STRATEGIC DEVELOPMENT PLAN FOR 2018-2022

STATE AUDIT OFFICE OF GEORGIA

TBILISI, 2021

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TERMS AND ABBREVIATIONS

AMS – Audit Management System

ASOSAI – Asian Organisation of Supreme Audit Institutions

EGFA – Economic Governance and Fiscal Accountability

EU – European Union

EUROSAI – European Organisation of Supreme Audit Institutions

GAO – Government Accountability Office of the United States

GIFT – Global Initiative for Fiscal Transparency

GIZ – The German Agency for International Cooperation

INTOSAI – International Organisation of Supreme Audit Institutions

INTOSAI IDI – INTOSAI Development Initiative

IntoSAINT – Self-Assessment of Integrity for Supreme Audit Institutions

IPSAS – International Public Sector Accounting Standards

ISSAI – International Standards of Supreme Audit Institutions

SAI-PMF – Performance Measurement Framework of Supreme Audit Institutions

SAO – State Audit Office of Georgia

USAID – United States Agency for International Development

WB – World Bank

WSA – World Summit Awards

FOREWORD FROM THE AUDITOR GENERAL

In my capacity as the Auditor General, I am pleased to present State Audit Office Development Strategy for 2018-2022 amended based on the results achieved during the 2018-2020 and new challenges arised from pandemic. This document embraces our long-term vision and fundamental plan that defines the mission, values and goals of the State Audit Office.

This Development Strategy has been prepared following the International Standards for Supreme Audit Institutions (ISSAIs). It also entails the assessment results carried out by the expert team of the European Union, commitments under the Association Agreement with the European Union, and the needs of other stakeholders. With this, we aim to strengthen the principles laid out in the ISSAI 12, which implies creating value for society, and bringing positive changes to the lives of citizens from the side of the Supreme Audit Institutions.

Effective management of public finances is crucial for Georgia's further economic development and prosperity. We are aware of our responsibility to the Parliament and our citizens and acknowledge the important role of the State Audit Office to ensure compliance of public finance management with the national regulations and their spending efficiency.

Strengthened independence and institutional development of the State Audit Office would significantly contribute to create more value for the society and introduce an effective feedback mechanism.

Having our mission and values in mind, we focus on strengthening the areas, which need further improvement. Our strategic goals are based on measurable Key Performance Indicators set out in the annual plans. It should be noted that the quality of audit reports is crucial to improve evaluation of performance of the State Audit Office by stakeholders and increase trust in our institution. Thus, continuous professional development of our people and technological advancement are at the core of our priorities and we are committed to invest in human capital and the IT technology.

While defining our goals and priorities, we consider that continuous support from our stakeholders and partners is important for institutional strengthening of the State Audit Office and its core values as defined in the Strategy for 2018-2022, and the Organic Law on State Audit Office.

Erekle Mekvabishvili
Auditor General

INTRODUCTION

SAO Development Strategy for 2018-2022 is a document encompassing the main directions of our organisation outlining the mission, vision, values, strategic goals, respective results and the ways to achieve them.

The strategy represents the vision of the SAO management and sets strategic goals based on the principles of accountability and transparency, which serve to improve the quality of the institution, address existing internal and external challenges, and to gather pace to create greater benefits for the society.

The strategy was developed at the end of 2017 with the selection of the Auditor General by the Parliament. An interim evaluation of the strategy was carried out in early 2021. This assessment has revealed number of successfully completed tasks set by the organisation, and the remaining relevant priorities for the organisation.

In addition to monitoring intermediate fulfilment of the strategic goals, a detailed analysis of existing, constantly changing, internal and external challenges has been carried out. The coronavirus (Covid 19) pandemic is a new challange, which has created qualitatively novel condition worldwide in both economic and social, as well as technological terms. The pandemic has posed global challenges to the SAO as well. Under the current circumstances, the role of the organisation as the Supreme Audit Institution (SAI) in the country's public financial management system has further increased.

The environment in which the SAO operates has thus changed significantly. In order to respond effectively to the existing challenges, the insitution reviewing its priorities and strategic framework making adjustments to a certain extent.

This document describes the state of implementation of the primary goals and objectives, followed by the analysis of internal and external challenges, and the concomitant updated strategic result framework, with the relevant outcomes-outputs and their performance indicators.

METHODOLOGY AND LEGISLATIVE BASIS

The strategy is based on the following issues:

- **Legislative Framework** - The SAO is guided by the Constitution of Georgia, international treaties and agreements, the Organic Law on the State Audit Office, and other legislative and sub-legislative normative acts for defining its goals and priorities. All the goals set out in the strategy are led with the spirit of conscientious and effective performance of the duties assigned to the SAO by the Constitution and organic law;

- **Expectations of the Parliament, society and other stakeholders** - The SAO actively cooperates with all stakeholders and constantly tries to take into account their recommendations and expectations in the course of its work;

- **International Standards of Supreme Audit Institutions (ISSAI)** - The organisation conducts its activities in accordance with the International Standards of Supreme Audit Institutions;

- **Results of the Performance Measurement Framework of the Supreme Audit Institutions (SAI-PMF)** - In 2017, the SAI-PMF methodology assessed the compliance of the organisation with the ISSAI standards, identifying the main challenges and the priorities for further development of the SAO;

- **EU-Georgia Economic Governance and Fiscal Accountability (EGFA) Program** - The strategy addresses the commitments set out in the EU Program and the measures needed to fulfil them;

- **INTOSAI IDI Methodology Handbook** - This strategy is based on the Strategic Management Handbook developed by INTOSAI IDI for Supreme Audit Institutions;[1]

- **Involvement of the international experts** – The British and Dutch experts, as well as INTOSAI IDI experts participated in the development and updating of the document.

1 https://www.idi.no/elibrary/well-governed-sais/strategy-performance-measurement-reporting/1139-sai-strategic-management-handbook-version-1.

ABOUT STATE AUDIT OFFICE

The SAO is the Supreme Audit Institution which aims to promote the efficiency and accountability of public administratio, to protect the legitimacy, appropriatness and efficiency of the use of budget funds, as well as to improve public finance management.

MISSION

Creating value and benefits for the society, the Parliament and the Government through independent and quality auditing.

VISSION

Fulfilling our duty in good faith and with quality.

VALUES

Independence
Our work is based on the principles of impartiality and objectivity.

Professionalism
Our staff operates in accordance with high professional standards, good faith and ethics.

Objectivity
Our work is based on the principles of fairness, reliability and neutrality.

Transparency
We are accountable to the public and ensure information publicity.

STRATEGIC GOALS

GOAL 1:
Strengthening independence and mandate

GOAL 2:
Improving public finance management as a result of high quality audit work

GOAL 3:
Strengthening engagement of the main stakeholders

GOAL 4:
Strengthening governance for more efficiency

GOAL 5:
Professional development of employees

STAKEHOLDERS OF THE SAO

The main task of the SAO is to increase the level of trust of the public and all stakeholders and to promote effective management of public finances through transparent and open governance-based cooperation. In order to perform its functions effectively, the SAO actively cooperates with its key partner – the Parliament, and other stakeholders in the public.

This section identifies key stakeholders of the SAO. This strategy is a tool for informing stakeholders about the main directions of the development of the institution in 2018-2022.

The Parliament – The Parliament of Georgia is SAO's main stakeholder and the main user of its audit findings and recommendations. Close cooperation with the Parliament is one of the top priorities of the SAO in order to strengthen its oversight role and better implement its recommendations.

The Government (central, local, autonomous republics) – Cooperation with the Government is important to improve public administration. Through its activities, the SAO helps to raise awareness of budgetary organisations to improve the planning process of state budget, internal control system, performance efficiency, and productive use of resources. The SAO is a member of number of interagency councils (Public Finance Management (PFM) Reform Coordination Council, Public Sector Accounting Standards Board, National Anticorruption Council, and Interagency Coordination Council of Public Administration Reform) and participates in various projects and events to ensure transparency of the public financial management system.

Media and Civil Society – Cooperation with media and civil society is crucially important for any SAI. CSOs and NGOs promote transparency of public financial management and improvement of accountability, and with this contribute to strengthening audit processes. In addition, the SAO works closely with NGOs to monitor the funding of political parties.

