees to ensure that GAO's work is prioritised in accordance with their informational and timing needs. GAO also consults with these congressional leaders regarding demands on GAO's resources by subject matter to help manage and minimise supply and demand imbalances.

With respect to setting priorities, GAO also considers the subject matter of the requested work in light of Senate and House rules governing the committees' jurisdiction over a programme or activity, including their authorisation, appropriation, budgetary, and oversight jurisdiction. When jurisdictional issues arise, GAO will encourage Members and staff to consult with each other to resolve any related issues through established Senate or House procedures.

When dealing with congressional mandates, it is GAO's policy that products prepared in response to congressional mandates are immediately available to the Congress and the public. This is because congressional mandates are established by either the Congress or one or more of its committees. When mandates direct GAO to report to a specific committee, GAO will work with the majority and minority of the designated committee to clarify the scope of work, reporting objectives, and time frames. While the work is ongoing, GAO will provide the committees: (1) periodic status briefings; (2) briefings on the preliminary and final results of the work; and (3) notification of when the draft product will be sent to the agency for comment.

Source: (Government Accountability Office, 2017<sup>[4]</sup>).

In addition, ASF established the UHLPTS, which according to Article 20 of ASF's Internal Regulations carries out the following, among other activities:

- promotes the harmonisation of legislation pertaining to federal entities and municipalities regarding control, oversight, transparency and accountability in the context of the SNF, SNA and SNT
- co-ordinates and prepares the submission of ASF's Strategic Plan, considering all relevant areas of work
- co-ordinates integration of and updates to the general regulatory framework and the elaboration of criteria for audits undertaken by ASF.

With the creation of both units, ASF has taken concrete steps to strengthen inter-institutional mechanisms, as laid out in its Strategic Plan 2018-2026. Establishing these units has facilitated communication with Congress and other bodies in Mexico's SNF. Through the UHLPTS and the UELRI, ASF has developed direct contact with committees within the Chamber of Deputies, which has facilitated how ASF proposes improvements to the LFRCF that in turn can promote efficiency in ASF's practices, for example, in the area of digital innovation. ASF officials note that certain areas of the Constitution require modification to improve ASF's processes, and that the creation of these two units allows for sustained dialogue with congressional and legislative bodies on these areas. Alongside strengthening inter-institutional relationships and communication, the establishment of these units promotes knowledge sharing and enables capacity building. Through the activities of the UHLPTS, ASF has ensured the training of its staff in the areas of transparency, access to information and data protection, as well as solidifying ASF's position in the SNT, *Acceso a la Información Pública y Protección de Datos Personales* (Access to Public Information and Protection of Personal Data). These activities have also increased ASF's engagement with civil society groups, for example, through the *Plataforma Nacional de Transparencia* (National Transparency Platform).

ASF officials note that they have been confronted with certain challenges as these units have become operational, for example, ensuring that their activities are in line with ASF's strategic priorities in a dynamic and evolving environment. To address this, regular meetings on strategic analysis have been set up to ensure that the units are operating in line with ASF's Strategic Plan, and where possible, to propose adjustments and actions that ensure compliance with established objectives.

The impact of the COVID-19 crisis has also signalled new ways of working for ASF, requiring the institution to explore ways it can strengthen its mandate and capacity to audit remotely. For instance, through an initiative launched in June 2020 as a result of the COVID-19 crisis, Congress approved changes to the LFRCF that enable ASF to carry out its activities without the need for physical presence in audited entities. In addition, ASF developed an electronic tool, *Buzón Digital ASF* and *TransferASF*, which allows the audited entities to send large amounts of documentation electronically.

***ASF seeks further changes to the legal framework for real-time auditing that would enhance its preventive function and authority to conduct ex ante audits***

As noted in the OECD 2018 progress report, on the basis of the LFRCF, ASF can conduct audits over the execution of the budget in the current fiscal year, which was previously forbidden based on the principles of posteriority and annuity. While the reforms were still new at the time, and the legal framework for implementing this new authority was still undefined, the ability to conduct real-time audits had the potential to direct ASF's resources away from its established audit programme. The OECD recommended that ASF develop a strategic approach to determining how real-time audits will affect its audit programming, as well as how it will use information gathered through early audit planning to facilitate real-time audits.

The LFRCF allows ASF to review the financial management of the entities audited during the current year, when there are substantiated complaints, irregularities or possible acts of corruption, or at the request of Congress. To do so, it implies that ASF had previously reviewed supporting evidence for a complaint or Congressional request. As such, ASF is reactive, and while the current law allows for auditing the ongoing public account, ASF cannot use this authority to take preventive actions or conduct audits before receiving complaints. ASF has proposed modifications to legal provisions that are currently pending approval that expand ASF's powers to carry out real-time audits. These include scheduling and conducting real-time audits to enhance the preventive nature of these audits.

The challenges and limitations facing ASF with regards to initiating and undertaking real-time audits in absence of the constitutional reform have become more apparent in light of the COVID-19 crisis. The crisis has shown the need to have legal powers to carry out real-time audits for, for example, public procurement processes. ASF officials expressed a concern that SAs need to focus not only on *ex post* audits when resources have already been used and possible risks have already materialised, but on pre-emptive actions to ensure that the resources are exercised effectively in order to avoid potential losses (ASF, 2020<sup>[5]</sup>). Furthermore, ASF views the possibility of undertaking real-time audits as conducive to promoting integrity in government programmes, increasing efficiency and effectiveness in enforcement actions, and providing insights for budgetary decision making.

In light of the current context in which ASF has limited capacity to undertake real-time audits, it is unable to effectively incorporate them into its audit planning. Until Congress approves the legal modifications put forward by ASF, it is restricted in both the effective planning and execution of real-time audits. ASF can continue to engage Congress to pursue this mandate, while Congress could expeditiously pass the proposed modifications to address heightened risks at this time and to give ASF the power to carry out real-time audits as proposed.

## Enhancing forensic audit and investigative activities

### ***ASF could further define its vision and strategic objectives for carrying out its forensic audit and investigative role, focusing on its comparative advantage in auditing***

The OECD 2018 progress report noted that ASF's comparative advantage is in auditing and evaluating of government programmes, among other non-investigative activities, which includes a fixed capacity for the *Dirección General de Auditoría Forense* (Directorate General of Forensic Audit, or DGAF) to conduct forensic audits. This role is reinforced in a number of international standards for supreme audit institutions that highlight prevention activities. The report also noted that keeping in mind this comparative advantage when devising its strategic vision and objectives could have practical implications for decisions on procedures, structure and resource investments for investigative activities.

ASF's Strategic Plan for 2011 to 2017 stated generally that forensic auditing and investigations are areas it intends to strengthen, but the vision and objectives behind these roles, including its connection to ASF's broader strategic objectives, were undeveloped. Since the publication of the OECD's 2018 progress report, ASF officials have signalled that forensic audit and investigations remain priority areas, although this is not explicit in any strategy documents. ASF's Strategic Plan for 2018-2026 highlights four central or strategic issues, which are delivering results, objectives on ensuring value, operational efficiency objectives, and resource objectives. It also highlights that a key value proposition of ASF is to support audited entities in improving preventive actions. In fact, the DGAF's forensic auditing and investigative activities, including the more recent addition of transversal work, as discussed below, to support improvements in internal control systems, are key means by which ASF intends to achieve this value.

ASF's Strategic Plan 2018-2026 also highlights a focus on enhancing inter-institutional linkages. DGAF officials noted ongoing co-ordination with key external stakeholders, including the Office of the Attorney General and internal control bodies within government, as well as the *Secretaría de Hacienda y Crédito Público* (Ministry of Finance and Public Credit, or SHCP), the *Comisión Nacional Bancaria y de Valores* (National Banking and Securities Commission, or CNBV) and the *Unidad de Inteligencia Financiera* (Financial Intelligence Unit, or UIF). DGAF also communicates with audit entities to clarify how its audits will be undertaken and to answer any queries about the process.

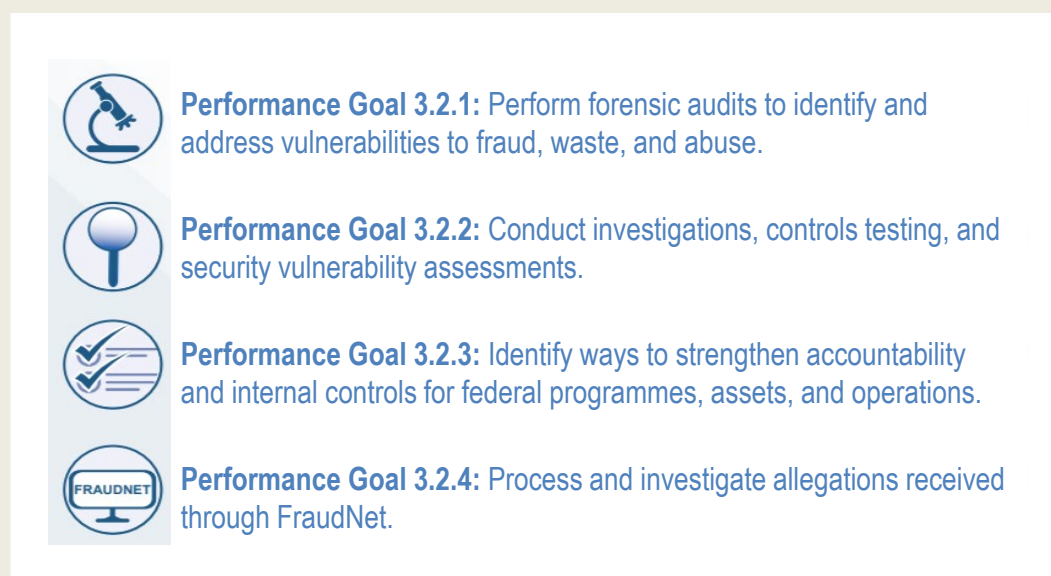
At present, ASF's Strategic Plan does not make explicit linkages between forensic audit activities and broader organisational objectives. However, ASF officials said the work of the DGAF aligns with the strategic plan. Given the need for co-ordination with external entities on issues that are key for the DGAF to fulfil its role, ASF could consider making more explicit linkages to DGAF's activities in its strategy documents. Box 1.3 provides an example of how the US Government Accountability Office (GAO) integrates strategic objectives for its audit into its strategic plan, developing performance goals to provide clarity on their respective activities and goals.

### Box 1.3. The Government Accountability Office: Defining how to identify fraud, waste and abuse in government programmes within its Strategic Plan

The Government Accountability Office's (GAO) Strategic Plan 2018-2023 links strategic objectives with performance goals to ensure guidance for its different teams. Concerning the Forensic Audits and Investigative Service Team, the GAO has defined strategic objective 3.2 to 'Support Government Accountability by Identifying Fraud, Waste, and Abuse and Needed Improvements in Internal Controls'. Under this objective, the strategy document clearly outlines what activities the Team will undertake, such as forensic audits, internal control reviews, and special investigations of highly vulnerable federal programmes and funding to help detect and prevent fraud, waste, and abuse. In particular, the Strategic Plan references the Fraud Reduction and Data Analytics Act of 2015 and how the Forensic Audits and Investigative Service Team will assess the implementation of the Act in government agencies, in line with GAO's Fraud Risk Management Framework.

Under each strategic objective, there are performance goals to provide a clear basis for the activities of each team within GAO. The performance goals for strategic objective 3.2 for the Forensic Audits and Investigative Service Team are shown below.

Figure 1.1. Strategic objective 3.2 performance goals



Source: (Government Accountability Office, 2018<sup>[6]</sup>).

### ***ASF could consider factors that would affect capacity development for specialised investigative skills, as well as how to minimise strategic, operational and reputational risks that can come with conducting investigations***

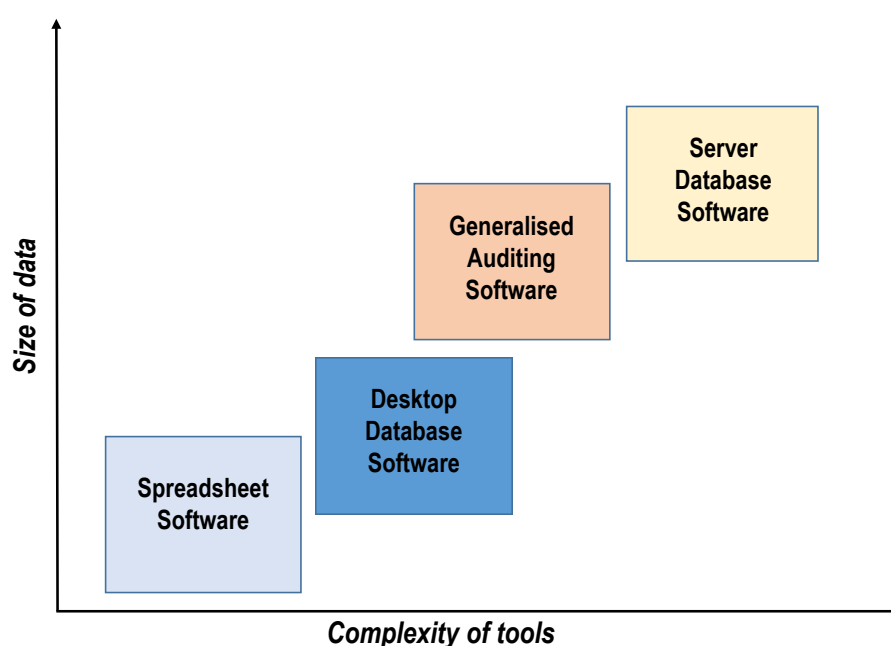
In conjunction with further defining its vision and strategic objectives for carrying out its investigative role, the OECD 2018 progress report recommended that ASF consider how it could improve capacity and skills among forensic audit teams. Indeed, ASF has taken steps to ensure that it can provide training for its auditors on specialised forensic audit and investigation techniques. In addition to adhering to the government audit and accounting standards, forensic audit teams apply forensic investigative techniques

that ASF established. Such techniques are revised and refined regularly, allowing for continuous improvement. At present, the DGAF consists of four main sub-directorates, including a sub-directorate for forensic investigations. Due to the interdisciplinary nature of the DGAF's work, the teams within its sub-directorates are comprised of personnel from different professional backgrounds, such as accounting, law and economics.