Donor and Partner Organisations – Bilateral and multilateral relations with other SAIs and international donor organisations is the forefront of the SAO's work. Expanding partnership in this area will enable the SAO to learn international best practices and foster it for improving its business process. As Georgia moves closer to international standards and regulations, improving public financial management is a key prerequisite for the EU budget support programmes. Thus, the SAO continues to work with the EU under the Economic Governance and Fiscal Accountability Program, to clearly demonstrate the SAO's compliance with international standards. In this process, the donor community and partner organisations including the German Agency for International Cooperation (GIZ), the Delegation of the European Union to Georgia (EU), the World Bank, and the United States Agency for International Development (USAID) continue supporting the SAO for strengthening its institutional capacity.

In addition working with stakeholders, the SAO is open to all types of public and civic engagement. Areas and approaches for effective cooperation with stakeholders are further outlined in 2020-2022 Communication Strategy of the SAO.

ACTIVITIES AND RESULTS ACHIEVED IN 2018-2020

This subchapter summarises the key results achieved during the first three years of the SAO's Strategic Development Plan for 2018-2022. Evaluation of the activities carried out in 2018-2020 allowed the strategy update and taking into account the factors that contributed remarkably to the functioning of the SAO over this period.

The analysis of the implementation of the planned activities againsts the strategic goals of the organisation has clearly shown the progress. Most of the declared tasks and target indicators have been completed on time. However, certain issues still pose challenge to the organisation.

The implementation of the 2018-2022 strategy according to the strategic goals is discussed below.

STRATEGIC GOAL 1: STRENGTHENING INDEPENDENCE AND MANDATE

One of the greatest achievements of the SAO in 2017-2020 is the progress in strengthening its independence. In particular, with a new constitution entering into force in 2018, the Law on the State Audit Office has acquired the status of an organic law. The SAO has also been granted the right to appeal directly to the Constitutional Court of Georgia. Other than that, guarantees of independence have been strengthened with introducing the exception to the Law on Remuneration in Public Institutions ensuring the independence of the SAO in management of human resources, employment and determining the labour terms.

As a result of the amendments to the Rules of Procedure of the Parliament in 2018, since 2019 one of the 4 largest private audit companies globally exercise financial control (auditing financial statement) over SAO. The selection of an audit company is conducted through a competitive and transparent process. The financial audit of the of the SAO for 2018-2019 was carried out by Deloitte and for 2020 – by PwC. In all cases the SAO received an unqualified opinion.

Certain steps have also been taken by the SAO to ensure its broad mandate sufficient to exercise its powers. In particular, in 2018 the SAO prepared a draft amendment to the Organic Law on the State Audit Office and submitted it to the Budget and Finance Committee of the Parliament. The document included, among other topics, the mandate of the revenue audit and unimpeded access to information.

STRATEGIC GOAL 2: IMPROVEMENT OF PUBLIC FINANCIAL MANAGEMENT AS A RESULT OF HIGH QUALITY AUDIT WORK

The SAO has made significant progress in improving the quality of its audit work in 2018-2020. Financial and compliance audit methodologies have been updated aligning with the International Standards of Supreme Audit Institutions (ISSAIs). Since 2018, the organisation has launched an internationally recognized audit quality control review system, which carries out quality control of pre-selected audits at all stages of the audit process (planning, implementation, reporting).

In terms of audit management and quality improvement, the introduction of an Audit Management System (AMS) has been noteworthy. In 2018-2020, the financial, compliance and performance audit methodologies have been fully integrated into the AMS and the use of their standards have been established. Quality control procedures have been built within the AMS itself, allowing the feedback function from the quality reviewers at each stage of the audit process. As of 2020, all audits defined in the annual audit plan are being conducted in the AMS.

With the improvement of the quality of the audit work, the consolidated budget coverage ratio has increased reaching 89% in 2020.

Another step forward is the new direction of the audit introduced by the SAO in 2018 - the Interagency Compliance Audit. Several dozen budgetary organisations have been thematically covered by this audit, which helps to identify systemic shortcomings and issue relevant recommendations.

The share of performance audits conducted by the SAO in the total audit work has also increased from 13% (in 2017) to 20% (in 2020).

The benefits provided by the SAO are reflected in the implementation of the recommendations issued following the audits. In order to better monitor the implementation of recommendations, in 2019 the SAO created an electronic system for monitoring the implementation of recommendations.[2] The system fully transfers the monitoring process to the electronic space and, consequently, provides proactive communication with auditees, process automation and the introduction of an effective monitoring mechanism. One of the main priority directions of the SAO in 2021-2022 will be introduction and implementation of this system in practice.

STRATEGIC GOAL 3: STRENGTHENING ENGAGEMENT OF THE MAIN STAKEHOLDERS

The SAO has been actively working to strengthen cooperation with the key partners in 2018-2020. Improved communication with the main partner of the SAO - the Parliament of Georgia is particularly noteworthy. In 2018, with an amendment to the Rules of Procedure of the Parliament, the working group reviewing audit reports within the Budget and Finance Committee was granted the status of a permanent working group. In addition, the working group is obliged to review the audit reports on a monthly basis. As a result, the group reviewed 12 audit reports in 2018, 13 in 2019, and 21 in 2020 respectively.

Significant steps have also been taken to improve communication with civil society, the media and citizens. In particular:

- The official website of the SAO has been updated[3], with the new design and functional making it much easier for the users to access the results and information of the SAO. Moreover, the website has an added functional adapted for the people with disabilities (audio, change of contrast, change of text size);

2 https://aris.sao.ge

3 https://www.sao.ge

- The blog on performance audit has been created,[4] with the published articles summarising information provided to the public on key findings and recommendations identified within the SAO performance audits;

- The SAO actively uses the social network, thus enabling the public to easily and timely receive proactive information about audit reports and the data posted on the web platform – Budget Monitor.

A clear example of high standard of information transparency and citizen engagement in the SAO is the 2019 Open Budget Index published by the International Budget Partnership,[5] where the SAO and its modern tools of involvement have made significant contribution to the growth of the assessment of citizen engagement component (22 points in 2017; 28 points in 2019). In particular, the assessment of the SAO has increased from 67 to 78 points, with the SAO maintaining the highest ranking among other state agencies.

Cooperation with the SAO's partner donor organisations such as the European Union, GIZ, USAID, and the World Bank has significantly increased. 13 Memoranda of Understanding have been signed with the partner SAIs and other international organisations. In 2018-2020, number of projects have been implemented with the support of bilateral and multilateral partners, which made significant contribution to the institutional and organisational development of the SAO.

STRATEGIC GOAL 4: STRENGTHENING INTERNAL GOVERNANCE FOR MORE EFFICIENCY

In 2018, with the support of the SAI of the Netherlands, a self-assessment of integrity environment of the SAO has been carried out using the IntoSAINT methodology, which assesses, manages and improves the control system through the development of appropriate risk mechanisms in the SAO. Based on the results of the evaluation, the Code of Ethics for Auditors of the SAO was updated in 2019. In the same year, the work commenced on the Draft Ethics Control Rule aimed at developing / introducing tools for prevention and detection of possible breach of values declared by the Code of Ethics and the response to those breaches. The document also addresses issues of disclosure and conflict of interest.

In order to improve information systems and ensure information security, the SAO established the Information Technologies Administration Department in 2018, with the main goal to manage IT infrastructure and ensure their security at the SAO.

In 2018, a self-assessment of compliance with the International Standard for Information Security (ISO / IEC 27001: 2013) was carried out by the Information Security Officer of the SAO, based on which an Action Plan for Information Security was developed. The plan envisages introduction of various control mechanisms in accordance with the international standards. Namely, in 2019, the IT Self-Assesment (ITSA) was conducted in accordance with the COBIT standard in the field of the IT audit. Up to 10 documents on information security policies and procedures have been approved.

4 https://blog.sao.ge

5 https://www.internationalbudget.org/open-budget-survey/country-results/2019/georgia

Since 2018, the SAO has procured and implemented numerous security and IT management systems. Furthermore, Information Security Officer of the SAO conducts periodic assessments of IT environment for security vulnerabilities using a variety of software and technology tools.

STRATEGIC GOAL 5: PROFESSIONAL DEVELOPMENT OF EMPLOYEES

The SAO is one of the first organisations in the public sector to establish and implement in 2018 an employee performance appraisal system based on international practice. The purpose of the system is to encourage and/or identify professional development needs in a variety of ways based on employee performance appraisal. Assessment is carried out twice a year. Based on the evaluation results of each employee and the identified needs, the SAO develops an individual professional development plan as a result-oriented service to improve qualification and capacity building of employees.

In 2018, the SAO introduced a staff rotation policy. In particular, an instruction has been developed defining the rules for staff rotation in the Audit Departments within the SAO.

Also, in 2018, a one-year paid internship program has been created and implemented for the first time. The program selected 20 graduates who completed a specially designed internship training course. After successfully completing the one-year program, in 2019, 15 graduates were employed in the SAO. In 2020, the SAO received a new cohort of interns. Selected 18 graduates were employed in the SAO.

ENVIRONMENT AND CHALLENGES

Despite significant results achieved with the strategy, since the SAO operates in an ever-changing and challenging environment, their analysis and evaluation is essential for proper formulation and implementation of its strategic priorities.

KEY EXTERNAL CHALLENGES

With the global epidemiological and socio-economic situation, as well as the pace of rapid technological development, the challenges of public financial management are increasing. In turn, the role of the SAO in this process is important to assess the compliance of the reforms and programmes implemented by the government with the law, their productivity and effectiveness.

Challenge 1: Mandate of the SAO and access to information. Effectiveness of the SAO and its contribution to improving public financial management depends significantly on its mandate and the right to access information. According to the International Standards of Auditing, the SAI should have the authority to conduct an audit of tax revenue, reflected in the functioning of the tax system and the achievement of tax objectives. In this regard, the main challenge for the SAO remains the limited mandate to conduct tax revenue audits, that becomes even more relevant in 2021, as the Government has obligation to audit consolidated financial statements prepared in accordance with IPSAS standards. It is important to expand the mandate of the SAO in close cooperation with the key stakeholders.

Challenge 2: Recommendation implementation rate. The main function of the SAO as the SAI is to improve public administration and to create value for citizens. An important product of the SAO to perform this function is recommendations issued as a result of the audit and the benefits of fulfiling them. The SAO's recommendations aim to improve public financial management by responding to the shortcomings identified in terms of compliance with international standards and best practices, legality and efficiency. The benefits of auditing are showcased not in issuing recommendations but in their implementation. In this regard, the main challenge of the SAO is the low implementation rate of recommendations. Responding to this challenge requires introduction of an effective system for monitoring implementation of recommendations and an active involvement of stakeholders.

Challenge 3: Implementation of International Public Sector Accounting Standards (IPSAS). The Government of Georgia is now introducing IPSAS based on the accounting method. Following the completion of this reform, the SAO should conduct an audit of the consolidated financial statements prepared by the Government. As a result, it is necessary to identify respective challenges related to the capabilities of the SAO and to implement their response actions.

Challenge 4: Modern information technology and IT audit requirements. Development of the e-government platforms by the Government for budgetary organisations, citizens and businesses is an important component of modern public administration. In recent years, the public sector information infrastructure has been substantially expanded and the systems such as electronic health (eHealth), Public Financial Management Information System (PFMS), which

includes electronic treasury (eTreasury), electronic debt management systems (e-DMS, DMFAS, DMNAT) electronic budget (EBudget), human resource management information system (eHRMS), electronic state procurement system (Ge-GP) have been introduced. Along with the advantages, the development of the e-government systems is associated with the risks such as cybersecurity and efficiency of database management software. In this regard, an important opportunity is to develop the direction of the IT audit and to use it for promoting sustainable development of government information and communication technology (ICT) infrastructure.

Challenge 5: Study of the implementation of sustainable development goals. In 2015, the United Nations General Assembly approved the 2030 Agenda.[6] The 17 Sustainable Development Goals (SDGs) set out in this agenda represent the long-term commitments taken up by the countries to take vital action in „areas critical to humanity and the planet"[7]. The Government of Georgia has expressed its readiness to contribute to the implementation of the SDGs as the next stage of the Millennium Development Goals. The SAO, due to its role and mandate, has the opportunity to make significant contribution by identifying and offering opportunities for SDGs both in progress and in the implementation stages. In this regard, it should be noted that the SAO has already examined the preparedness to implement SDGs in the country and in 2019 published the relevant audit report.[8]

Challenge 6: Increase citizen awareness and engagement. The role of citizens in shaping a good governance system has grown significantly over the past decade. Creating an effective feedback mechanism for the general public will help the SAO better demonstrate its value and benefits to citizens (ISSAI 12). Georgia was one of the first countries to share the Open Government Partnership (OGP) principles and to join the initiative in September 2011. The activities carried out by the SAO in terms of raising citizens' awareness are also in close line with the initiatives set by the Parliament within the OGP. Efforts to improve citizen engagement tools have become an integral part of the SAO's day-to-day operations. In recent years, the SAO has developed and implemented citizen-centered information tools. Nevertheless, the low rate of public involvement and participation in the public administration process remains a challenge.[9]

Challenge 7: Continuity of business process in the conditions of the pandemic caused by the coronavirus (Covid-19). In 2020, the Corona virus pandemic completely changed global economic development, including in Georgia creating new challenges in the field of public administration. Against the background of the economic recession caused by the pandemic, even greater importance is attached to sustainability of fiscal discipline and the correct definition of fiscal policy responses. The role of the SAO as the SAI has also increased in this regard. In the midst of existing restrictions and remote work, it is important for the SAO to be able to maintain relevance and continue its activities.

Challenge 8: Political finances monitoring function. Monitoring the funding of political parties is not a traditional function of SAIs. This additional function carries a reputation risk for the SAO and may have a negative impact on the public perception over the SAO's independence.

6 UN, Sustainable Development Goals: https://sustainabledevelopment.un.org/sdgs

7 UN, Transforming our world: The 2030 Agenda for Sustainable Development: https://sustainabledevelopment.un.org/post2015/transformingourworld

8 Performance Audit of Preparedness for Implementation of Sustainable Development Goals: https://www.sao.ge/files/auditi/auditis-angarishebi/2019/mdgradi_ganvitarebis_miznebis_efeqtianobis_auditis_angarishi.pdf

9 In the component of citizen engagement, Georgia is evaluated with 22 points out of 100, an open budget index (OBI), 2019.

KEY INTERNAL CHALLENGES

The organisational development of the SAO is significantly determined as to how thoroughly the organisation assesses internal challenges and transforms them into opportunities. The 2017 performance assessment of the SAO using the SAI-PMF methodology identified the challenges facing the SAO and the areas that need improvement.

Challenge 1: Increase the budget coverage. Increasing budget and sectoral coverage remains a challenge for the organisation. To ensure full compliance with international requirements (SAI-PMF, PEFA), the task of the SAO is to achieve a coverage threshold of at least 90%. In 2017-2020, the organisation increased the consolidated budget coverage from 81% to 89%. However, further increase in coverage is related to the audits of many low-budget agencies, which require additional human resources.

Challenge 2: Increase the coverage rate including state-owned enterprises and municipalities. The mandate of the SAO is quite wide and includes spending agencies, legal entities under public law, budgetary organisations in the two autonomous republics of Georgia, as well as 63 municipalities (69 municipalities including the Autonomous Republic of Adjara) and about 400 state-owned enterprises. The challenge for the organisation is to allocate the resources needed to cover state-owned enterprises and, at the same time, to maintain a high consolidated budget and sectoral coverage rate.

Challenge 3: Maintain qualified staff. The main intellectual resource of the organisation is professional staff. Given the high competition in the field of auditing, the challenge for the SAO remains the high rate of outflow of human resources and the recruitment of qualified staff. This challenge is particularly acute in terms of strengthening the new areas identified in the SAO's strategy and achieving the target coverage rate.

Challenge 4: Perception of audit reports. Perception of SAO's reports is an essential element for effective communication with the key stakeholders. The complexity of audit language and reports is often a barrier for the perception of audit findings. This, in turn, hinders the ability of the organisation to provide information to stakeholders on important findings and recommendations, and to involve public in the process of improving public administration. In 2018-2020, the organisation carried out a number of activities to improve the perception of reports. However, the simplified language of audit reports and public perception are still a challenge.

Challenge 5: Information Technologies and Information Security. Performing high-quality audits requires processing and analysis of large amount of data, especially in the field of e-governance. The importance of information systems security has enhanced significantly against the background of increasing cyber threat risk. In 2018-2020, the SAO introduced control systems that respond to modern information technology challenges and to ensure proper functioning of the SAO as a model organisation in the field of information and cyber security in public sector. Strengthening information security system, material-technical base and the IT audit capabilities remains a priority for the SAO within the remaining period of the strategy.