Since the 2018 progress report, ASF representatives note that there is still room for improvement in how the DGAF fulfils its responsibilities. For example, there is insufficient qualified staff to carry out these activities, and the workload for those undertaking investigations is often excessive. Representatives note that they have limited resources to carry out certain activities at various stages of an audit, such as the planning, development and preparation of the audit report, the integration of audit records, and the drafting of technical opinions. This is accompanied by tight deadlines for the delivery of information by the audited entity and other authorities that co-operate with ASF in order to be able to track federal public resources. There is also a need for additional expertise surrounding the federalised spending of public resources and the management of federalised resources by local authorities, which hinders forensic audit activities. Furthermore, ASF officials highlighted the usefulness that additional specialised computer equipment and software would have to support forensic audit and investigations. These officials note that there are opportunities relating to a lack of regulatory provisions to allow access to certain types of data or databases, as well as technical challenges, i.e. lack of interoperability between systems or tools.

While acknowledging the need for specialised software and the advantages it can bring, certain conditions must be met to ensure that such software can add value for the DGAF. This process should begin with identifying the appropriate software and tools, as well as the implications of introducing new software. Above all, ASF must have the capacity and resources to introduce the software, and what form of professional development is required to ensure that the new tools are fit for purpose. Figure 1.2 illustrates some of the considerations ASF needs to take into account when determining the goals and objectives of analysing data, which data to process and the appropriate tools to analyse data.

**Figure 1.2. Considerations for the application of data analytics tools**



Source: Adapted from (DeKroon and Karp, 2013<sup>[7]</sup>)

The choice to use data analytics tools is a decision to invest in data governance, data integrity and the various quality controls that accompany such efforts. In optimal conditions, data are interoperable, accessible, discoverable and open to allow for continuous production, collection, sharing and re-use (OECD, 2019<sup>[8]</sup>). Institutional factors play a critical role in the effectiveness and efficiency with which an entity can advance in implementing data-driven approaches. For example, assessing the level of maturity with regards to ASF's existing data governance is essential when considering the introduction of new tools. Where the DGAF needs to access data held by another body, there will need to be established processes and procedures to obtain the data and to analyse it with the software. To begin this process, ASF can consider doing the following:

- **Carrying out a needs assessment to determine which software is needed and appropriate.** This initial step should take into account the needs of different audit teams and the impact of implementing new tools.
- **Establishing appropriate policies and procedures for implementing and using the software.** Such guiding documents should provide staff with a clear roadmap for using the software during an audit course, providing clarity on how to create an audit trail with the software and the necessary quality control processes that are in place. For example, the guidance documents should outline which algorithms are to be used and how it is documented, as well as ensuring quality control by other auditors.
- **Developing training modules for staff on how to use the software and applying data analytics techniques.** Training courses on data analytics techniques and other subjects such as the use of big data, computer security, and online fraud can help staff become accustomed to new software and data analysis. Once the software has been introduced, ASF should ensure that refresher trainings are provided, as well as targeted training for new hires.

## Summary of progress made and additional considerations

This chapter demonstrates that ASF has made real progress in strengthening its operations and institutional arrangements to meet its strategic objectives and fulfil its extended mandate. The establishment of the DGPE and the strategic planning it undertakes are concrete steps to implement ASF's strategic vision and strengthen its audit practices. By creating the two units, UELRI and UHLPTS, ASF has improved inter-institutional relationships, most notably with the Congress. In this regard, the UELRI is a vehicle through which ASF can better respond to the needs of Congress and prioritise audits accordingly. Regarding forensic audit, the DGAF has taken steps to improve co-ordination and knowledge-sharing with other audit teams.

There are some areas in which ASF can make further improvements. Though not concrete recommendations, these suggestions are intended to provide ASF with a basis for further reflection on how to continue with the progress already made. These suggestions are as follows:

- **ASF can adopt a framework such as PESTLE in its strategic reviews to ensure that its work reflects and responds to changes in the external environment, and adequately informs resource allocation.**

As discussed in this chapter, ASF can ensure agility in its practices by updating its strategic review processes to adapt to changes effectively. Financial uncertainty is not the only challenge that public sector organisations are facing, but also changing demographics, globalisation, and global challenges such as the COVID-19 crisis (OECD, 2015<sup>[9]</sup>). Responding to such external challenges in a strategic way requires organisations to be aware of emerging opportunities, make difficult collective decisions, and mobilise appropriate financial and human resources rapidly and efficiently to where/when they are needed most. ASF can improve strategic agility by integrating frameworks such as PESTLE into its reviews to ensure



that all necessary factors are taken into account. As such, ASF can make sure its work fulfils the goals and objectives of its Strategic Plan while appropriately determining its priorities in light of external changes.

- **Regarding real-time audits, ASF can continue to engage Congress to pursue this mandate, while Congress could expeditiously pass the proposed modifications to address heightened risks at this time and to give ASF the power to carry out real-time audits as proposed.**

At present, ASF is only able to initiate an audit of the ongoing public accounts as a result of a report or complaint. As the proposed reforms reflect, ASF could greatly benefit from undertaking real-time audits without these conditions, in order to promote agility in ASF's audit practices and maximise the value of real-time audits. As such, Congress could pass the proposed modifications to grant ASF the power to carry out real-time audits in a more systematic way.

- **ASF could consider making more explicit linkages to DGAF's activities in its strategy documents to improve co-ordination and to better define the strategic objectives of forensic audit and investigation activities.**

At present, ASF's Strategic Plan does not make explicit linkages between forensic audit activities and broader organisational objectives. While ASF officials note that the work of the DGAF aligns with the Strategic Plan, given the need for co-ordination with external entities on issues that are key for the DGAF to fulfil its role, ASF could consider making more explicit linkages to DGAF's activities in its strategy documents.

- **Before investing in specialised software to support auditors undertaking forensic audits and investigations, ASF should consider undertaking a needs assessment to determine which software is appropriate, as well as identifying the implications of adopting a data-driven approach.**

Data analytics techniques and tools can be highly effective in assisting audit teams in carrying out their work. Almost all audit planning and implementation requires data mining, mapping appropriate sources, acquiring and analysing data and looking for patterns previously unidentified (European Court of Auditors, 2020<sup>[10]</sup>). With regards to forensic auditing, application of automated analytics can make the process more efficient, particularly when analysing large datasets and identifying irregularities. Given that ASF officials have noted that they face challenges regarding capacity and resources, investing in specialised software to use during forensic audit activities can ease this burden and promote efficiency in the course of these audits. However, it is necessary to first determine the implications of investing in new software, which tools are most appropriate, and develop the necessary policies and procedures to govern the use of these tools. Furthermore, ASF can envision integrating trainings for the use of such software into existing training modules and make sure that trainings are mandatory for newly hired staff that will use the tools during audit execution.





# 2 Enhancing risk- and performance-based approaches

## Introduction

Throughout the ASF/OECD co-operation and previous reports on the implementation of Mexico's *Sistema Nacional de Fiscalización* (National Auditing System, or SNF), audit selection and programming has been a focus area to help improve the efficiency of ASF's operations, prioritise audits to reduce volume, and to ensure the quality of its audit work. ASF has an established and documented risk-based approach to audit programming, and has indeed made progress in how it undertakes audit selection and programming since 2016. In light of its extended mandate, the previous progress report provided insights on how ASF can shape its audit selection criteria to focus more on the performance of government programmes. This is particularly pertinent in light of ASF's extended mandate, as it seeks to contribute more actively to the success of public policies, regulatory quality and government performance.

The 2018 progress report identified ways in which ASF could enhance the usefulness of its work to Congress. In this regard, ASF has made clear progress. As explained in the previous chapter, through the creation of the *Dirección General de Planeación Estratégica* (General Directorate of Strategic Planning, or DGPE) and its duties, ASF is able to identify entities or programmes that should be audited based not only on its risk analysis, but taking into account the importance of certain programmes in terms of the government's policy agenda. The DGPE is also able to draw from the insights of the *Unidad de Enlace Legislativo y Relaciones Institucionales* (Legislative Liaison and Institutional Relations Unit, or UELRI, which has regular interaction with Congress. The shift towards assessing programme performance is reflected in the *Programa Anual de Auditorías para la Fiscalización Superior de la Cuenta Pública* (Annual Audit Programme for the Public Account, or PAAF) 2019, which included numerous revisions to existing frameworks and processes, notably those relating to performance audit. The criteria have been updated to reflect ASF's priorities regarding the assessment of public policies and different types of audit, notably, audit of large-scale infrastructure projects. Furthermore, ASF is making use of new technologies to aid audit selection, which is discussed in more detail in the separate report on the use of data.

Part of ASF's Strategic Plan 2018-2026 is to contribute systematically to the identification of systemic vulnerabilities in the internal control system of Mexico's public sector, which was also addressed in the 2018 progress report. ASF had undertaken studies that contribute to this aim, and included observations in forensic audit reports about the suspected cause of irregularities and the control measures that were absent. In addition, the progress report recommended that ASF improve co-ordination between forensic audit teams and other audit departments to facilitate this process.

This chapter addresses the progress made by ASF in response to previous recommendations on how to improve its risk-based audit programming and sharpen the focus on programme performance. These recommendations included:

- ASF could further adapt its audit programming, planning and execution to maximise the usefulness of its recommendations to the Congress, including regular updates to criteria used for audit selection.
- ASF could clarify the methodology used for the selection of audits in its reports to Congress.
- To increase the value of its reports for budgetary decision making and further prioritise resource allocation to reduce the volume of audits, ASF can expand audit selection criteria to focus more on programme performance.
- ASF could help identify and address systemic vulnerabilities in internal control or risk management that allowed specific fraud or corruption cases to occur.

## Selecting audits based on risk analysis

### ***ASF could further adapt its audit programming, planning and execution to maximise the usefulness of its recommendations to the Congress, including regular updates to criteria used for audit selection***

The OECD's previous reports on the implementation of Mexico's SNF focused on audit selection and programming as a matter of priority for ASF to achieve its strategic vision. Although ASF's risk-based approach to audit programming is documented and allows for the strategic prioritisation of resources, the large number of audits included in ASF's planning suggested that there was room for improvement vis-à-vis audit selection and prioritisation of audits.

Since the OECD 2018 progress report, ASF initiated changes to improve its audit selection and programming. In line with the recommendation made in the 2018 progress report, ASF adapts its risk-based audit planning methodology on an annual basis in order to ensure that its audit portfolio reflects changes in the regulatory context and the needs of the Chamber of Deputies. This includes revision of selection criteria to ensure that they are pertinent, and if not, they are modified or removed. In this regard, ASF has made progress in rendering its audit selection and programming process for the PAAF more dynamic and responsive to external variables, such as congressional priorities.

As mentioned in Chapter One, ASF also established the DGPE, which consists of a strategic planning team and an audit planning and programming team. Whereas ASF had a planning and programming unit at the time of publication of the last report, the strategic planning unit is a new addition to the internal structure of ASF. The DGPE provides audit teams with a methodology for risk-based audit selection, which is comprised of four main stages. These are as follows:

- Analysis of institutional operational capacity, which requires examination of available resources, the profile and experience of personnel who will conduct the audit, as well as other circumstances that influence the institutional capacity to carry out audits or studies.
- Gathering and analysing sources of information, which includes normative references such as laws and regulations, primary or secondary sources, such as information provided by entities, studies and research.
- Determining selection criteria based on analysis of information, which are a set of quantitative and qualitative components that enable the identification of issues or entities that will be subject to audit.
- Using selection criteria to determine which audits will be undertaken, taking into account those considered to be of high importance or high risk.

This process can also draw from a number of other information sources, including citizen complaints, media sources, and Congressional priorities. To facilitate audit selection amongst ASF's audit teams, the DGPE developed scorecards that include selection criteria, as well as an audit programming sheet. This methodology has helped ASF's audit team to define priorities when selecting which audits to undertake, and has contributed to the reduction in the volume of ASF's audit activities. Indeed, for the PAAF 2018, ASF achieved a 12.3% reduction in the number of audits. This demonstrates progress in reducing the number of audits undertaken and focusing on the qualitative value of ASF's work.

Beyond the minimum requirements of its audit selection methodology, the DGPE proposes which entities or programmes should be audited based not only on its risk analysis, but taking into account the importance of certain programmes in terms of the government's policy agenda. The unit also notes that the process of approving and publishing the PAAF 2019 in February, as opposed to December of the previous year, has been introduced to allow the results of the audits from the third delivery of reports (2018) to be taken into account. This allows ASF to further prioritise audits, and reflects a strategic change in enhancing the effectiveness of ASF's activities.

In conjunction with its extended mandate and strategic orientation, ASF has taken steps to ensure that its work is more responsive to the needs of Congress, as well as those of other ASF stakeholders. The creation of the UELRI is a concrete example of how ASF is actively seeking to strengthen inter-institutional relationships and ensure that its work is relevant for Congress and legislative committees. In particular, the establishment of the UELRI strengthens ASF's relationship with Congress and ensures that ASF is responsive to requests from Congress in the following ways:

- Improving channels of communication on bills and regulatory proposals that are related to ASF's activities and objectives.
- Allowing for the co-ordination of follow-up and timely response to requests for opinions or information on ASF's activities and oversight functions.
- Providing further opportunities for the co-ordination of communication materials on ASF's activities, which seeks to improve knowledge transfer and promote the results of ASF's work to different stakeholders.

As a result of these activities, ASF improved its capacity to identify risks and areas that may require greater attention, which in turn can be taken into account for the PAAF. In consequence, ASF is able to better prioritise its audit activities in the audit programming process, provide insights for budget planning processes, and direct audit activities towards areas and sectors that have been identified as having control vulnerabilities.