STRATEGIC GOALS

The development strategy of the SAO for 2018-2022 is based on the following five strategic goals:

1. STRENGTHENING INDEPENDENCE AND MANDATE
2. IMPROVEMENT OF PUBLIC FINANCIAL MANAGEMENT AS A RESULT OF HIGH QUALITY AUDIT WORK
3. STRENGTHENING ENGAGEMENT OF THE MAIN STAKEHOLDERS
4. STRENGTHENING INTERNAL GOVERNANCE FOR MORE EFFICIENCY
5. PROFESSIONAL DEVELOPMENT OF EMPLOYEES

By implementing its strategic goals, the SAO aims to promote accountability, transparency and integrity in the public sector and to create more value for citizens and stakeholders.

STRATEGIC GOAL 1. STRENGTHENING INDEPENDENCE AND MANDATE

OUTCOME 1.1 ACHIEVING PERCEIVED INDEPENDENCE OF THE INSTITUTION

Output 1.1.1 Assessment of stakeholder perceptions / expectations regarding the independence of the institution

Indicator 1.1.1.1

The opinion survey of key stakeholders has been conducted

The legal framework of the SAO has undergone significant changes in terms of improving independence and transparency. In addition to its constitutional guarantees of independence, the organisation continues to strengthen both actual and perceived independence in order to achieve full compliance with the principles of the Mexico Declaration on SAI Independence (ISSAI 10).

The SAO recognizes that the best way to strengthen independence is to continually increase and present the value and benefits of audit work to the public. This includes maintaining and enhancing trust of the Parliament, Government and the public through effective communication, high-quality auditing and issuing results-oriented recommendations. The SAO provides reinforcement and awareness of its independence through intensive consultations with stakeholders and opinion surveys.

OUTCOME 1.2 IMPROVING THE TAX REVENUE ADMINISTRATION SYSTEM

Output 1.2.1 Conducting audit of the tax revenue administration system

Indicator 1.2.1.1

The Organic Law on the State Audit Office defines the mandate for conducting revenue audits and ensures unimpeded access to required information

According to the International Standards of Supreme Audit Institutions, Lima (ISSAI 1)[10] and Mexico (ISSAI 10)[11] declarations, SAIs should have unimpeded access to all documents and information related to audit objectives. International standards also stipulate that the mandate of SAIs should include tax revenue audit in order to promote better public administration by performing their role and mandate effectively. The SAO aims to further improve the existing legal framework and obtain a mandate to conduct an audit of tax revenues.

Expanding the mandate of the SAO is also a commitment under the EU-Georgia Economic Governance and Accountability (EGA) program. According to the program action plan, the organisation should consult with stakeholders to ensure that legislative amendments are submitted to the Parliament and that the SAO's capacity for auditing tax revenues is developed.

RISKS RELATED TO IMPLEMENTATION OF THE FIRST STRATEGIC GOAL

- Decreased actual or perceived independence of the SAO;
- Limited mandate reduces the role of the SAO to improve public financial management system.

RISK MANAGEMENT

- The SAO ensures active involvement of stakeholders in the discussion of the mandate of the organisation;
- The SAO continues to improve audit quality and professional capacity to create more value for society.

STRATEGIC GOAL 2. IMPROVEMENT OF PUBLIC FINANCIAL MANAGEMENT AS A RESULT OF HIGH QUALITY AUDIT WORK

OUTCOME 2.1 ENSURING ACCOUNTABILITY AND TRANSPARENCY IN THE PUBLIC SECTOR

Output 2.1.1 Delivering high quality financial, compliance and performance audits based on a risk-based approach

Indicator 2.1.1.1

Updated manual for selecting audit topics based on a risk-based approach

The quality of the audit activities of the SAO is determined by the methodological framework of financial, compliance and performance audits, as well as a sound system of quality control and assurance. The organisation

10 ISSAI 1 – The mandate of SAIs should include audit of the tax revenue administration system.

11 ISSAI 10 – Supreme Audit Institutions are entitled to have timely, unrestricted, direct and free access to all necessary documents and information in order to properly perform their statutory duties.

aims to review and update the methodological framework of audits to ensure full compliance with the international auditing standards.

In order to increase the benefits derived from the completed audits, it is important to select actual and risk-based audit topics. Respectively, the organisation aims to review the existing planning approach and bring it closer to international best practice. This ensures the optimal allocation of the SAO's limited human, time and financial resources and their use in exploring high-risk areas.

In the direction of quality control of audit work, in 2021-2022, the goal of the organisation is to ensure the institutionalization of the system introduced in previous years, as well as the implementation of the quality control review system of performance audit. At the same time, the organisation will work to establish a quality assurance system and improve existing procedures.

An important mechanism for ensuring the quality of audit work is the audit management system, through which it is possible to integrate the audit process and documentation in one framework. While introducing the AMS, it is important to institutionalize it and maximize the use of a wide range of functionalities in practice. In particular, the AMS has an integrated logging system of working hours that allow optimal distribution and management of human resources.

The quality of work highly depends on professionalism of the auditors. Moreover, the purpose of the organisation continuous development of the capacity of employees and professional development in updated audit methodologies or procedures. Among them is performance audit, quality of which is determined by the auditor's strong research and analytical skills.

A relatively new direction of the SAO is the IT audit, which was introduced in 2017 and continues to develop with the support of various donors. Due to the development of information technologies in the public sector, the introduction of e-governance elements and the current global situation, the need for this type of audit has increased. As a result, the goal of the organisation is to increase both the quantitative and professional growth of IT auditors and their involvement in various types of audit.

Indicator 2.1.1.2

Updated financial, compliance and performance audit methodologies

Indicator 2.1.1.3

Share of financial audits that has undergone quality control procedure

Indicator 2.1.1.4

Share of compliance audits that has undergone quality control procedure

Indicator 2.1.1.5

Number of performance audits that has undergone quality control procedure

Indicator 2.1.1.6

An audit quality assurance procedure has been developed and an annual quality assurance report has been prepared

Indicator 2.1.1.7

Logging working hours of AMS has been introduced

Output 2.1.2 Ensuring high coverage of organisations covered by the SAO's mandate with financial, compliance and performance audits

In order to ensure the coverage rates established by the SAIs in accordance with international standards and evaluation mechanisms, it is necessary to consider the frequency of coverage of the organisations, sectors and themes included in the mandate of the institution. The goal of the SAO is to reach the following coverage rates by the end of the strategy period:

Indicator 2.1.2.1

Consolidated budget coverage ratio

- Increase consolidated budget coverage to at least 90%. Elimination of mandate-related constraints, further capacity building, and improved resource management through the audit management system would enable the organisation to increase budget coverage;

- Cover important thematic areas of public administration through compliance audits and conduct in-depth analysis of systemic issues. To achieve this, in 2018 the SAO introduced a new direction of audit - interagency compliance audit, the use of which in practice will continue actively in the coming years;

- Ensure coverage of all municipalities at least once every 3 year;

- Provide performance audits to key government sectors.[12] Through performance audits, the organisation analyzes state programmes and projects in relation to the principles of economy, productivity and efficiency, which is a matter of high public interest. Accordingly, the aim of the SAO is to increase both the quantity of performance audits and the areas covered by them.

The coverage rates can be achieved by using more effective audit planning mechanisms. This includes the development of analytical capabilities through ICT tools, which will help identify high-risk topics/areas and systemic shortcomings.

In order to increase the benefits brought by the audit work, following international practice it is necessary to define priority audit areas. In such case, due to the substantiality, importance and high public interest of the field, the SAIs concentrate on several public sectors. For the SAO during 2021-2022, the priority directions of the audit will be:

- Healthcare and social protection;
- Economic activities;
- Education;
- Public order and security.

Output 2.1.3 Ensuring adherence with international audit standards for completion and publication of audit reports

The challenge for the SAO is to complete and submit audit reports to the Parliament within the timeframe set by the international standards and evaluation mechanisms for the SAIs. This mainly applies to financial audits. Timely submission of financial audit opinions to the auditees will enable them to take into account the issues identified in the audit process in their current year activities. Also, the issue of financial audit completion is an important component for expressing an opinion on the consolidated financial statements prepared by the Government in accordance with IPSAS.

Indicator 2.1.2.2

Number of completed interagency compliance audits

Indicator 2.1.2.3

Number of sectors covered by the performance audit

Indicator 2.1.2.4

Share of performance audits in the total audit work

Indicator 2.1.2.5

All municipalities are covered by compliance audit at least once every 3 year

Indicator 2.1.3.1

Share of financial audits completed no later than 9 months after the end of the fiscal year

12 Public sector refers to sectors defined by the COFOG International Classification.

Output 2.1.4 Audit of the issues related to the management of Covid 19 pandemic

Indicator 2.1.4.1

Number of audits conducted related to the management of Covid 19 pandemic

The Covid 19 pandemic in 2020 has completely changed global economic development relevant to Georgia. Within the framework of the anti-crisis plan developed by the Government, substantial amount of financial resources has been allocated to finance the measures to be taken in response to the pandemic. Against the background of the current economic recession, even greater importance is attached to the economic, productive and efficient use of budgetary resources. The SAO, in order to maintain its role and relevance in the field of public finance management, aims to audit issues related to pandemic management and provide relevant audit reports to the Parliament.

OUTCOME 2.2 CREATING ADDED VALUE FOR THE SOCIETY BY IMPLEMENTING AUDIT RECOMMENDATIONS

Output 2.2.1 Improving the monitoring process of implementation of recommendations

Indicator 2.2.1.1

The share of audits conducted during the year, in the scope of implementation of the issued recommendations is being monitored through the ARIS system

Indicator 2.2.1.2

An annual report on the implementation of the recommendations has been prepared

The main function of the SAO, as the SAI, is to improve the management of public finances and to create value for the citizens. The benefits provided by the organisation are reflected in the implementation of the issued recommendations within the audits. The SAO constantly strives to develop quality and effective recommendations by improving internal processes and establishing an effective monitoring mechanism. That is why, in 2019, the institution has created an electronic system for monitoring the implementation of recommendations,[13] the ultimate goal of which is to increase the rate of implementation of recommendations. One of the main priorities of the SAO in 2021-2022 will be introduction and implementation of this system. The purpose of the organisation is to ensure the gradual inclusion of all auditees in the system and unimpeded access by preparing relevant instructions and organising trainings.

The involvement of the Parliament in this process is important to ensure the implementation of the recommendations. In order to raise awareness of the Parliament, the SAO plans to prepare an analytical report on the implementation of the recommendations, which will enable the Parliament to receive information on the challenges and systemic issues in terms of implementing the recommendations.

13 https://aris.sao.ge

Output 2.2.2 Introduce recommendation's impact assessment approach

Indicator 2.2.2.1

Number of audits using the approach of assessing the impact of recommendations

The final step in the institutional development of a SAIs is to monetize the benefits brought to the public and to provide that information to all stakeholders. The practice of evaluating the benefits derived from the recommendations issued by the leading SAIs such as the United States Government Accountability Office (GAO) and the National Audit Office of the United Kingdom. Against the background of significant improvements in the quality of audit work and institutional strengthening, the SAO aims to move to the next stage of development and to put into practice the mechanism for assessing the impact of recommendations. To that end, the organisation began working with the GAO in 2020. In the coming years, it is planned to strengthen the capacity of employees in the practice of assessing the benefits derived from the implementation of the recommendations and to prepare a guide for the institutionalization of this approach. The organisation also plans to conduct pilot audits with GAO, where this mechanism will be used.

RISKS RELATED TO IMPLEMENTATION OF THE SECOND STRATEGIC GOAL

- Limited use of the audit management system among the SAO staff;
- Delays in communication with auditees during the audit process;
- Neglecting recommendations by the budgetary organisations and the low rate of implementation.

RISK MANAGEMENT

- Development of instructions for the use of the audit management system and periodic trainings for auditors;
- Proactive communication with the auditees for avoiding interruptions in the audit process;
- Familiarizing the auditees with the electronic system for monitoring the implementation of recommendations and providing information on its benefits;
- Periodically providing information to the Parliament on the state of implementation of recommendations by budgetary organisations.

STRATEGIC GOAL 3. STRENGTHENING ENGAGEMENT OF THE MAIN STAKEHOLDERS

OUTCOME 3.1 BETTER UNDERSTANDING OF THE ACTIVITIES AND RESULTS OF THE SAO AMONG THE STAKEHOLDERS AND INCREASING THE IMPACT OF THEIR INVOLVEMENT

Output 3.1.1 Increasing the impact of the audit work through effective communication with the Parliament

Indicator 3.1.1.1

Number of reports discussed by the Permanent Working Group Reviewing the Audit Reports of the Budget and Finance Committee

The Parliament of Georgia is the main partner of the SAO. Close cooperation with the parliaments enables the SAIs to improve accountability and transparency in the process of managing public finances. The purpose of the organisation is to provide the Parliament audit reports and recommendations and to effectively use the platform of the Permanent

Working Group Reviewing the Audit Reports of the Budget and Finance Committee. Furthermore, in order to enhance communication, the institution plans to hold working meetings with representatives of the Budget and Finance Committee to provide information periodically on the results of the activities and systemic findings / recommendations. Close cooperation with the Parliament and their active participation in the process of reviewing audit reports is a precondition for increasing the rate of implementation of the recommendations issued by the SAO.

Output 3.1.2 Ensuring effective cooperation by extending communication with the Government

Indicator 3.1.2.1

The feedback mechanism on the audit process has been introduced with auditees

Close cooperation with the executive is of great importance for further response to the findings and recommendations issued by the SAO. As the recommendations issued by the organisation are of a recommendatory nature, their implementation requires deepening communication with budgetary organisations. Accordingly, the SAO plans to hold periodic working meetings with the management of spending agencies to introduce the systemic findings and recommendations identified during the audit and to plan further steps.

Output 3.1.3 Raising awareness and ensuring engagement with media, civil society and citizens

Indicator 3.1.3.1

Number of seminars and workshops hosted with media and civil society representatives

Indicator 3.1.3.2

Functionally updated SAO's analytical web platform - Budget Monitor

The media and civil society are important actors in the public administration process. The SAO seeks to develop innovative approaches that enhance their role and involvement in public financial management, as well as to increase their awareness about the SAO's activities and key outcomes.

To this end, the organisation has developed a communication strategy and an innovative analytical web platform - Budget Monitor[14], which is an information tool for all stakeholders of public financial management. By providing information to the public in an easily accessible form, the organisation aims to promote their awareness and involvement in the public financial management process.

The budget monitor has already gained local and international recognition. The Global Initiative for Fiscal Transparency (GIFT) and the UN World Summit Award (WSA) named the platform the winner among the best tools for citizen engagement. Budget Monitor also won IT Innovation (GITI) award in the "Best Online Information Source" category. Despite the success, the SAO plans to upgrade the platform to make the budget monitor as tailored as possible to the needs of its customers and to make it even easier for stakeholders to obtain required information.

14 www.budgetmonitor.ge

The SAO plans to organise a series of seminars and educational sessions with media and civil society representatives to raise awareness regarding the SAO's work, various types of audit and budget monitor.

Output 3.1.4 Increase support of donors and international partners of the SAO through effective communication

Indicator 3.1.4.1

Number of projects with donor organisations in which the SAO is involved

Support from the bilateral and multilateral international partners is a cornerstone of the institutional and organisational development of the SAO. The aim of the organisation in the coming years is to maintain and deepen cooperation with donor organisations through close communication and elaboration of the new joint projects.

Along with the support from international partners, the SAO has become an auditor of the projects funded by the USAID and the World Bank in the country. The organisation has fully met the donor requirements for quality and has already conducted audits of the two projects funded by them.[15] The trust expressed by international organisations shows the SAO's high quality audit work. The goal of the organisation is to continue auditing donor-funded projects in the coming years.

RISKS RELATED TO IMPLEMENTATION OF THE THIRD STRATEGIC GOAL

- The SAO is not able to respond to the public interests;
- Low involvement of the Parliament in the process of reviewing audit reports;
- The SAO is unable to manage external expectations related to its role or audit findings.

RISK MANAGEMENT

- Further improvement and functional development of the Budget Monitor;
- Holding frequent seminars or workshops with key partners of the SAO;
- Regular review of stakeholder and customer evaluations;
- Proactive communication with the Parliament to increase their involvement in the review of audit reports.

15 Performance audit of World Bank Project – „Secondary Road Asset Management Project" (SRAMP) and Financial audit of USAID Project "Reduction of Domestic Violence" conducted by LEPL – State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking.

STRATEGIC GOAL 4. STRENGTHENING GOVERNANCE FOR MORE EFFICIENCY

OUTCOME 4.1 ESTABLISHING THE SAO AS A MODEL ORGANISATION

Output 4.1.1 Strengthening the internal governance system

The existence of a sound system of internal governance plays a crucial role in terms of organisational success and quality assurance of the activities of the SAIs. It promotes the efficient use of resources and compliance with the principles of ISSAI 12, which is the basis for establishing the SAO as a model organisation.