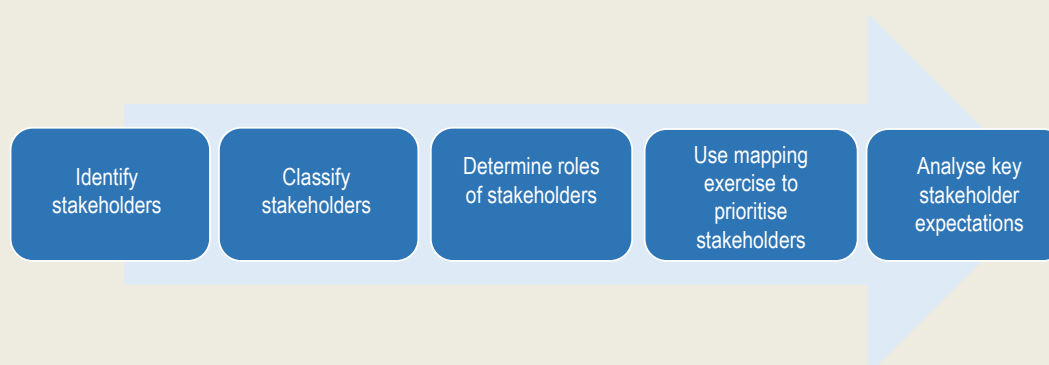
Furthermore, in conjunction with federal entities and the *Comisión de Presupuesto y Cuenta Pública* (Budget and Public Accounts Commission) that sits within Congress, ASF designed a set of transitory measures in the 2020 draft budget package to provide more resources to auditing transfers to federal states and municipalities. It is important to note that these proposed measures do not signify an increase in financial support to ASF. The development of these measures demonstrates foresight, as the measures are aimed at reducing the need to reimburse funds in the future, as well as providing a legal basis to recover resources that have been reimbursed as a result of not being spent within the previous fiscal year.

To build on the progress made since the 2018 report and to continue responding to the needs of Congress, ASF can take steps to better assess stakeholder needs and integrate them into the strategic review process (See Chapter One). For example, undertaking stakeholder analysis can help ASF determine where it can best add value and to define priority areas. ASF currently disseminates its survey of audited entities, which provides feedback and serves as a quality control process. Previous OECD reports provided guidance for ASF on undertaking client surveys. ASF could envision developing a stakeholder survey to be distributed to different stakeholders to assess their needs and to inform ASF's strategic reviews. Box 2.1 provides insights on how ASF can develop this approach.

### Box 2.1. Assessing stakeholder needs through a systematic approach

The effectiveness of a Supreme Audit Institution's (SAI) operations can be enhanced through sustained interaction with its stakeholders, which typically include the executive, legislature, media, civil society organisations and the citizens. The effectiveness with which SAIs fulfil their role of holding the government to account partly depends on how they are working in partnership with the accountability functions of the legislature, as well as the executive arm of government in making use of audit findings and enacting change.

INTOSAI provides guidance to SAIs on how to effectively engage stakeholders to identify their needs, while maintaining independence. One way that this can be achieved is through undertaking a mapping of stakeholders and analysing their expectations. This process is outlined in the figure below.



Such a mapping exercise should be taken into account during strategic review processes to allow SAIs to prioritise efforts and resources, and to ensure that stakeholder expectations are met. Following this exercise, SAIs can assess the communication channels they use to collect feedback and insights from different stakeholders. For example, for executive authorities, it is more likely that auditors will engage in regular interactions, including those upon invitation from the stakeholder and interactions linked to annual audit cycles. For other stakeholders such as the media, this may involve interactions to communicate key audit messages, and monitoring and analysis of media coverage to gauge the reaction to the SAI's work.

Source: (INTOSAI Development Initiative, 2015<sup>[11]</sup>).

### **ASF could clarify the methodology used for the selection of audits in its reports to Congress**

To further demonstrate its value to Congress and to provide clarity as to how the PAAF is undertaken, the 2018 progress report recommended that ASF provides information in its reports to Congress on how it prioritises audits. This could be achieved by including additional details in its reports on the criteria and selection process. In response to this recommendation, ASF now includes a section in reports delivered to Congress on the planning and scheduling of audits, which reflects the changes and improvements to its risk-based audit planning. In the second delivery of individual reports for the PAAF 2018, for example, ASF included a statement that outlined how the selection of audits reflected the strategic vision of ASF (2018-2026), as well as being based on risk indicators and analysis. For the PAAF 2018, ASF acknowledges a specific focus on the audit of public works and infrastructure projects, the rationale for which is reflected in the reports delivered to Congress. Hence, ASF has effectively fulfilled this recommendation since the 2018 report.

## Increasing the focus on programme performance

***To increase the value of its reports for budgetary decision making and further prioritise resource allocation to reduce the volume of audits, ASF can expand audit selection criteria to focus more on programme performance***

While ASF undertakes performance audits, historically it has undertaken a larger number of financial and compliance audits. Through its extended mandate and updated strategic priorities, it has demonstrated a commitment to contributing to programme performance and the achievement of public policy objectives. Notably, ASF's Strategic Plan 2018-2026 sets out the institution's priority to be a key actor in strengthening public policies, as well as its essential role in ensuring the proper use of public funds. In this sense, the *Plan Estratégico* presents an expanded version of oversight. Given its extended mandate to audit the performance of public institutions, strategic audit programming remains an area of focus to tackle governance challenges and issues regarding resource allocation. The issue of programme performance is also key in light of ASF's focus on specific areas such as contributing to the improvement of regulatory policy and auditing public infrastructure projects.

Taking into account the Strategic Plan 2018-2026, ASF's audit selection criteria for the PAAF 2019 reflect its shift towards assessing programme performance in the Mexican public sector. This included numerous revisions to existing frameworks and processes, notably those relating to performance audit. For the PAAF 2019, the criteria have been updated to reflect ASF's priorities regarding the assessment of public policies and different types of audit, notably, audit of large-scale infrastructure projects. The modified criteria also allow ASF to evaluate the following areas:

- Management and implementation of the SDG 2030 Agenda.
- The budget cycle of federal public spending.
- Management and response to natural disasters.

These modifications reflect how ASF responded to this recommendation by expanding the use of performance indicators to select and prioritise audits. Beyond the audit selection process, ASF continues to shift its focus from compliance towards programme performance in the execution of its activities. Regarding its public policy evaluations, ASF updated the criteria used for the planning and execution of said evaluations in order to assess the impact and results of government programmes and other interventions. ASF officials note one particular example from the PAAF 2018, where it undertook for the first time an evaluation of Human Resource Management (HRM) in the federal public administration. In this evaluation, ASF considered six case studies, which included four agencies of the federal administration and two autonomous bodies. This evaluation aimed to determine to what extent the entities had implemented certain provisions regarding HRM, and how well equipped they were to meet the demands of public programmes. Such evaluations demonstrate ASF's progress in maximising the qualitative value of its work.

It is also evident that ASF has made progress in seeking to assess programme performance through the course of its audits. For example, when undertaking performance audits, audit teams take into account performance indicators of the audited entities and programmes, which are combined in the Results Indicator Matrix (MIR). These are assessed in conjunction with other mandatory provisions such as laws and regulations, and the results are used as inputs for the Performance Evaluation System. The MIR serves as a strategic planning tool that takes into account the objectives of government programmes and their alignment with national and sectoral priorities. Furthermore, it includes indicators to measure the fulfilment of objectives and expected results, which can then be used for benchmarking and monitoring and evaluation (M&E) activities. Specifically, the MIR establishes a method to obtain and verify information to measure against the indicators, and includes information about possible risks that may affect programme performance. ASF representatives note that the MIR also helps determine which programmes should be audited based on risk analysis.

***ASF could help identify and address systemic vulnerabilities in internal control or risk management that allowed specific fraud or corruption cases to occur***

The OECD 2018 progress report noted that in its annual general reports, ASF has submitted broad analyses to legislative bodies on the systemic or structural vulnerabilities across the Mexican public sector. The audit results on this matter were used to identify a high-risk area due to the existence of fraud practices, for example, when public universities are hired to provide goods and services, which are not part of their core business. In developing the messages in that report, ASF considered the potential vulnerabilities in internal control or risk management that brought about the observed irregularities. The OECD 2018 progress report recommended that ASF move away from undertaking such analyses in an ad hoc fashion, and instead adopt a more systematic approach to contributing to the identification of systemic vulnerabilities in internal control and risk management. In addition, the report recommended that ASF improve co-ordination between forensic audit teams and other audit departments to facilitate this process.

Within the PAAF since 2016, ASF has undertaken 48 forensic audits, 13 of which were referred for further investigation. Analysis of recent forensic audit reports shows that the DGAF makes detailed observations about which internal control measures were not implemented or failed, allowing the irregularity/irregularities to occur. Such observations are included under a section on the probable root causes of the identified irregularities, which describes the mechanisms that failed in each instance. Since the issuing of the recommendations in the 2018 progress report, ASF has taken other steps to improve how it identifies systemic vulnerabilities. For example, according to officials, ASF expanded the types of audit it undertakes to include transversal audits, which are defined as audits that focus on the same subject across a range of centralised and decentralised entities (also known as vertical audit). Officials claim these types of audits provide ASF with a more comprehensive view of risks and vulnerabilities in Mexico's public internal control system, and they allow for greater interaction between audit teams when developing recommendations. In addition, the DGAF has set up regular internal meetings to help identify irregularities and deficiencies in the internal control system. ASF representatives note that forensic audit teams have started to provide services and advice to other audit teams, taking a cross-sectional approach that strengthens forensic audit and investigations, as well as other types of audit, i.e. performance audit. This approach also reduces duplication in audit activities, according to ASF officials.

ASF has also published a number of studies that consider potential vulnerabilities in the internal control system in the Mexican public sector. For example, a special report on issues affecting public works and related services 2011-2016 draws attention to deficiencies in the internal control system that are detrimental to transparency and ethical conduct in the management of public works. As such, the report outlines which control measures should be in place in the implementation of public works to remedy systemic vulnerabilities and reduce the likelihood of irregularities later on in the project cycle. Other publicly available reports from ASF are targeted directly at identifying and addressing vulnerabilities in internal control and risk management processes. For example, one such report assess implementation of internal control measures across government agencies, while another looks at how bodies are using risk management practices. Lastly, ASF has also undertaken a study on how effective strategies across the Mexican public sector have been in mitigating risks of corruption. This study includes a detailed risk analysis of different government entities. At present, these studies appear to be undertaken on an ad hoc basis.

ASF could explore ways to make use of these reports and findings to contribute more actively to the identification of vulnerabilities in internal control measures and risk management practices. For example, after having identified possible root causes for the irregularities found in its forensic audit reports, ASF could analyse trends of deficiencies or vulnerabilities that it has identified and track how these change and whether they are sufficiently addressed. This can draw attention to potential systemic problems and raise awareness of such issues among public sector organisations. It is important to note that ASF's forensic audit reports are not publicly available and are not published online, which means that the findings and

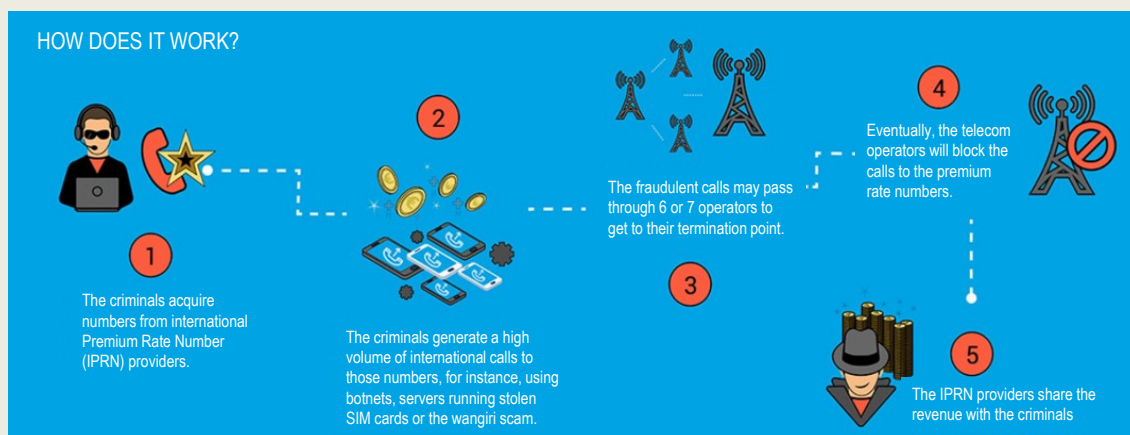


results are not readily available. This may be because the findings are considered sensitive or the content of forensic audit reports may relate to criminal proceedings. As such, it is all the more worthwhile that ASF considers other ways that it can raise awareness of fraud, corruption and internal control deficiencies. To improve the analysis and consolidation of the results of forensic audits and thematic studies, the DGAF could develop snapshots of the trends or schemes it is observing, presenting the findings in an easily digestible and attractive format. ASF can draw inspiration from other institutions that have developed such products (Box 2.2).

### Box 2.2. Alternative ways to present technical reports and information: The example of illustrated guides on fraud and corruption

#### Europol's Public Awareness and Prevention Guides

On its website, Europol has published crime prevention guides that contain information that can help citizens identify certain schemes. For each scheme, Europol provides information on the characteristics of the scheme and the impact it may have if successful. The schemes are illustrated with graphics and a small amount of text. The image below shows the illustrated scheme for telecommunications fraud included on the website.



#### OECD's Spotlight Guide to Fraud and Corruption Risks

This 2019 OECD guide aims to draw attention to the specific fraud and corruption risks and schemes that occur in the project cycle of programmes funded through the European Structural and Investment (ESI) Funds. To enhance the knowledge and awareness of not only fraud schemes affecting ESI Funds, but also the preventive actions authorities can take, the illustrated schemes focus on risks throughout the project cycle to demonstrate the complex nature of fraud and corruption schemes. It highlights who the perpetrators typically are, and what tactics they employ. Furthermore, the guide includes suggested control actions to prevent and detect the risks exemplified in the schemes and outlined in each section.

The example below depicts a particular scheme. Here, small and medium-sized farmers have become victims of modern land-grabbing whereby networks of politicians and firms illegally take control of arable land in order to receive EU funding.





Another way in which ASF can share and present its knowledge on irregularities, risks and vulnerabilities in the internal control system is through workshops and seminars. These activities could be organised for public sector organisations in order to raise awareness around systemic issues or risks, and to disseminate the expertise that ASF and, in particular, the DGAF have developed through their work. Furthermore, undertaking workshops and seminars on these issues can benefit the SNA more broadly.