The internal governance system should ensure timely detection of operational and reputational risks and appropriate response. In this regard, the SAO plans to create an Ethics Commission to facilitate the establishment of a system for the prevention / detection of possible violations of values declared in the Code of Ethics and for responding to those violations. In addition, the organisation aims to develop an ethics handbook that provides employees detailed information about ethical values and standards through specific examples. Relevant trainings are planned to increase the awareness of the employees.

With the aim to improve the efficiency of the governance system, the SAO is focused on improving the direction of strategic and operational planning of its activities and establishing it as a model organisation respectively.

Indicator 4.1.1.1

Evaluation of SAO's integrity environment following Into-SAINT methodology

Indicator 4.1.1.2

Evaluation of SAO`s performance according to SAI-PMF methodology

Indicator 4.1.1.3

Ethics Commission is established

Indicator 4.1.1.4

Ethics handbook is created

Output 4.1.2 Strengthening information technology systems

Considering the challenges in the modern technological world, the priority of the SAO is to ensure information security. The institution is aware of the challenges it faces in protecting the confidentiality, integrity and accessibility of information in the organisation, as well as their management. The importance of information security has increased even more in the context of the pandemic, with the transition to remote mode of operation in the process of providing employees with access to e-services. Therefore, in order to effectively manage existing risks, the SAO plans to conduct periodic IT needs assessments and introduce IT security policies and procedures to bring it as close as possible to internationally recognised security standards (ISO 27000).

With the support of the IT Audit and the creation of a secure information technology environment, the SAO aims to introduce control systems that respond to modern information technology challenges and ensure the smooth functioning of the SAO as a model organisation for information and cyber security in the public sector.

Indicator 4.1.2.1

IT strategy is developed

Indicator 4.1.2.2

IT security environment of the SAO is evaluated

RISKS RELATED TO IMPLEMENTATION OF THE FOURTH STRATEGIC GOAL

- The internal control system fails to ensure the prevention of ethical risks;
- The SAO's IT security system fails to prevent cyber attacks.

RISK MANAGEMENT

- Encouraging ethical conduct of employees through the work of the Ethics Commission and introducing effective whistleblower mechanisms;
- Continuous capacity building of the staff of the SAO's IT Administration Department;
- Working closely with the SAO's donors to develop the infrastructure needed to ensure IT security.

STRATEGIC GOAL 5. PROFESSIONAL DEVELOPMENT OF EMPLOYEES

OUTCOME 5.1 IMPROVING THE QUALITY THROUGH INCREASING PROFESSIONAL CAPACITIES OF EMPLOYEES

Output 5.1.1 Increasing motivation by promoting professional and career development of employees

Attracting, retaining and promoting the development of qualified and professional staff is an important precondition for the implementation of the function of the SAO and strategic goals. Human resources are the main asset of the institution, therefore all activities carried out by the SAO and the support received from the donors are channeled to strengthening the capacity of employees.

While identifying staff training and development needs through the appraisal system, the SAO will continue to create individual professional development plans. It is also planned to elaborate annual professional development and training plans, as well as permanent professional development plans for employees. Career development policy ensures the qualifications and capabilities of employees to be meet with the requirements in the long run.

In order to retain and increase employee motivation, the SAO aims to facilitate the process of continuous employee learning. This is made possible by the LEPL - Public Audit Institute,[16] which offers the employees various programs or training courses of civil servant professional development. In addition, with the support of the donor organisations, the SAO ensures employee participation in various international certification programs.

Indicator 5.1.1.1

Annual employee outflow rate

Indicator 5.1.1.2

The career development policy has been developed

Indicator 5.1.1.3

An annual plan for the professional development and training of auditors has been developed

16 www.sai.ge

Output 5.1.2. Strengthening the capacity of the SAO by attracting new employees

The SAO is constantly trying to attract qualified staff, which is a significant challenge in face of high competition in the field of auditing. Based on the existing needs and vacancies, the organisation develops a recruitment plan for the relevant qualified staff in order to equip the auditory direction with the necessary human resources in the medium term.

In addition, the SAO plans to continue the internship program, which aims to attract young, promising staff, their professional development and thus, strengthen the SAO's work. In this regard, the organisation works closely with higher education institutions.

Indicator 5.1.2.1

Development of the recruitment plan for the relevant staff based on the existing needs and vacancies

Indicator 5.1.2.2

The internship program is implemented

RISKS RELATED TO IMPLEMENTATION OF THE FIFTH STRATEGIC GOAL

- High outflow of qualified staff, which hinders the institutional stability of the organisation;
- Lack of mechanisms to increase employee motivation.

RISK MANAGEMENT

- Independence of the SAO in terms of human resource management, which is reflected in the establishment of a competitive system of remuneration for the auditors;
- Offering professional and declared career development opportunities to employees;
- Taking measures for promoting organisational culture and corporate values.

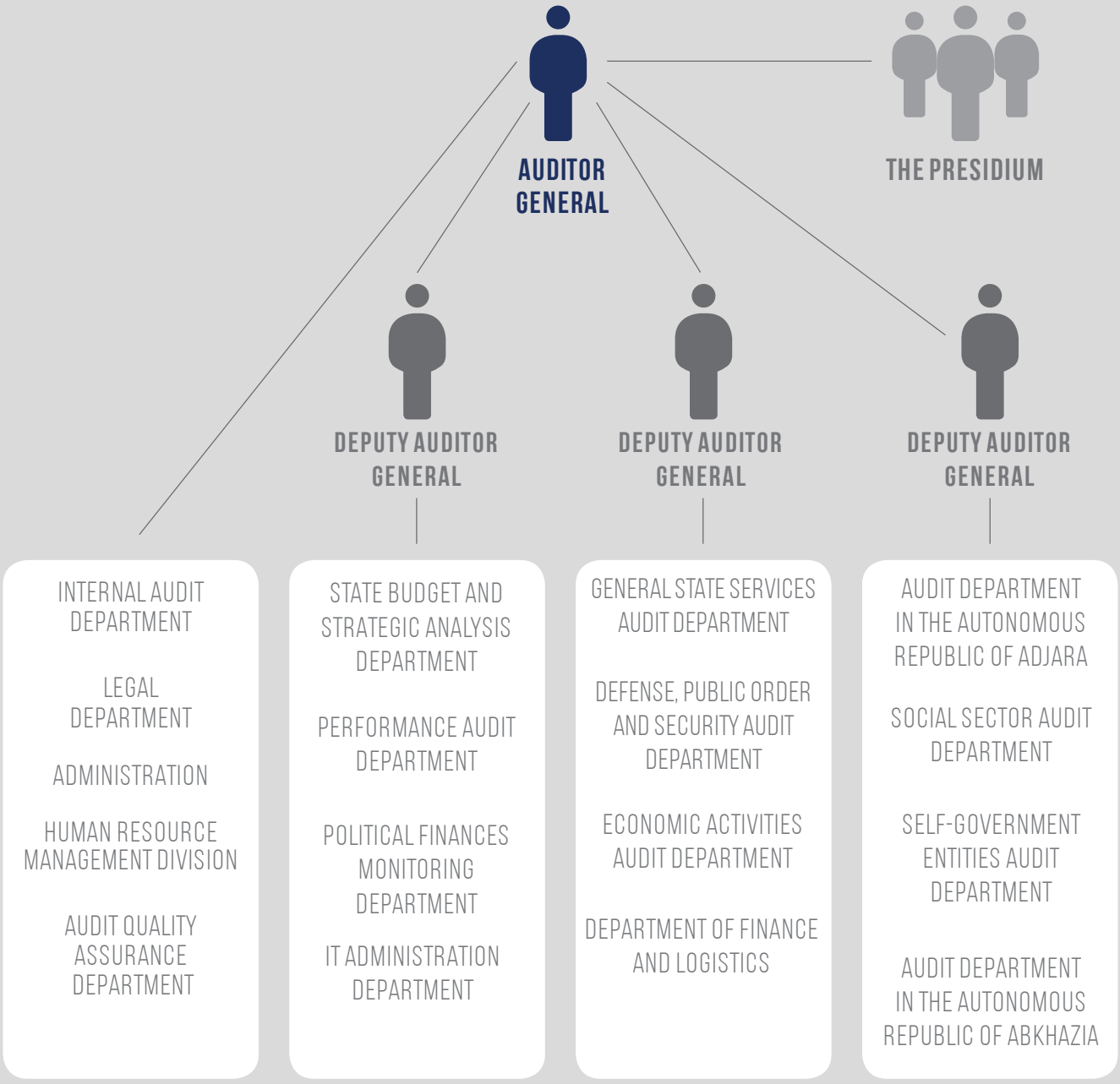
STRATEGY MONITORING AND REPORTING

The SAO provides periodic monitoring and evaluation of the implementation of the goals and objectives set by the strategy. The strategy execution mechanism is its results framework (see Annex 3), which includes the annual target indicators of the SAO. The strategy will be implemented within the allocations assigned to the organisation from the state budget (see Annex 4), as well as with the financial support of the donor organisations (see Annex 2).

The organisation develops annual operational plans to achieve outcomes and outputs presented in the strategy. The information on the activities carried out during the year and the results achieved is reflected in the annual performance report, which is submitted to the Parliament and is available to all stakeholders. The implementation of the strategy will be evaluated in the final year of the strategy according to the performance measurement framework of the SAIs.

ANNEXES

ANNEX 1: ORGANOGRAM OF THE SAO



ANNEX 2: SUPPORT OF DONOR ORGANISATIONS DURING THE IMPLEMENTATION OF THE STRATEGY

#	Project/Programme Name	Project/Program Description	Project Duration
1. European Union			
1.1	**Institutional Strengthening of the SAO Georgia**	**Project objective:** • To strengthen SAO's independence according to the principles of Mexico Declaration of International Standards of Supreme Audit Institutions (ISSAIs); • To strengthen oversight and accountability over the use of public funds; • To increase the technical and managerial capacities within the SAO to carry out different types of audits in accordance with international standards; • To support the EU Delegation to Georgia, the SAO and the Parliament to coordinate and monitor PFM reforms in Georgia. **Main results achieved within the project:** • Financial and compliance audit, as well as audit quality assurance manuals have been updated with the involvement of the experts; • The professional capacity of auditors in the areas of financial and compliance audits, as well as audits of consolidated financial statements prepared in accordance with IPSAS has been strengthened; • Audit Management System (AMS) has been introduced; • Cooperation between the Parliament of Georgia and the SAO has been deepened; • IT audit has been developed; • The legislative framework of the SAO has been improved; • Internal processes and procedures of the SAO with the involvement of experts and sharing of international practices has been improved.	March 2017 – March 2020

2. GIZ			
2.1	**Public Financial Management in the South Caucasus**	**Project objective:** • Supporting the improvement of public financial management at the regional level; • Strengthening cooperation among the Parliament, the Ministry of Finance and the SAO and increasing the efficiency and effectiveness of public financial management. **Main results achieved within the project:** • Performance audits have been introduced in the organisation. Pilot performance audits have been conducted with the involvement of international experts; • Financial and compliance audit directions have been strengthened with methodological and practical support; • Cooperation between the SAO and the Parliament/Budget and Finance Committee has been enhanced. In particular, a permanent working group has been set up to review the reports of the SAO under the Budget and Finance Committee; • Mandatory reports of the SAO related to the budget have been improved; • Professional development of auditors has been ensured; • Analytical web platform of the SAO - Budget Monitor has been functionally updated.	January 2012 – December 2020
2.2	**Strengthening the capacities of Supreme Audit Institutions in the Eastern Partnership countries to monitor the achievement of Agenda 2030 objectives**	**Project objective:** • Developing of bilateral and multilateral cooperation and sharing experience among the SAIs of the Eastern Partnership member states – Georgia, Azerbaijan, Belarus, Ukraine and Armenia; • Strengthening the direction of performance audit and encouraging professional development of auditors through joint trainings and internship programs; • Conducting joint parallel audits for SDGs; **Main results achieved within the project:** • Cooperation between the SAIs of the Eastern Partnership member states has been enhanced; • A joint parallel performance audit „Tuberculosis Treatment and Prevention“ has been conducted; • Experience of the SAO as a project mentor has been shared with other SAIs participating in the project; • Internship opportunities for representatives of the SAIs participating in the Project has been offered; • Professional capacity of auditors through participation in international certification courses has been developed.	January 2019 – November 2020

2.3	**Strengthening good governance in local self-government entities**	**Project objective:** • Capacity building of municipalities to strengthen internal control and internal audit; • Cooperation with the Council for Sustainable Development and municipalities to involve municipalities in the implementation of the 2030 Agenda; • Strengthening the role of the SAO in achieving the SDGs at the municipal level.	April 2020 – April 2023
3. World Bank			
3.1	**Introduction and development of IT audit in the SAO**	**Project objective:** • Introduce and develop an IT audit direction in the SAO in accordance with ISSAI standards to ensure the preparedness of the organisation to respond to the challenges of transition to e-government. **Main results achieved within the project:** • IT Audit Division has been established; • Institutional capacity of the SAO in the field of IT audit has been strengthened; • IT audit methodologies and manuals have been developed; • Professional capacity of IT auditors has been strengthened and their qualification has been upgraded.	February 2015 – June 2019
3.2	**Economic Governance and Fiscal Accountability Program**	**Project objective:** • Improving the legal framework of the SAO and ensuring its compliance with ISSAI standards; • Strengthing capacity of the SAO for financial, compliance, performance and revenue audits; • Capacity building of municipalities with the involvement of the SAO.	February 2021 – December 2023

4. USAID			
4.1	**Good Governance Initiative (GGI)**	**Project objective:** • Strengthening public administration transparency, accountability and efficiency in Georgia; • Strengthening citizen engagement in public finance management; • Capacity building of the SAO to improve citizen engagement, communication and professional development. **Main results achieved within the project:** • External communication tools (websites of the organisation) have been updated; • An electronic system for monitoring the implementation of audit recommendations issued by the SAO has been developed; • Professional development of SAO's staff through participation in training courses and international certification programs has been encouraged; • IT infrastructure of the SAO has been developed and compliance with the requirements set by international standard has been encured.	December 2014 – December 2021
4.2	**USAID G4G Project**	**Project objective:** • In partnership with the GAO and the Center for Audit Excellence, introducing the practice of assessing the impact of performance audit recommendations in the SAO; • Developing relevant policy and procedure documents to assess the impact of the recommendations; • Developing the capacity of performance auditors. **Main results achieved within the project:** • Audit Management System (AMS) program maintananing; • The practice of assessing the impact of performance audit recommendations has been fostered; • Pilot performance audits with the involvement of the GAO has been conducted.	July 2018 – December 2021
5. Saudi Arabia Fund			
5.1	**Strengthening technical capacities of the SAO**	**Project objective:** • With the support of the General Auditing Bureau of the Kingdom of Saudi Arabia – "the Saudi Fund for Improved SAI Performance" technical capacities of the SAO in response to the challenges of the Covid 19 pandemic have been strengthened.	December 2020 –December 2022

ANNEX 3: STRATEGY RESULT FRAMEWORK

The table below provides information on the action plan required for the implementation of the strategy (the figures for 2017-2020 in the table represent the actual situation).

Strategic Goal 1. Strengthening Independence and Mandate[17]							
Outcome 1.1 Achieving perceived independence of the institution							
Output	**Indicator**	**2018 Fact**	**2019 Fact**	**2020 Fact**	**2021 Target**	**2022 Target**	**Resources**
Output 1.1.1 Assessment of stakeholder perceptions / expectations regarding the independence of the institution	**Indicator 1.1.1.1** The opinion survey of key stakeholders has been conducted	Has not been conducted			**X**	**X**	1. The manual for opinion survey of key stakeholders has been developed. 2. A report on opinion survey of key stakeholders.
Outcome 1.2 Improving the tax revenue administration system							
Output	**Indicator**	**2018 Fact**	**2019 Fact**	**2020 Fact**	**2021 Target**	**2022 Target**	**Resources**
Output 1.2.1 Conducting audit of the tax revenue administration system	**Indicator 1.2.1.1** Organic Law on the State Audit Office defines the mandate for conducting revenue audits and ensures unimpeded access to required information	The legal framework limits the ability of the SAO to conduct revenue audits			**X**		1. Working meetings with the Parliament and the Ministry of Finance regarding granting the mandate for conducting tax revenue audits. 2. Organic Law on the State Audit Office defines the mandate for conducting tax revenue audits. 3. A tax revenue audit manual has been developed. 4. Developing auditors' capacity in the field of revenue audit.