## Summary of progress made and additional considerations

Since the 2018 progress report, ASF has demonstrated progress in its risk-based and performance-based approaches to its programming and audit execution. Notably, the establishment of the DGPE allows ASF to align its risk-based audit programming with the interests of Congress and in line with the government's policy agenda. The updates to criteria that ASF uses for audit programming shows how it is incorporating programme performance into its planning processes, as well as different types of audits. In addition, the inclusion of probable root causes of irregularities in ASF's forensic audit reports demonstrates clear progress on how ASF is contributing to the identification of vulnerabilities in control and risk management practices. This chapter includes suggestions to build on this progress in certain areas. These are outlined below.

- **To continue responding effectively to the needs of Congress and other stakeholders, ASF can assess stakeholder needs and integrate the results into its strategic review process.**

While this chapter clearly demonstrates that ASF has improved inter-institutional relationships and how it responds to the needs of Congress, it could consider ways in which it can determine the expectations of all stakeholders of ASF's work. Undertaking stakeholder analysis and gathering inputs and feedback from other stakeholders can allow ASF to determine priorities and can be used to inform resource allocation and updates to audit selection criteria. This can be achieved by using the results of stakeholder analysis in strategic review processes to ensure alignment.

- **ASF, and the DGAF in particular, could take further action to improve the analysis and consolidation of results of forensic audits and thematic studies. This could include the development of additional products that put the DGAF's work into digestible and attractive formats, such as a snapshot of the trends or schemes it is observing.**

As noted, ASF and the DGAF have contributed to the SNA and the identification of internal control vulnerabilities by publishing thematic studies on an ad hoc basis. While forensic audit reports tend to be sensitive in nature, ASF can explore ways to present the findings of its reports to promote transparency and promote awareness of its forensic audit and investigation activities. ASF can utilise the expertise to identify trends and inform a wider audience about fraud and corruption risks. By using an interactive format, ASF could reach a wider audience when presenting its findings, while respecting confidential information and due process considerations.

- **ASF could devise programmes for continued knowledge-sharing sharing of its expertise, including workshops and seminars for public sector organisations on systemic issues, trends and fraud and corruption risks.**

ASF can develop an initiative to provide workshops or seminars to staff from public sector bodies in Mexico to promote knowledge-sharing and present their findings. This may be particularly useful given that forensic audit reports are not publicly available and given the COVID-19 context that presents new risks and exacerbates old ones. Workshops can go beyond a focus on risks, but also raise awareness about internal control vulnerabilities across government that ASF is in a unique position to observe and communicate.

# 3 Measuring and communicating impact

## Introduction

The 2018 report acknowledged the progress ASF had made in improving communication with stakeholders, including the public, and provided further recommendations on the dissemination of audit reports and demonstrating ASF's value to its stakeholders. Despite the complexity and challenges that measurement can pose, Supreme Audit Institutions (SAI) must assess the impact of their work. In doing so, SAIs can demonstrate their value in ensuring accountability in the public sector, and strengthen their position in the process. Through a comprehensive and effective communication strategy, SAIs can communicate to citizens and other stakeholders their findings and demonstrate relevance. This is particularly relevant for ASF as it takes on an extended mandate and expands its areas of work.

The previous report noted that there was room for improvement regarding how ASF carries out follow-up of its recommendations, which contributes to how SAIs gauge the impact of their work. Since then, ASF has strengthened its processes regarding follow-up and its internal regulations to designate a specific unit to this task. This includes increased interaction with audited entities to gauge the rate of implementation of recommendations, as well as reporting on the status through a variety of means. Furthermore, ASF developed methods for calculating the return on investment (ROI) for its audit work, which is discussed further in this chapter.

Regarding communication channels and activities, the 2018 progress report provided recommendations on how ASF could balance expectations around its work and extended mandate through improved communication. Furthermore, the report identified room for improvement regarding report language that was deemed inaccessible for non-expert stakeholders. In response, ASF developed tools to enhance how it interacts with the public, for example through a widely available application, the Citizen App. ASF also developed simplified reports to convey audit findings in an accessible manner, although further refinement of report language may be necessary.

This chapter focuses on the steps ASF has taken to measure and assess the impact of its work, and how it communicates this. The recommendations from the previous report addressed in this chapter are the following:

- ASF could improve the tracking of recommendations and follow-up of audit.
- ASF could use lessons learnt and findings from performance audits to strengthen the quality and methodology of ASF audits, including the use of clearly defined objectives and indicators to measure the impact of audit reports.
- ASF could consider implementing a comprehensive communication strategy to balance public expectations about ASF's role and mandate.
- ASF could consider further simplifying report language to make ASF's reports more accessible to the general public and non-expert stakeholders.

## Following up on the implementation of recommendations

ASF could improve the tracking of recommendations and follow-up of audit reports. Previous OECD reports offered recommendations for ASF to develop different strategies and processes in order to strengthen quality control, use of indicators and the follow-up of its recommendations. Since the OECD 2018 progress report, the internal regulations of ASF have been revised to improve how ASF assesses whether audited entities have implemented recommendations. Specifically, the unit responsible for the audit of follow-up, reports and investigation (*Auditoría Especial de Seguimiento, Informes e Investigación*, Special Audit for Monitoring, Reports and Investigation, hereafter AESII) carries out punctual follow-up on the recommendations issued as a result of annual audit activities. As a result, other audit teams are able to monitor the status of implementation of issued recommendations. Furthermore, ASF reports on the status of recommendations made to audited entities through its *Sistema Público de Consulta de Auditorías* (Public Audit Consultation System).

The AESII's activities include notification and evaluation of audited entities' documentation, preparing reports on monitoring activities, and communicating on the status and implementation of recommendations. The AESII has a standard procedure for tracking the implementation of recommendations, and includes guidance on how to proceed when auditees have not taken action on recommendations. In line with the LFRCF, if the AESII discovers non-compliance with ASF's recommendations after the designated period for audited entities to respond to audit findings, it has several alternatives depending on the kind of action issued (see Table 3.1). Since 2018, ASF has improved the exchange of information between the AESII and other audit units, allowing the latter to improve audit selection criteria and audit methodologies based on findings from AESII's monitoring activities.

**Table 3.1. Alternative actions stemming from the audit process**

Action type	Consequence in case of failing to address it
Recommendation (preventive): Suggestion to strengthen administrative processes and control systems	ASF sends a report to the Chamber of Deputies describing the information, documents and considerations provided by the audited entities
Clarification request ( <i>solicitud de aclaración</i> ) (preventive): ASF asks audited entities to submit additional information to address previous observations	Drafting of an observations statement ( <i>pliego de observaciones</i> )
Observations statement (corrective): ASF determines the amount in damages to the public accounts or the assets of public entities	Launching of the procedure to set recovery responsibilities ( <i>fincamiento de responsabilidad resarcitoria</i> ) to public officials or private subjects
Actions by ASF with other entities	ASF role
Execution of the power of fiscal demonstration ( <i>ejercicio de la facultad de comprobación fiscal</i> ) (corrective)	ASF files the case in the Tax Revenue Service ( <i>Servicio de Administración Tributaria</i> , SAT)
Promotion of administrative recovery responsibility ( <i>promoción de responsabilidad administrativa resarcitoria</i> ) (corrective)	ASF files the case in the Internal Control Bodies, the State Comptrollers or the Ministry of Public Administration ( <i>Secretaría de la Función Pública</i> , SFP)
Facts report ( <i>denuncia de hechos</i> )	ASF files the case and supports the public attorney ( <i>Ministerio Público</i> )

Source: Information provided by ASF.

## Assessing the impact of ASF's activities and return on investment for its work

### ***ASF could use lessons learnt and findings from performance audits to strengthen the quality and methodology of ASF audits, including the use of clearly defined objectives and indicators to measure the impact of audit reports***

ASF has adopted measures to ensure quality control of its work and to enable continuous improvement of its practices. Certified through the ISO 9001 Quality Standard, ASF uses a Quality Management System (QMS), which ensures that ASF's work meets certain requirements that it is delivering audits that meet the needs and expectations of the users of its reports. The QMS is managed by ASF's Quality Committee and allows for the monitoring of ASF's processes, including planning, development, integration of audit findings, and follow-up activities (ASF, 2020<sup>[14]</sup>).

Another way in which ASF seeks to improve its work and determine areas for improvement is through surveys of audited entities. The *Comité de Calidad* (Quality Committee), in co-ordination with the *Grupo de Trabajo del Proceso de Desarrollo* (Development Process Working Group), carries out an annual review of the content of the survey prior to its application in order to keep it updated. ASF is able to manage and consult the surveys through the automated *Módulo de Desarrollo del Sistema de Control y Seguimiento de Auditorías* (Development Module of the Audit Control and Monitoring System, or SICSA). These surveys are distributed to audited entities included in the PAAF, with the exception of forensic audits, studies and evaluation of public policies.

Because Supreme Audit Institutions (SAI) produce several types of outputs and their outcomes are hard to measure, SAls face significant challenges to develop comprehensive, reliable and cost-effective measures of their return on investment (ROI) for taxpayers. Financial benefits are recorded when SAI recommendations have reduced expenditures, increased revenues, recovered misappropriated resources, collected penalties, and avoided future losses to the government and taxpayers. The results of these actions can be "cashed" in the sense that they have a direct budgetary effect which forms the basis of the financial benefits/ROI reported by a SAI. Despite certain methodological challenges that SAls may encounter when attempting to calculate the quantitative value of their work and ROI for taxpayers, there are certain conditions that enable success in this area, namely:

- Engaging independent experts to help identify, measure and validate financial benefits.
- Putting in place quality control mechanisms, such as the QMS, to produce reliable financial benefits over time.
- Developing recommendations that are specific, measurable, achievable, realistic and timely.
- Monitoring recommendations effectively to ensure their implementation.
- Managing risks of reporting of inflated financial benefits proactively (See Annex A).

In general, SAls report measures of economy and efficiency to external stakeholders, such as duration of audits and timeliness of audit reports to demonstrate their value and the ROI of their activities. However, some SAls assess internal measures to more accurately assess the value of their work and communicate this to the government and the public. For example, the Australian National Audit Office (ANAO) considers internal measures such as percentage of available staff time (all paid time minus leave) that is charged to audit work. These measures are calculated for financial audits and performance audits. The ANAO is also involved in an annual benchmarking exercise, which is done by the Australasian Council of Auditors General (ACAG), where eight audit offices in the states and territories of Australia calculate the same data. A non-public report is produced to benchmark each Australian audit office against its counterparts. Some of the audit offices report this information and the benchmark figures in their annual reports. Furthermore, the ANAO calculates the number of hours spent on audits and the cost of each audit. The ANAO publishes this information in its annual report, as well as the total cost of the audit (Australasian Council of Auditors General, 2020<sup>[15]</sup>).

Regarding the return on investment (ROI) for ASF's activities, the *Auditoría Interna y de Evaluación de la Gestión* (Internal Audit and Management Evaluation Unit, or AIEG) generates a document that includes data on ASF's operations for each quarter. This document includes a table that analyses trends in variables related to ASF's audit processes. In this table, the AIEG presents a calculation to demonstrate the relationship between recoveries made as a result of ASF's audits in relation to the overall budget of ASF. The calculation used by the AIEG is outlined in Figure 3.1.

**Figure 3.1. Calculating the Return on Investment for ASF's activities**

$$\frac{\text{Amount of recoveries from the audited Public Account}}{\text{Modified budget assigned to the ASF in the fiscal year}} = \text{Pesos recovered for each peso of the modified budget assigned to the ASF}$$

Source: Provided to the OECD by ASF officials in July 2020.

The sources of information for calculating the ROI are the annual General Executive Report that is delivered to the Surveillance Commission of the Chamber of Deputies, as well as the institution's budget data. The table with the results of this calculation includes the audit of the public accounts from 2009 to 2018 and shows that ASF recovered on average 4.85 times the modified budget assigned in the last 10 fiscal years (Table 3.2).

**Table 3.2. Historical data on recoveries made as a result of ASF's activities**

Relation between the recoveries obtained by the ASF and the assigned budget as of January 31, 2020			
Public account	Recoveries obtained <sup>1</sup>	Modified budget assigned to ASF <sup>2</sup>	Cost/benefit
2009	12.33	1.42	8.68
2010	11.50	1.52	7.57
2011	14.55	1.68	8.66
2012	18.00	1.84	9.78
2013	9.52	2.05	4.64
2014	8.47	2.24	3.78
2015	5.21	2.37	2.20
2016	11.40	2.65	4.30
2017	9.81	2.64	3.72
2018	1.65	2.73	0.60
<b>Total</b>	<b>102.44</b>	<b>21.14</b>	<b>4.85</b>

1. The figures of the recoveries could increase due to the existence of sheets of observations pending resolution.

2. The amount corresponds to the budget assigned in the year in which the Public Account was audited. For example: the audit of the 2009 Public Account was carried out with the 2010 ASF budget.

Source: Table provided by ASF, July 2020.

Despite progress made, there are further steps that ASF can take to assess the impact of audit reports, improve the quality of audits and to determine and communicate the value of ASF's work. For example, the AIEG's work on determining ROI solely takes into account financial recoveries made as a result of ASF's audits. While a key measure to assess the effectiveness of its activities, there is room for improvement regarding how ASF communicates its contribution to programme performance in the public sector. SAls often generate a large ROI for taxpayers from qualitative benefits, which cannot be captured within a single ROI measure. Indeed, external audit in the public sector produces qualitative benefits to society that cannot easily be translated directly into budgetary savings, such as the deterrent effect of financial and compliance audits, and improvements in effectiveness of government operations that increase the quality of government services. These qualitative benefits are measured by some SAls through surveys of stakeholders; in this regard, ASF has already made progress in assessing the value and impact of its work through its surveys of audited entities mentioned earlier in this section. In general, SAls tend to overlook significant qualitative benefits that could be measured and communicated to stakeholders. For example, the deterrent effect of audit activities can be measured at the level of the auditee over a designated period of time. SAls may indeed be able to measure the deterrent effect of their activities by observing the remedial action taken by auditees and proactive measures they have taken to address deficiencies.

In the United States, the Government Accountability Office (GAO) publishes an annual Performance and Accountability report that provides an overview of GAO's impact, both in terms of funds saved/recovered as a result of its activities and how it contributes to improvements in programme performance (Government Accountability Office, 2019<sup>[16]</sup>). The qualitative benefits included in the reports are categorised within different areas, such as: business process and improvement, public safety and security; programme efficiency and effectiveness; acquisition and contract management, and public insurance and benefits (Box 3.1). ASF could envision enhancing the progress it has made on determining the ROI of its activities by integrating the measurement of qualitative benefits in a similar manner. Producing an annual report with these results can help ASF communicate the impact and value of its work to stakeholders, beyond solely financial savings or amount of funds recovered.

ASF can also build on its ROI work and enhance the impact of its financial compliance audits by using insights from these reports to improve how financial risks are addressed in government programmes. By their nature, financial compliance audits draw attention to risks, waste and mismanagement in the public sector. Some SAls build on the expertise acquired through their audit portfolios to develop guidance, actively contributing to sound financial management in the public sector. In the United Kingdom, for example, the National Audit Office (NAO) developed the 'Survival guide to challenging costs in major projects' that guides accounting officers on major infrastructure projects on prioritising spending and ensuring value for money (NAO, 2018<sup>[17]</sup>).

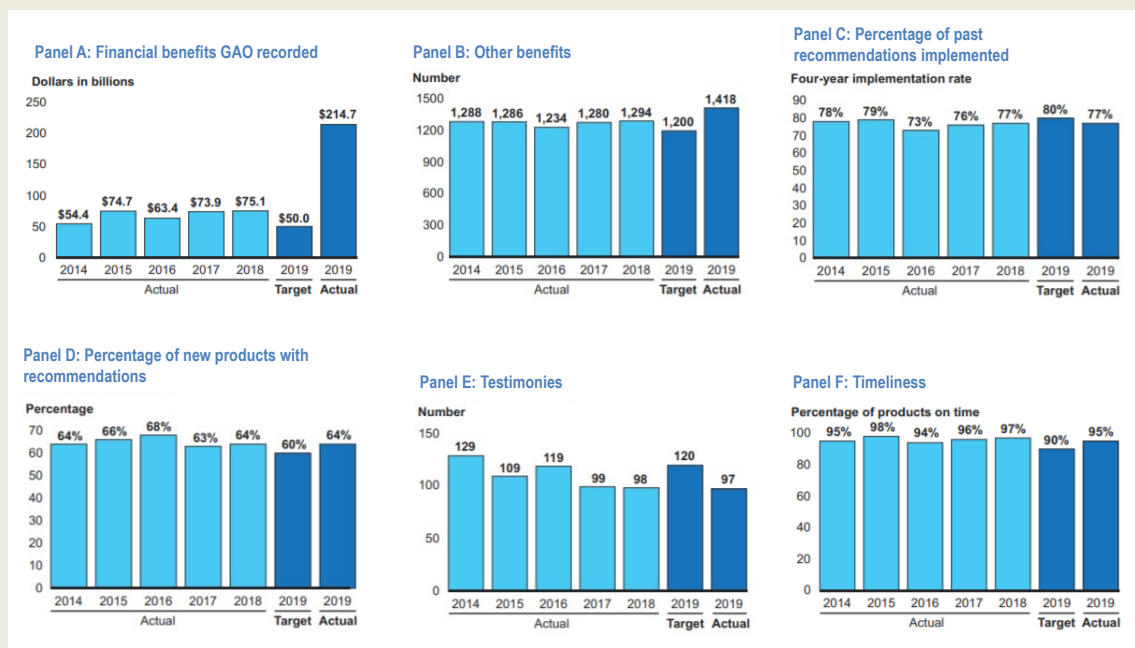
The guide seeks to help by outlining warning signs at project initiation and after the initial decision to proceed, tips on managing costs during delivery, and useful questions for accounting officers to ask when looking at cost estimates and as a project progresses, as well as links to other resources and support (See Box 3.2). This particular example of the NAO's guide may provide inspiration for ASF as it continues to expand its audit of public works and infrastructure.

### Box 3.1. The Government Accountability Office's performance and accountability reports

In line with the Government Performance and Results Act, the Government Accountability Office (GAO) produces an annual report to inform Congress and the public about what the SAI has achieved. These reports describe GAO's performance measures, results, and accountability processes for each fiscal year. In assessing its performance, the GAO compares actual results against targets and goals that were set in the GAO's annual performance plan and performance budget and were developed to help carry out its strategic plan.

GAO's Performance and Accountability reports contain Return on Investment (ROI) calculations to determine cost savings as a result of GAO's activities. As well as financial savings and recoveries, the report also outlines other benefits resulting from GAO's work, taking into account different indicators and variables to measure non-financial benefits such as timely reporting, legislative impact, and improving federal agency operations. The reports provide a Performance and Financial Snapshot for the American Taxpayer for the fiscal year, which includes graphics to make the information more easily accessible.

Figure 3.2. GAO's Fiscal Year 2019 Snapshot



Source: (Government Accountability Office, 2019<sub>[16]</sub>).



### Box 3.2. Using insights from audit work to draw attention to risks in major projects

Published in 2018, the National Audit Office's (NAO) 'Survival guide to challenging costs in major projects' outlines some of the challenges in estimating and managing costs that the Office has observed in its work on major projects. It offers Accounting Officers and senior decision makers ground rules and thoughts on factors to consider when challenging costs. In particular, the guide draws on the NAO's experience in auditing major infrastructure projects that carry high demand for successful delivery by parliament, ministers and the public. After listing the potential challenges associated with managing major projects, the guide includes a section of 'Reasons to be careful', which draws attention to the main pitfalls and biases that Accounting Officers and other stakeholders may be susceptible to. By mapping the warning signs at different stages of a project (i.e. project initiation, planning and execution phases), the guide also offers a toolkit that provides practical guidance on what can be done to address warning signs. The guide is available online in an interactive PDF format. Below is an example from the guide of some of the questions included in the toolkit.

#### Useful questions to ask

It is not always easy to know how to challenge costs on major projects. Here we have provided some key questions that you could ask at different stages of the policy and project lifecycles.

##### Looking at cost estimates

- What have similar projects cost?
- Why is the estimate not expressed as a range?
- Could sponsors have turned a blind eye to upper estimates for fear that they may be perceived as unacceptably high?
- Are there incentives that might cause sponsors to underestimate the likely cost?
- Are you satisfied that the project is affordable?
- Are you confident that 'non-preferred' options would not offer better value?
- Is the cost to service users going to be affordable?

Source: (NAO, 2018<sup>[17]</sup>).

## Communicating results to key stakeholders

### ***ASF could consider implementing a comprehensive communication strategy to balance public expectations about ASF's role and mandate***

In 2018, OECD recommended improvements to ASF's communication strategy, which included demonstrating to citizens the relevance of ASF's work in meeting their needs, and gathering feedback from the public on how ASF can continue to improve the public sector. ASF has made progress in this area in the last two years in line with this recommendation. Specifically, ASF developed two interactive online applications, one of which is aimed at the general public, while the other is aimed at children aged between eight and twelve. ASF representatives note that the development of such applications is a response to the need for the institution to communicate more clearly about what its role is within society. By its nature, auditing in the public sector is technical and complex. By modernising communication efforts, ASF aims to demonstrate to a wider audience the important accountability function it fulfils in Mexico. In addition, ASF has developed the *App Ciudadana ASF* (Citizen App), which makes it easier for the public to access audit reports and demonstrates how ASF actively seeks to increase its relatability to, and interaction with, the public.

Figure 3.3. ASF's Citizen App



Source: Screenshot taken from Google Play, <https://play.google.com/store/apps/details?id=com.selbor.asf3882&hl=en>.

In addition to these new initiatives and tools, ASF has sought to improve its traditional channels of communication. For example, on its website and digital platforms, ASF now employs user and reader-friendly formats to present information in a more dynamic and accessible way, and frequently uses infographics and visuals to display information and audit results. ASF also maintains an active presence on social networking sites in order to reach a wider audience.

To further improve how it engages with the public and to highlight the relevance of its work, ASF can initiate more frequent dialogue and interaction with the public and users of its reports. For example, ASF could envision setting up a dedicated page to receive suggestions and respond to questions posed by the public. This could take the form of a blog in order to be more user-friendly and informal in nature. ASF can benefit from comments and suggestions on their reports from the public and other stakeholders outside of the government and the public sector, as well as increase engagement with ASF reports. ASF can draw inspiration from other Supreme Audit Institutions (SAI) that have developed comprehensive strategies and methods to engage with the public (Box 3.3).

### Box 3.3. Citizen engagement and external audit: Good practice examples for communicating with stakeholders

#### The Auditor General of South Africa's (AGSA) stakeholder strategy

By developing a stakeholder strategy, the AGSA takes into account a number of actors, including public organisations, parliament and subnational legislatures, media, citizens and civil society organisations (CSOs). The AGSA developed the strategy by mapping the actors and their needs in line with the SAI's work. Through this process, the AGSA notes that regarding citizens and CSOs in particular, it is vital to develop relationships built on trust. This is achieved by regular interaction with these groups using different channels. In its Strategic Plan 2019-22, the AGSA outlines engaging with citizens as one of its strategic objectives. It lays out the elements of its citizen engagement strategy, which includes: enhancing community reach; maintaining an appropriate social media presence; engaging citizens on province-specific issues; improving responsible media coverage of audit outcomes, among others.

Source: (Auditor-General of South Africa, 2018<sup>[18]</sup>).

Furthermore, ASF representatives note that the institution could benefit from developing and clarifying the message it wants to convey to the public regarding its role. ASF's strategic vision for 2018-2026 provides a strong basis for the development of targeted, coherent messages about ASF's role and what it seeks to achieve in the coming years. This is particularly pertinent in light of ASF's extended mandate and expansion of its activities. For example, ASF can convey to the public that it is moving away from traditional, compliance-focused activities towards the assessment of regulatory performance in order to contribute to the achievement of public policy goals.

#### ***ASF could consider further simplifying report language to make ASF's reports more accessible to the general public and non-expert stakeholders***

To increase ASF's engagement with the public and to communicate effectively on its activities, the OECD 2018 progress report recommended that ASF simplify its report language to increase accessibility. ASF has indeed taken steps to achieve this. For example, ASF now makes available simplified audit reports. These simplified reports include a summary of the audit report, good practices and lessons learned. Specifically, the simplified audit reports include: 1) selection criteria for the audit; 2) a summary of the audit process; 3) main findings; and 4) conclusions drawn from the audit. To complement these reports, the *Dirección General de Relaciones Institucionales y Difusión* (General Directorate of Institutional Relations and Dissemination, or DGRID) prepares infographics on the topic, which are disseminated through institutional channels such as ASF's website and the Citizen App.

Although ASF has made progress in using clearer language and messaging in its simplified audit reports, the language used in these reports could be further refined to appeal to non-expert stakeholders and the general public. ASF representatives note that although they have made their work more accessible through the simplified reports provided to citizens, such reports still include language that may not be easily understood. INTOSAI standards require SAIs to produce audit reports that are relevant and useful for stakeholders, stating that reports should be presented in a logical structure and with clear language. Box 3.4 outlines the key elements of writing a clear audit report using the example of guidelines developed by the European Court of Auditors.

### Box 3.4. European Court of Auditors Report-Writing Guideline

The European Court of Auditors (ECA) reports are the main means by which those outside the ECA judge the external audit institution of the European Union (EU). How an audit report presents the Court of Auditor's findings, conclusions and recommendations can make a big difference to how the audit is received and the impact that it has. The report-writing guideline developed by the ECA seeks to provide its auditors with clear and concise guidance on drafting impactful and clear audit reports. The guideline states that ECA reports are not popular journalism; however, they should not be written in a way that is only understood by policy experts. Regarding language and style, the guideline provides the following tips to auditors:

- present the ECA's conclusions as definitively as possible
- prefer the active voice to the passive
- use Word's readability statistics to check your writing
- keep it short and simple
- do not write too many long sentences
- never use a long word where a short word will do
- limit the use of jargon
- limit the use of abbreviations.

Outlining these elements provides auditors with a clear idea of how to present their findings and serves as a reminder to always keep in mind the audience. Working in a technical area such as public sector audit, auditors are used to complex language that may not be understood by some readers. To make reports accessible and therefore impactful, reports must be written using plain language and as concisely as possible.

Source: (European Court of Auditors, 2013<sup>[19]</sup>).

To enhance the readability of its reports, ASF can improve the guidance given to staff in this area. For example, ASF could envision developing an online learning module to support staff. This may include providing a plain language audit tool, which would assist staff in verifying whether their audit reports are clear and concise. Such a tool can include a checklist to achieve this. To further consolidate knowledge acquisition on this subject, ASF could provide audit report writing workshops and ensure that trainings for auditors to improve their writing skills are incorporated into existing training modules. Notably, such trainings should be mandatory for newly hired staff.

Furthermore, ASF could consider including further explanations in its reports of technical terms and include plain language throughout. In the Netherlands, for example, acknowledging that audit reports typically address topics that are complex and perhaps unfamiliar to citizens, the Court of Audit developed a communication policy aimed at presenting information in a different way. The Court's audit summaries contain infographics or images with a brief explanation of terms that are pertinent to the findings of the report. For example, the Court undertakes audits of a form of public-private partnership that the government uses for building and infrastructure projects. In all communication relating to these audit reports for ministers, Parliament and the public, such as briefings, presentations and web posts, the Court includes these infographics (World Bank Institute/ACIJ, 2015<sup>[20]</sup>). More recently, the Court has developed visual stories to guide readers through certain reports (Box 3.5). With the Citizen App and simplified reports, ASF is already fine-tuning its approach to communicating with citizens and other stakeholders. ASF could build on this progress by continuing to ensure that its reports are accessible. Where possible, this may include using focus groups to assess whether the language used in reports is clear and appropriate.

### Box 3.5. Making audit reports engaging through visual stories: The Netherlands Court of Audit

To engage the public more effectively, the Netherlands Court of Audit created a four-step process to develop visual stories of their audit reports. Visual stories allow Supreme Audit Institutions (SAIs) to demonstrate immediate impact, grab the reader's attention and create a more understandable topic for a wider audience. Below is a description of a visual story that the Court developed for a previous audit on pre-trial detention definitions.



These visuals were presented in a one-page format. This makes the information easier to understand (structure), helpful (consistent colour coding, icon usage throughout), and engaging (holding the reader's attention). Visual stories based on human-centred design that originate from content-centred audits allow auditors to match report complexity with visual aids. Where possible, working with designers can help prevent visual stories that are too complex. The Netherlands Court of Audit has also developed visual stories on audits concerning the asylum process and natural disasters.

Source: (Meijer-Wassenaar, 2019<sup>[21]</sup>).

## Summary of progress made and additional considerations

This chapter demonstrates how ASF has responded to and built on recommendations made in previous reports concerning its approach to monitoring and follow-up of recommendations. Through the creation of the AESII and the development of more comprehensive procedures for undertaking follow up, ASF has facilitated the monitoring of uptake of recommendations for different stakeholders and rendered it easier for audited entities and the public to track the implementation of recommendations. Such steps allow ASF to communicate its activities and demonstrate its value to its stakeholders. This chapter also outlines how ASF is continuing to develop methods for assessing the impact of their activities and reports, notably through the AIEG's analyses of financial recoveries made as a result of ASF's work included in each General Executive Report. Last, through the development of the Citizen App and simplified audit reports, ASF has taken concrete steps to reach a wider audience and communicate the results of its work in a way that is more accessible than previous efforts. To build on this progress, there are some further actions that ASF can consider taking. These include the following:

- **ASF could continue the progress it has made to determine the ROI of its activities by integrating the measurement of qualitative benefits.**

By publishing an annual report that includes a description of ASF's performance and results, ASF can communicate to stakeholders, such as Congress and the public, where it adds value, which goes beyond financial savings and the amount of funds recovered as a result of its activities. Given that ROI cannot be captured within one formula or calculation, ASF would benefit from integrating qualitative benefits into its performance assessment to more accurately measure how it is achieving its objectives and implementing its strategic vision. This may become necessary as ASF's current calculations show a steady decline in the ROI of its work since 2012, with the exception of 2016.<sup>1</sup>

- **To make audit reports more accessible and to demonstrate its value to the public, ASF can benefit from developing a coherent and targeted communications campaign based on its strategic vision and extended mandate.**

With the extension of its mandate and powers, ASF has a unique opportunity to develop a comprehensive communication strategy that demonstrates its value to the public and generates buy-in for its work. Although ASF's has an increasing focus on preventing corruption and irregularities and contributing to the achievement of public policy goals more broadly, it has yet to communicate this sufficiently to the public. As a result of past experiences under the SNA, the public may traditionally view ASF as a punitive body whose role is to sanction officials or government entities. While ASF's financial compliance audits and forensic audit and investigation activities are core areas of work, ASF is investing in other areas that add value to government programmes and regulatory quality in the Mexican public sector.

When developing a communication strategy, ASF could leverage insights from existing and newly established units such as the UELRI. As part of a stakeholder mapping, this will help ensure that ASF is honing its messages according to the audience. ASF could also consider presenting its *Plan Estratégico* in a more reader-friendly way and disseminating messages around its strategic vision and objectives more regularly. In the United Kingdom, for example, the NAO publishes both the full version of its five-year strategy and a more dynamic, concise version for the public and non-expert stakeholders.

- **ASF can provide online training modules and workshops for staff to refine the language used in audit reports and maximise the usefulness of its reports for non-expert stakeholders. ASF can also ensure that training modules on plain writing are integrated into hiring processes.**

While ASF has made progress in making its reports more accessible, there is room for improvement regarding the language used in reports. As well as gathering insights for improving report writing, ASF could determine which complex or technical terms may need further explanation or simplification in its reports. In addition, ASF can make use of plain language tools and guidelines to inform this process, drawing from the examples discussed in this chapter.

**Note**

<sup>1</sup> The figures of the recoveries change constantly and could increase due to the existence of sheets of observations pending resolution, which would affect the cost-benefit balance in Table 3.2.



## Annex A. Quantifying the value and benefit of Supreme Audit Institutions

Supreme Audit Institutions (SAIs) ensure that public sector entities manage their operations economically, efficiently, effectively, and in accordance with applicable laws and regulations. ISSAI 12, *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*, asks SAIs to lead by example, holding themselves to similar standards. Some SAIs lead by example, developing credible, competent, objective, robust and independent estimates of their own value and benefits. The following outlines the main types of values and benefits reported by SAIs, steps they take to develop financial benefits, their reporting practices, the impact of strategic plans on financial benefits, and how SAIs utilise estimates of their value and benefits in their external communications.

SAIs can achieve a higher return on investment for taxpayers by adopting practices that they recommend to other public sector entities. SAIs can strive to adopt audit processes that use less inputs to produce their outputs (efficiency) without jeopardising the quality of inputs (economy), and link inputs and outputs directly to their outcomes (effectiveness). Outcomes are the ultimate source of a SAI's return on investment for taxpayers.

SAI outputs are the means to achieve three harder-to-measure SAI outcomes, for example: (i) strengthening accountability in the use of public resources; (ii) increasing transparency in reporting financial and performance results; and (iii) achieving improvements in the quality of services delivered to taxpayers.

Because SAIs produce several types of outputs and they can be hard to measure, SAIs face significant challenges to develop comprehensive, reliable and cost-effective measures of their return on investment (ROI) for taxpayers. Some SAIs use ROI indicators and output-based indicators in annual reports to their stakeholders. SAIs' measurement of their ROI for taxpayers takes place at different stages of development. Some SAIs measure their financial benefits in a single ROI measure linked to recommendations in performance audits. However, most qualitative benefits of performance audits are not included in the financial benefits/ROI measure.

Financial benefits are recorded when SAI recommendations have reduced expenditures, increased revenues, recovered misappropriated resources, collected penalties, and avoided future losses to the government and taxpayers. The results of these actions can be "cashed" in the sense that they have a direct budgetary effect which forms the basis of the financial benefits/ROI reported by the SAIs. Financial benefits can recur year after year if there is a continuous flow of SAI recommendations aimed at auditees to improve their managerial performance.

SAIs that produce estimates of their financial benefits tend to have specific capabilities, namely:

- Independent experts help to identify, measure and validate financial benefits.
- Quality controls are in place to produce reliable financial benefits over time.
- SAI recommendations are specific, measurable, achievable, realistic and timely.
- SAIs monitor recommendations effectively to ensure their implementation.
- Risks of reporting inflated financial benefits are managed proactively.



The largest share of SAI resources is spent on financial and compliance audits. Although audit opinions have become a tool to ensure a certain level of accountability and transparency, SAIs face major challenges measuring and communicating the ROI of these products. SAIs largely use output-based indicators in their reports to stakeholders, such as the annual number of audits undertaken and the percentage of clean audit opinions.

Some SAIs calculate the costs and benefits of their audit activities and link them to measures of their ROI. Personnel salaries and other benefits are the largest expenses in most SAIs. SAIs use internal measures such as how many staff days are used by type of audit. However, SAIs in general do not disclose these measures externally to safeguard their independence to set audit priorities. Instead, SAIs report other measures of economy and efficiency to their external stakeholders, such as duration of audits and timeliness of audit reports.

Some SAIs have developed their capacity to achieve higher financial savings with fewer resources by establishing a direct link among strategic planning, annual budgeting decisions and performance results. These links help SAIs to identify audits with potentially higher ROIs, including spending and revenue programmes with weak internal controls.<sup>1</sup>

Many SAIs have a number of different strategic objectives that need to be balanced. SAIs may focus on ensuring accountability, in order to hold executive managers to account for their stewardship of public funds. On the other hand, SAIs can emphasise operational improvements, which requires SAIs to support executive managers to identify areas for operational improvement. Which of these two objectives prevails during a planning period would depend in part on priorities set by the Parliament and the Executive. The ultimate financial benefits that SAIs claim will depend on how different strategic objectives are balanced in their audit work plans.

Using quantitative and qualitative measurements of ROI to improve external communications with the Legislature and the public poses major challenges for SAIs. Some indicators can generate hard-to-meet expectations of the legislators who approve a SAI's annual budget request. Achieving the right amount and type of information that faithfully shows a SAI's performance is a continuing challenge for most SAIs.

## Return on investment of performance audit reports

Unlike SAI reports that focus on accountability and transparency services, performance audits allow SAIs to develop robust measures of financial benefits, as well as other qualitative benefits. The "cashable" financial benefits are used to estimate the return on investment by a few SAIs, who must depend on their continuous ability to formulate *recommendations* aimed at convincing auditees to improve their managerial performance. The result of a continuous flow of actionable recommendations would be a high ROI reported by SAIs year after year.

Performance audits can produce two types of benefits: quantitative and qualitative benefits that are not measured by SAIs. Quantitative benefits are obtained when SAI recommendations help auditees reduce expenditures, increase revenues, recover misappropriated resources, and avoid future losses to the government and taxpayers. These recoveries can be "cashed" in the sense that they have a direct budgetary effect. Other wider benefits can be measured using non-monetary indicators, such as social and physical measures of enhanced quality of life of citizens and taxpayers. These two types of benefits are discussed below.

## Measuring and disclosing financial benefits

Financial benefits can be compared to SAI costs to obtain a return-on-investment ratio. A typical statement used by SAIs to highlight this type of ROI is: "In 2015 the SAI achieved USD 100 million in financial benefits, compared to USD 5 million invested in the SAI. This is equivalent to USD 20 saved for each USD 1 invested in the SAI." This measure of ROI is subject to significant methodological and interpretation challenges.

**Table A A.1. Quantitative return on investment reported by SAIs**

BR TCU	Brazil saved BRL 5.65 for each real invested in its TCU in 2017. Financial benefits reached BRL 10.9 billion, compared to operating cost in the period reached BRL 1.9 billion.
CR CGR	Costa Rica CGR generated a 37.27 rate on investment in the period 2013-2015, obtained by comparing CRC 36 920.25 million in financial benefits to CRC 990.49 costs.
PT CoA	953 recommendations issued by Portuguese Court of Audit in 2017 had a EUR 175.5 million impact. COA refused prior approval of 46 cases based on illegalities, worth EUR 393.9 million.
UK NAO	In 2017, NAO issued 65 value-for-money reports and 850 recommendations, achieving GBP 741 million, equivalent to GBP 11 saved for GBP 1 spent.
US GAO	GAO's work in 2015 yielded USD 63.4 billion in financial benefits, about USD 112 for every dollar invested in GAO.

TCU's measurement of the financial benefits resulting from its oversights (with the exception of fines) does not follow a defined standard. Thus, the benefits generated in a period of a year may largely vary from year to year, due to sporadic or extraordinary factors not directly related to the number of oversights or audits carried out in a given period.

Therefore, when a SAI carries out an audit involving a large amount of resources, this can result in larger savings if the SAI considers the estimation of benefits that will be generated in the future. That was the case, for example, of Brazil's TCU that in the year 2015 only one case resulted in financial benefits amounting to BRL 12 billion, representing 50.8% of the financial benefits of that year and twice the benefits calculated in the previous year (see the table below).

**Table A A.2. Financial benefits reported by the TCU between 2013 and 2017**

Year	Financial benefits resulted in the period (in BRL billion)
2013	19 938 900 176.86
2014	6 126 910 800.75
2015	23 884 600 607.44
2016	9 693 196 813.29
2017	10 907 140 483.73

Source: (Tribunal de Contas da União, 2018<sup>[22]</sup>).

SAIs that do not report on financial benefits/ROI may do so for several reasons. Some SAIs are aware of the measures used by the SAIs listed in the above table, but may not be convinced of their usefulness and reliability, given all of the many other factors that could contribute to financial savings to the taxpayer. Some SAIs emphasise achieving higher administrative effectiveness, which has the potential to produce higher benefits to taxpayers by ensuring a programme's strategy is well implemented.<sup>2</sup>

## Capabilities of SAls that produce financial benefits

As stated before, generating financial benefits continually requires specific capabilities:

- SAls must have on board the technical experts to identify and estimate financial benefits.
- Quality controls are in place to produce sound financial benefits over time.
- SAls have the capacity to develop specific, measurable, achievable, realistic and timely (SMART) recommendations.
- SAls possess monitoring systems to verify the implementation of recommendations.
- SAls have effective methods to reduce major risks related to financial benefits.

### *Specialists are on board to identify and estimate certain financial benefits*

Most SAls recruit staff with accounting and legal skills to conduct financial and compliance audits. Estimating financial benefits may also require specialists who know how to apply complex methodologies like discrete choice modelling, cost-benefit and cost-effectiveness analyses, futures research, impact assessments, logic models, network analysis, process mapping, macro and micro quantitative techniques, and standard cost modelling.<sup>3</sup> SAls can train their staff and hire outside experts temporarily on a contract basis. Both alternatives would increase audit costs. For example, UK NAO in 2005 reported that external consultants absorbed about 15% of its resources.<sup>4</sup>

The availability of a pool of specialists makes it easier for a SAI to develop the practice of producing financial benefits estimates. This is the case of SAls in high-income countries, who rely on academic and industry experts to develop financial estimates<sup>5</sup> and to assess the validity of SAI estimates.<sup>6</sup> It is not a coincidence that financial benefits estimates were initially developed and are continuously produced in the SAls of the United Kingdom and the United States, where there is a wide and deep network of academic and private sector experts that SAls can rely on. In contrast to the SAls in high-income countries, SAls in low- and middle-income countries may not have a deep and wide network of external experts in academic institutions and the private sector. Some SAls have partially addressed this gap, establishing training centres to develop evaluation specialists in the public sector. See the cases of the SAls of India and Mexico, for example.<sup>7</sup> Training centres can also reduce the risks of losing trained staff to the Executive agencies and ministries that want to develop their own capacity to estimate financial benefits.

Estimating benefits would vary depending on their nature. Recoveries of overpayments or mismanagement of funds are straightforward, requiring only standard audit procedures to verify cash has been collected. Other types of benefits require constructing statistical and process models to make attributions linked to SAI recommendations. For example, a SAI that wants to improve efficiency or economy in an agency would first find alternative ways in which the same outcomes can be achieved at a lower cost, or more can be achieved for the same cost, or better quality outcomes can be achieved at the same cost. Then, the SAI would have to estimate the portion of the increase in efficiency or economy attributable to SAI recommendations that are accepted and implemented by the auditee. This estimate requires developing a counterfactual to estimate the benefits attributable solely to the SAI. Many SAls are familiar with statistical tools to select samples of records, which provide evidence in their financial and performance audits.<sup>8</sup> The availability of massive amounts of documents and records in a digital format, combined with lower costs of processing digital information, have increased the potential for SAls to increase the value and benefits of their audits. SAls that develop their capacity to analyse massive amounts of information at relatively low costs may be able to discover hitherto hidden patterns of inefficient processes, fraudulent transactions, correlations between resources and outcomes, and other useful evidence to develop targeted recommendations.

Other government agencies with large information databases in a digital format are using advanced data analytics to deploy their resources to obtain better outputs and outcomes. SAIs must be familiar with these advanced methods to evaluate their use in audited entities. For example, advanced analytics can be used to anticipate problems in tax administration, allowing tax managers to prevent thousands of inaccurate tax returns and delays in tax payments.<sup>9</sup>

SAIs can also apply text analytics, which relies on computer algorithms to identify key words and phrases instead of auditors reading whole documents. For example, a 2015 text analytics study of GAO's recommendations for 26 years showed most of its actionable recommendations originated in a few areas.<sup>10</sup> The audit areas with the highest rates of implemented recommendations were information security (94%) and information technology (87%). Cross-agency issues were associated with lower success rates than other comparable recommendations, and repeated recommendations in a specific area did not improve implementation rates. Other SAIs may also conduct a similar text analytics evaluation of their own recommendations in past years.

### ***Quality controls are in place to ensure high-quality financial benefits***

SAIs possess a set of robust quality controls and regularly test them to ensure financial benefits estimates meet high standards. The controls would start at the pre-planning stage, continue during audit execution, and culminate when SAI's recommendations are implemented and produce observable outcomes, which generate the financial benefits. At the pre-planning stage, audit teams would start by identifying engagements that have the potential to generate significant financial benefits. The form below can be used by audit teams to provide senior management reliable information on where financial benefits are more likely to occur.

**Table A A.3. Form to estimate potential financial benefits of new engagements**

<b>Title of Engagement</b>	
<i>Provide brief description of potential benefits and risks of not achieving them</i>	
Primary focus of audit (mark all that apply)	
1) Obtain financial benefits 2) Evaluate high-risk programme 3) Parliament enquiry 4) Improve quality of public service 5) Ensure all budget areas are examined 6) Other (identify)	
Identify likely sources of financial benefits	
1) Reduction in costs 2) Additional revenue	
<i>Scale of potential financial benefits</i>	
If high risk, describe amount at risk and likely financial benefits	
If parliament interest, is there a potential financial impact?	
If quality improvements are sought, describe methodology to measure financial benefits of improved quality	
Is this engagement a follow-up? Describe past financial benefits. If none, explain why.	
Specialised resources required	
1) Describe nature and likely costs 2) Date when specialised resources would be available	
Final product delivery date	

Source: Based on UK NAO, *Are YOU making a difference?* Revised VFM study one-pager.

The following form produced by UK NAO is helpful to identify financial benefits linked to reduction in expenditures. A similar form can be developed for revenue enhancements.

**Table A A.4. Checklist for identifying potential reductions in expenditures**

1. How much is spent on the programme/activity in question?
2. What are the main "deliverables" of the expenditure - aims and objectives, services, products, outcomes, etc.?
3. What is the unit cost of each deliverable? (input divided by output) Does this compare well with benchmark costs (if any)? In your judgement, is the unit cost reasonable?
4. In your judgement, could the same level of output be delivered for x% less? If yes, how? If no, why not?
5. In your judgement, could the same expenditure deliver x% more output? If yes, how? If no, why not?
6. In your judgement, can there be a qualitative improvement in the delivery of these objectives, products, services and outcomes? If yes, how? If not, why not?
7. What are the organisation's or programme's key performance indicators? Does the organisation fail to meet any of its targets? What is the reason for this failure (if any)?
8. Which audiences are targeted by this organisation or programme? Are any audiences or constituencies within them excluded or marginalised by the manner of delivery? In your judgement, can we make recommendations so that they are no longer excluded?
9. Are targeted users satisfied with the product/service/intervention? Is there any data on satisfaction? If so, what is it saying?
10. What is the nature of any Parliamentary interest? What were the principal conclusions and recommendations?
11. When was the organisation or programme last covered by a SAI report? What was the report about? What were the principal findings, conclusions and recommendations?
12. Are there any competing services in this sector, the wider public sector or the private sector? If so, describe briefly,
13. Are there any comparable services in this sector, the wider public sector, the private sector or abroad? If so, please describe briefly.
14. Is the organisation in partnership with other bodies for the delivery of objectives, outcomes, services and products? If so, with whom? In your judgement, does this improve or hinder delivery? If not, could it build partnerships to improve efficiency and delivery?
15. Other things to consider are the culture of the organisation, whether there is a clear leadership, how is the communication throughout the organisation, the level of involvement of staff, is there integrity, openness, innovation and right incentives in the organisation, and the governance structure.

Source: UK NAO Checklist for identifying the potential for impacts.

During the methodological and evidence-gathering phase, quality controls would ensure audit teams have the technical resources to design the methodology and collect the data using traditional and modern tools, such as Web-based surveys and data analytics.<sup>11</sup> In the final stage, SAIs would apply strict quality controls to ensure financial benefits are conservative, reliable and credible. For example, UK NAO uses five principles to estimate its "financial savings":

- Causation - a causal link exists between work conducted by the NAO and the benefit.
- Realisation - impacts have been realised within, or before, the reporting calendar year.
- Valuation - impacts are supported by reliable evidence or data, and implementation costs are acknowledged. Each impact is supported by a robust methodology.
- Attribution - The proportion of impact claimed should reflect the NAO's degree of contribution to the benefit realised.
- Validation - All impact claims are validated by the audited body concerned (at sufficiently senior level) and approved internally.

With respect to attribution number 5, the NAO recognises its audits will overlap sometimes with a department's own evaluations. SAIs frequently encounter situations in their audits where the audited agency springs into action to fix problems while the audit is being conducted. In this circumstance, UK NAO would seek a consensus with the auditee on the percentage of total financial benefits that can be attributed to both parties, given that the financial benefits were obtained through their combined effort. The following table describes common situations SAIs will face in claiming financial benefits.

**Table A A.5. Sharing financial benefits between SAI and auditee**

Circumstances	Can SAI claim "financial savings"?
SAI recommendations are original. The auditee's internal processes would have led to similar recommendations.	Financial savings can be claimed by the SAI.
SAI recommendations are the same or similar to earlier proposals in auditee's internal documents.	Financial savings are partly claimable by the SAI if the audit led to earlier implementation of recommendations by the auditee.
The auditee initiated its own study when the SAI disclosed it was starting an audit, and the auditee produced its plans before the SAI report was finalised.	Financial savings are partly claimable by the SAI.

Source: Based on UK NAO, Are YOU making an impact? Attributing impacts to the NAO.

Quality controls in the US GAO are similar to those in the UK NAO. The audit team must complete an accomplishment report documenting benefits that are linked to specific recommendations or actions. Each accomplishment report for financial benefits is reviewed by (1) another GAO staff member not involved in the work and (2) a senior executive in charge of the work. Also, a separate unit, GAO's Quality and Continuous Improvement Office, reviews all financial benefits and approves benefits of USD 100 million or more.

*SAIs have developed effective methods to reduce risks related to financial benefits*

While financial benefits can be effective indicators of the value of SAIs, they also carry significant reputational risks if they are deemed unreliable or exaggerated, or are criticised by external experts and audited agencies. SAIs avoid criticisms that would undermine the value of their financial benefits estimates by adopting several quality controls, including producing conservative estimates, smoothing realised benefits over time and over individual audits, and setting conservative targets for financial benefits. SAI teams also establish regular consultations with external experts and the management of the audited entity to reach a consensus on methodology and estimates, as explained earlier. Table A A.6 describes specific controls to manage risks of overblown financial benefits.

**Table A A.6. Examples on how SAIs produce conservative estimates of financial benefits**

Number of years allowed for claiming financial benefits	US GAO PAR (2002): "Prior to fiscal 2002, we limited the period over which the benefits from an accomplishment could be accrued to no more than two years. Beginning in fiscal 2002, we extended the period to five years for types of accomplishments known to have multiyear effects: those associated with changes in law, program terminations, or sales of government assets yielding multiyear financial benefits. We retained the two-year maximum for all other accomplishments. Also, in fiscal 2002, we began requiring all financial benefits to be calculated in net present value terms". US GAO PAR (2016): "to help ensure conservative estimates of net financial benefits, reductions in operating costs are typically limited to two years of accrued reductions, but up to five years of financial benefits can be claimed if the reductions are sustained over a period longer than two years. Multiyear reductions in long-term projects, changes in tax laws, programme terminations, or sales of government assets are limited to five years."
Rolling annual results	US GAO PAR 2016 (page 24): "We use four-year rolling averages for key performance measures to help us examine trends over time, including financial benefits, other benefits, new products with recommendations, and testimonies. We use four-year rolling averages because this calculation minimises the effect of an atypical result in any given year. We consider this calculation when we set our performance targets." An aggregate benefits figure is reported for all audit reports in the sample selected by the SAIs. Benefits are not necessarily reported for individual reports. A time lag in realised benefits is built into the estimates because date of recommendations by the SAI, date of implementation by the auditee, and date of actual benefits realised may not coincide.
Conservative saving targets	UK NAO Annual Report (29 June 2016): "In 2016 NAO achieved highest level to date of financial benefits for the taxpayer, of GBP 1.21 billion, equivalent to GBP 19 saved for GBP 1 spent." UK NAO Strategy 2017-18 to 2019-20: "We will continue with our target of achieving at least GBP 10 of financial impact for every GBP 1 we spend".

Sources: UK NAO Strategy 2017-18 to 2019-20; US GAO PAR 2002, 2016.



### Risk of financial benefits

A major risk related to financial benefits comes from the fact that only a few audits generate most of the financial benefits every year. SAIs must identify high-value audits year after year to meet their targets. For example, in 2015 US GAO generated a record USD 75 billion in financial benefits. One recommendation generated about USD 33 billion or 44% of total financial benefits. Another example is the one case analysed by Brazil's TCU in 2015, which resulted in financial benefits amounting to BRL 12 billion, representing 50.8% of the financial benefits of that year and twice the benefits generated in the previous year. This phenomenon occurs in other SAIs. The following table shows more than 50% of financial benefits were generated by three reports in the SAI of Costa Rica in 2013-2015.

**Table A A.7. Size and distribution of financial benefits of SAI Costa Rica, 2013-2015**

	2013	2014	2015
Total financial benefits (million colones)	35 664	26 787	36,920
Number of reports	30	29	31
% of financial benefits generated by the top 3 reports	69%	63%	56%
Ratio of financial benefits / associated costs	41/1	29/1	37/1

Sources: Annual Reports of SAI of Costa Rica.

Finding high-value audits year after year is a major concern of SAIs with annual ROI targets imposed by Parliament. In the case of UK NAO, in 2016 it was necessary to find new benefits to replace about 41% of benefits that occur only once or were in the last year of recurring benefits, as shown in the table below.

**Table A A.8. Distribution of UK NAO financial benefits 2012-2016**

	2012	2013	2014	2015	2016
Total (in million GBP)	1 100	1 186	1 051	1 151	1 213
Recurring benefits	79%	66%	53%	20%	59%
Non-recurring benefits	21%	34%	47%	80%	41%
One-off benefits	2%	19%	16%	44%	37%
Last year of recurring benefits	19%	15%	31%	36%	4%
Number of impacts					
with recurring benefits	7	6	7	4	6
without recurring benefits	5	2	7	11	7

Source: UK NAO Annual Reports.

Some SAIs have the power to assess *ex ante* public contracts. For example, Brazil's TCU has the power to assess and determine changes to the legal instrument of certain public procurement procedures and the consequences of the exercise of such power are often not assessed in the annual reports and in the ROI measurement. In other words, in case the court's act causes losses, delays or other burdens to the public sector, these are not considered when measuring the ROI.

Such risk can be addressed if SAIs understand that they are responsible for assessing and considering successes (such as savings to the public budget), but also failures and burdens created to the auditees. Thus, if a SAI has powers to interrupt or is required to issue prior approval for the public sector to execute a contract, it needs to consider any delays or losses caused by its own act. The same rational would apply if a SAI issues a recommendation that is applied by the public sector and does not present the expected positive results, or presents burdens to the public sector.

### *Measuring and disclosing qualitative benefits*

SAIs also generate a large return on investment that is embodied in qualitative benefits that the SAIs may not have the resources and expertise to estimate monetarily. SAIs do not estimate all the substantial financial benefits obtained from increased transparency and accountability, stronger corporate governance, and improving the quality of educational and health services of citizens. These qualitative benefits generate positive externalities to society that are not "cashable" into budgetary savings, but are as significant as any financial benefit. The most significant accomplishments in these difficult-to-quantify areas are selectively disclosed and summarised in SAI's annual reports.

### **Return on investment of compliance and financial audit reports**

Most SAIs spend the largest share of their resources on financial and compliance audits, not performance audits. The main output of these audits is the auditor's opinion, which certifies whether auditees comply with accounting standards, laws and regulations, and their internal controls exist and operate effectively. SAI's audit opinions have become a worldwide tool to achieve a minimum level of accountability and transparency, and are required for most major entities that manage public funds. Most SAIs disclose output indicators and a few present financial benefits/ROI produced by their accountability and attestation services. Although financial audit opinions are ubiquitous and are based on national and INTOSAI audit standards, many SAIs face significant challenges in disclosing and measuring the financial benefits/ROI of attestation services. The SAI challenges are due to the audit opinion's format rules and technical language, and the lack of INTOSAI training tools to measure and disclose their financial benefits/ROI.

Financial audit reports are voluminous and require a significant amount of technical knowledge and effort to understand their bottom-line message and ultimate return on investment to taxpayers. As seen in the hypothetical statement above, SAI disclosures in their annual report are a mixture of outcome and output measures. Most SAIs do not provide its stakeholders clear explanations to help them determine how the numerous output indicators, such as the number of audit opinions and corrections in the accounts, are contributing to the ultimate outcome of higher accountability and transparency.

SAIs lack guidelines to develop financial benefits linked to the deterrent effects of accountability and transparency services. The deterrent effect can be measured at the level of the auditee who can be expected to strengthen its internal controls to reduce its accounting gaps now and in the future. The deterrent effects also exist at the level of government entities in a similar situation as the auditee, who would be expected to take remedial actions to strengthen their own internal controls. Thus, SAIs should be able to measure the deterrent effect by observing fewer future audit mistakes. An example of the deterrent effect of a SAI opinion was observed in Brazil in 2015, where its Court of Accounts rejected the President's *Report and Prior Opinion on Accounts of the Government of the Republic*. This was the SAI's 80th audit report and the second time in the history of Brazil in which the SAI recommended to Congress the rejection of the President's accounts. The fact that the SAI opinion happened only two times in 80 years could be interpreted as proof of the high rate of return of TCU audits as a deterrent for wrongdoing. Accountability and assurance audits also generate large returns on investment by improving the government's ability to manage macroeconomic and fiscal risks. Financial audit reports have exposed hidden risks in government programmes that guarantee private loans to small and medium firms, as well as "systemically important" or "too-big-to-fail" enterprises in the finance, manufacturing and transportation sectors. Some SAIs examine and issue opinions on the government's fiscal sustainability over the medium and long term.

Assurance and accountability reports are instrumental in improving the execution of large investment projects, asset management and tax collections. Some SAIs have developed guides to manage risks related to public-private partnerships and natural disasters, and improve the government's stewardship of



natural resources. The benefits of these SAI products are not measured systematically and are largely unrecognised in most estimates of a SAI's return on investment.

Estimating financial benefits/ROI correctly requires that SAIs provide stakeholders sufficient contextual information to understand the impact on future behaviour of issuing adverse audit opinions repeatedly. For example, lack of a clean audit opinion year after year has provided the necessary impetus to have all parties working together to fix weaknesses in complex information systems in the case of US GAO. For two decades in a row, the US GAO has been prevented from rendering an audit opinion on the consolidated financial statements, or whole-of-government accounts, of the US government. However, most of the 24 major federal agencies have received clean audit opinions on their single financial statements, compared to only six agencies that received clean audit opinions in 1996.<sup>12</sup> Progress has been achieved, but not enough to warrant an audit opinion on the consolidated statements. Thus, correctly measuring the return on investment of attestation and transparency services requires careful analysis of the context in which they occur and the externalities they produce.

Some SAIs use past financial audit findings to develop wider guidance on best practices, such as the *Good practice guides* developed by Germany's Bundesrechnungshof,<sup>13</sup> the *Good practice principles* blog of the United Kingdom NAO,<sup>14</sup> and the *High Risk List* of US Government Accountability Office.<sup>15</sup> These products have been effective in improving management practices in government entities that have not been audited, which would increase the financial benefits/ROI of the original financial audits in ways that are harder to quantify by SAIs.

Financial audits must include an evaluation of the information systems used in producing financial reports. This is a requirement of the audit of the internal controls of the audited entity. A data analytics study of the US GAO recommendations made for 26 years revealed GAO recommendations with the highest rates of implementation were information security (94%) and information technology (87%).<sup>16</sup>

A few SAIs also leverage individual attestations by consolidating individual financial reports into a whole-of-government report. All audited accounts are consolidated across the public sector in order to produce a comprehensive accounts-based picture of the financial condition of the public sector.<sup>17</sup> Consolidation enhances the comparability of financial data across public entities and supports effective monitoring by the legislatures of the full costs of the government, its ability to safeguard its most significant assets, properly record transactions, manage its information systems across government entities, avoid improper payments across-the-board, and ensure long-term fiscal sustainability. Principle 6 of INTOSAI's ISSAI 12 asks SAIs to communicate effectively with stakeholders to ensure understanding of the SAI's audit work and results. Developing training materials to help SAIs measure the total return on investment of assurance and compliance opinions will help to achieve this principle.

How SAIs calculate the costs and benefits of their audit activities and how they link them to their ROI

Inputs are the resources that contribute to the production of SAI services. Because SAI personnel costs are their largest expense, most SAIs use internal measures of the intensity of staff use, such as how many staff-days are used by type of audit. However, SAIs in general do not disclose these measures externally to safeguard their independence to set audit priorities. Instead, SAIs report other measures of economy and efficiency to their external stakeholders, such as duration of audits and timeliness of audit reports.

The Australian National Audit Office (ANAO) calculates internal measures such as the percentage of available staff time (all paid time minus leave) that is charged to audit work. These measures are calculated for financial audits and performance audits. The ANAO is also involved in an annual benchmarking exercise, which is done by the Australasian Council of Auditors General, where the eight audit offices in the states and territories offices in Australia calculate the same data. A non-public report is produced to benchmark each Australian audit office against its counterparts.<sup>18</sup>

Some Australian Audit Offices report this information and the benchmark figures in its annual report. Along with this, the ANAO and other ACAG offices calculate the number of hours spent on audits and the cost of each audit. The ANAO publishes information on this in its annual report. It also publishes the total cost of the audit within the document for performance audits.

In GAO, personnel costs include the cost of providing future pension benefits to eligible employees over the years that they render services to GAO. The pension expense recognised equals the current service cost less the amount contributed by the employees. GAO also recognises a current-period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are still working. These two expenses are included as a component of net cost by strategic goal.

## How SAIs use quantitative and qualitative measurements to inform strategic planning

Some SAIs have developed their capacity to improve their effectiveness, achieving higher financial results with same or less resources, by establishing a direct link among strategic planning, annual budgeting decisions and performance results. SAIs have incorporated strategic planning activities in recent decades. Strategic planning is a disciplined and systematic decision-making process that serves to establish priorities and enables objective decision making. Strategic planning involves the stages of getting ready for the plan, assessing the situation, articulating mission and vision for the organisation, developing strategic goals, defining strategies to achieve the goals, writing down the plan and finally implementing it.<sup>19</sup>

GAO first designed its strategic planning activities to help it achieve its mission "to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people". GAO's strategic planning is based on a pyramid of four levels. Four strategic goals sit at the top of the pyramid, followed by 21 strategic objectives, 99 performance goals and more than 300 key efforts.<sup>20</sup> Measures of value and benefits are influenced by strategic plans. For example, in 2000 GAO adopted its first strategic plan, which contained seven indicators to measure the benefits GAO created for citizens, listed in the table below.

**Table A A.9. US GAO's measures of value and benefits**

Measure	An indicator of	How strategic goals are implemented
Financial benefits	Has our work provided financial benefits for the American people in the form of reduced costs or higher revenues?	Targets are set organisation-wide; then targets are allocated to each strategic goal, so that the sum of the targets for the goals equals the total for the organisation
Other benefits	Has our work produced tangible benefits for the American people in the form of better government operations or services?	Targets are set organisation-wide; then targets are allocated to each strategic goal, so that the sum of the targets for the goals equals the total for the organisation
Past recommendations implemented	Are most of our recommendations being implemented?	Targets are set organisation-wide
New recommendations made	Do we develop ways of improving the conditions we uncover in our work?	
New products with recommendations	Do our products provide recommendations for improvements while we continue to meet our congressional clients' requests for purely informational products?	Targets are set organisation-wide
Testimonies	Are we in touch with our congressional clients' information needs and can we fill requests for what typically is high-profile, fast-turnaround, expertly distilled information?	
Timeliness	Do we deliver most of our products to our requestors when agreed?	

Source: GAO Performance and Accountability Report.

Performance is monitored for each of the strategic goals separately to identify the reasons the organisation-wide goal is met or not met. This information is used to provide feedback to each audit team on the extent to which they are contributing to the overall target and to help them identify areas for improvement. SAls can also use such measurement methods when measuring the ROI.

## **How SAls use quantitative and qualitative measurements of ROI to improve external communications, with the Congress and the public**

Because SAls act in the public interest, they have a major responsibility to demonstrate their ongoing relevance to major stakeholders. SAls can earn the people's trust and be recognised as institutions worthy of being followed when they explain clearly how they "manage their operations economically, efficiently, effectively and in accordance with applicable laws and regulations".<sup>21</sup>

Using quantitative and qualitative measurements of ROI to improve external communications with the Congress and the public poses major challenges for SAls. Current quantitative measures of ROI can lead to incorrect budgetary decisions by legislators who must approve SAI's annual budget requests. Achieving the right amount and type of performance information is a continuing struggle for SAls.<sup>22</sup>

This is illustrated in the case of UK NAO, which has experienced a sharp increase in its financial savings in the last decade. The average ratio of financial savings over net resources outturn doubled, from GBP 8 to GBP 16 per GBP 1 invested in NAO. The ROI ratio doubled for two reasons: NAO's average financial savings almost doubled, from GBP 558 million to GBP 1 074 million, while NAO's average expenditures decreased from GBP 73 million to GBP 71 million, in nominal terms.

Communicating the true causes and budgetary implications of these performance results to members of the Parliament requires a counterfactual estimate. Unfortunately, SAls have not developed a performance assessment framework capable of providing definitive answers.

## **Notes**

<sup>1</sup> See IDI, *Strategic Planning, A Handbook for Supreme Audit Institutions* 2008

<sup>2</sup> See Australia Auditor General Grant Hehir, "A reflection on how far performance auditing has come from its roots in the 1970s to where we are today and where we are heading", 2016.

<sup>3</sup> See Rand Europe, *Performance Audit Handbook, Routes to effective evaluation*, 2009

<sup>4</sup> UK Parliament, House of Commons, The Public Accounts Commission, *Twelfth Report*, 17 Jan 2005, page 165.

<sup>5</sup> See UK NAO, *Estimating the cost of obesity in England*, 15 Feb 2001, based on research of economists at City University, London.

<sup>6</sup> Rand Europe, *The National Audit Office and Defence Value for Money Identifying Value for Money*, 2009, which was commissioned to investigate the impact of NAO's value for money work with the UK Ministry of Defence, and validate financial benefits that had been linked to recommendations made by NAO.

<sup>7</sup> See India in [www.cag.gov.in/content/regional-training-institutes](http://www.cag.gov.in/content/regional-training-institutes), and Mexico in <http://asofisprofis.auditoriasuperior.gob.mx/site/>.

<sup>8</sup> See ISSAI 530 *Audit Sampling*, in [https://www.ifac.org/system/files/downloads/2008\\_Auditing\\_Handbook\\_A145\\_ISA\\_530.pdf](https://www.ifac.org/system/files/downloads/2008_Auditing_Handbook_A145_ISA_530.pdf).

<sup>9</sup> See OECD, *Advanced Analytics for Better Tax Administration Putting Data to Work*, 2016.

<sup>10</sup> See Deloitte University Press, *Accountability quantified, What 26 years of GAO reports can teach us about government management*.

<sup>11</sup> See EUROSAT Innovations, Volume III, *Sharing good practices among Supreme Audit Institutions*, 2015

<sup>12</sup> See [www.gao.gov/assets/690/682081.pdf](http://www.gao.gov/assets/690/682081.pdf).

<sup>13</sup> See [www.bundesrechnungshof.de/en/veroeffentlichungen/leitsaetze-der-externen-finanzkontrolle](http://www.bundesrechnungshof.de/en/veroeffentlichungen/leitsaetze-der-externen-finanzkontrolle).

<sup>14</sup> See [www.nao.org.uk/naoblog/tag/good-practice-principles/](http://www.nao.org.uk/naoblog/tag/good-practice-principles/).

<sup>15</sup> See [www.gao.gov/highrisk/overview](http://www.gao.gov/highrisk/overview).

<sup>16</sup> See Deloitte University Press, *Accountability quantified, What 26 years of GAO reports can teach us about government management*.

<sup>17</sup> See [www.gov.uk/government/collections/whole-of-government-accounts](http://www.gov.uk/government/collections/whole-of-government-accounts), and [www.gao.gov/products/GAO-17-283R](http://www.gao.gov/products/GAO-17-283R).

<sup>18</sup> The Australasian Council of Auditors-General (ACAG) is an association established by Auditors-General for their mutual support and for the sharing of information. See [www.acag.org.au](http://www.acag.org.au).

<sup>19</sup> See IDI, *Strategic Planning, A Handbook for Supreme Audit Institutions* 2008.

<sup>20</sup> See US GAO, *Strategic Plan 2014-2019*, GAO-14-SP.

<sup>21</sup> ISSAI 12.

<sup>22</sup> See [www.parliament.uk/business/committees/committees-a-z/other-committees/public-accounts-commission/publications/](http://www.parliament.uk/business/committees/committees-a-z/other-committees/public-accounts-commission/publications/).

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# Progress Report on the Implementation of the Mexican Superior Audit of the Federation's Mandate

## INCREASING IMPACT AND CONTRIBUTING TO GOOD GOVERNANCE

This report assesses the progress that Mexico's Supreme Audit Institution (Auditoría Superior de la Federación, ASF) has made in adapting to reforms and in implementing recommendations from the 2018 OECD report, 'Progress Report on the Implementation of Mexico's National Auditing System Roadmap for Strengthening Accountable Governance'. It analyses how ASF has taken into account strategic considerations when implementing its mandate, including the creation of new units within the institution, as well as the steps that ASF took to ensure it was sufficiently prepared on an operational level. It assesses ASF's integrated, risk-based approach to audit selection and outlines how ASF has refined its audit practices with a strengthened focus on programme performance and the achievement of public policy objectives. The report also illustrates how ASF has sought to assess the impact of its work, and increase relevance by enhancing communication with stakeholders.

For more information, visit [www.oecd.org/gov/ethics](http://www.oecd.org/gov/ethics)