17 Strengthening the independence of the SAO is highly dependent on external factors; hence, most of the measures taken for this objective are not fully under the control of the institution.

Strategic Goal 2. Improvement of Public Financial Management as a Result of High Quality Audit Work							
Outcome 2.1 Ensuring accountability and transparency in the public sector							
Output	**Indicator**	**2018 Fact**	**2019 Fact**	**2020 Fact**	**2021 Target**	**2022 Target**	**Resources**
Output 2.1.1 Delivering high quality financial, compliance and performance audits based on a risk-based approach	**Indicator 2.1.1.1** Updated manual for selecting audit topics based on a risk-based approach	Existing manual for selecting audit topics			**X**		1. The manual for the development of annual audit plan has been updated. 2. Financial, compliance and performance audit methodologies have been updated. 3. Financial, compliance and performance audit reports have been prepared. 4. Audits related to the management of Covid 19 pandemic have been conducted. 5. Opinions and reports related to the state budget have been developed. 6. Quality control review teams have performed all types of audit quality control. 7. Audit quality assurance mechanism has been introduced. 8. Logging working hours has been introduced in the AMS. 9. Number of IT auditors has increased. 10. Auditors are being trained in updated audit methodologies.
	Indicator 2.1.1.2 Updated financial, compliance and performance audit methodologies	Existing financial, compliance and performance audit methodologies			**X**		

	Indicator 2.1.1.3 Share of financial audits that has undergone quality control procedure.	56%	88%	100%	**100%**	**100%**	11. Financial, compliance and performance auditors are being trained in IT audit. 12. Performance auditors are being trained in conducting interviews and research.
	Indicator 2.1.1.4 Share of compliance audits that has undergone quality control procedure	0%	52%	40%	**80%**	**100%**	
	Indicator 2.1.1.5 Number of performance audits that has undergone a quality control procedure	0	0	0	**2**	**5**	
	Indicator 2.1.1.6 An audit quality assurance procedure has been developed and an annual quality assurance report has been prepared	Existing audit quality assurance procedure			**X**	**X**	
	Indicator 2.1.1.7 Logging working hours in the AMS has been introduced	Logging working hours in the AMS is not used in practice			**X**	**X**	

Output 2.1.2 Ensuring high coverage of organisations covered by the SAO's mandate with financial, compliance and performance audits	**Indicator 2.1.2.1** Consolidated budget coverage ratio	85%	87%	89%	**>=90%**	**>=90%**	
	Indicator 2.1.2.2 Number of completed interagency compliance audits	0	2	1	**2**	**2**	
	Indicator 2.1.2.3 Number of sectors covered by the performance audit	8	5	5	**5**	**6**	
	Indicator 2.1.2.4 Share of performance audits in total audit work	13%	21%	18%	**>=20%**	**>=20%**	
	Indicator 2.1.2.5 All municipalities are covered by compliance audit at least once every 3 year.	Not covered		X	**X**	**X**	
Output 2.1.3 Ensuring adherence with international audit standards for completion and publication of audit reports	**Indicator 2.1.3.1** Share of financial audits completed no later than 9 months after the end of the fiscal year	96%	75%	0%	**50%**	**70%**	
Output 2.1.4 Audit of the issues related to the management of Covid 19 pandemic	**Indicator 2.1.4.1** Number of audits conducted related to the management of Covid 19 pandemic	0	0	0	**5**	**2**	

Outcome 2.2 Creating added value for the society by implementing audit recommendations							
Output	**Indicator**	**2018 Fact**	**2019 Fact**	**2020 Fact**	**2021 Target**	**2022 Target**	**Resources**
Output 2.2.1 Improving the monitoring process of implementation of recommendations	**Indicator 2.2.1.1** The share of audits conducted during the year, in the scope of implementation of the issued recommendations is being monitored through the ARIS system	0%	0%	0%	**5%**	**10%**	1. The electronic audit recommendation implementation system (ARIS) has been developed and is fully operational. 2. Instructions for the use of ARIS for all types of system users have been developed. 3. The auditors are being trained in the use of ARIS. 4. An annual analytical report on the implementation of the recommendations has been prepared. 5. A manual for assessing the benefit of the implemented recommendations has been developed. 6. The capacity of the selected auditors to assess the impact of the recommendations is being developed.
	Indicator 2.2.1.2 An annual report on the implementation of the recommendations has been prepared	Such report has not been prepared			**X**	**X**	
Output 2.2.2 Introduce recommendation's impact assessment approach	**Indicator 2.2.2.1** Number of audits using the approach of assessing the impact of recommendations	0	0	0	**1**	**2**	

Strategic Goal 3. Strengthening Engagement of the Main Stakeholders							
Outcome 3.1 Better understanding of the activities and results of the SAO among the stakeholders and increasing the impact of their involvement							
Output	**Indicator**	**2018 Fact**	**2019 Fact**	**2020 Fact**	**2021 Target**	**2022 Target**	**Resources**
Output 3.1.1 Increasing the impact of the audit work through effective communication with the Parliament	**Indicator 3.1.1.1** Number of reports discussed by the Permanent Working Group Reviewing the Audit Reports of the Budget and Finance Committee	12	13	21	**>=20**	**>=20**	1. Submitting the annual performance report to the Parliament by the Auditor General. 2. Regular meetings with the Budget and Finance Committee of the Parliament for updating them with the results and the main products of the institution. 3. Regular discussion of audit reports within the Permanent Working Group Reviewing Audit Reports established under the Budget and Finance Committee. 4. A feedback mechanism with the Parliament has been developed.
Output 3.1.2 Ensuring effective cooperation by extending communication with the Government	**Indicator 3.1.2.1** The feedback mechanism on the audit process has been introduced with auditees	There is no feedback mechanism			**X**	**X**	1. Working meetings have been convened with senior government officials on systemic findings and recommendations identified during the audits. 2. Receiving feedback from the auditees about the audit process has been ensured.
Output 3.1.3 Raising awareness and ensuring engagement with media, civil society and citizens	**Indicator 3.1.3.1** Number of seminars and workshops hosted with media and civil society representatives	2	2	1	**2**	**2**	1. Seminars and workshops have been hosted with media representatives to increase knowledge about activities and core products of the SAO. 2. Seminars and workshops have been hosted with civil society organisations to share information about activities and key products of the SAO. 3. Functional side of Budget Monitor has been updated and improved. 4. Press releases and short summaries of audit reports have been posted on the official website of the SAO and social media. 5. Feedback mechanism has been developed.
	Indicator 3.1.3.2 Functionally updated SAO's analytical web platform - Budget Monitor	Existing version of Budget Monitor			**X**		
Output 3.1.4 Increase support of donors and international partners of the SAO through effective communication	**Indicator 3.1.4.1** Number of projects of donor organisations in which the SAO is involved.	6	6	5	**4**	**4**	1. The needs of the SAO have been identified and respective communication has been established with the donors and international partners. 2. Frequent working meetings with donor organisations have been convened to make them familiar with the results of the SAO's work. 3. Audits of donor-funded projects have been conducted.

Strategic Goal 4. Strengthening Governance for More Efficiency							
Outcome 4.1 Establishing the SAO as a model organisation							
Output	**Indicator**	**2018 Fact**	**2019 Fact**	**2020 Fact**	**2021 Target**	**2022 Target**	**Resources**
Output 4.1.1 Strengthening the internal governance system	**Indicator 4.1.1.1** Evaluation of SAO's integrity environment following IntoSAINT methodology	X				**X**	1. Ethics handbook has been developed. 2. A system for identifying, reducing, preventing and encouraging ethical behaviors has been established. 3. Employees have been provided with information on ethics and internal control policy. 4. Strategic and annual operational plans of the SAO have been developed and their implementation has been periodically monitored and evaluated.
	Indicator 4.1.1.2 Evaluation of SAO`s performance according to SAI-PMF methodology	Has not been conducted				**X**	
	Indicator 4.1.1.3 Ethics Commission is established	Ethics Comission does not exist			**X**		
	Indicator 4.1.1.4 Ethics handbook is created	Only Code of Ethics exists			**X**		
Output 4.1.2 Strengthening information technology systems	**Indicator 4.1.2.1** IT strategy is developed	There is no IT strategy			**X**		1. The IT needs of the SAO are being assessed periodically. 2. The IT strategy of the SAO has been developed. 3. The IT security policies and procedures of the SAO have been developed. 4. Periodical assessment of the IT security of the SAO has been conducted.
	Indicator 4.1.2.2 IT security environment of the SAO is evaluated	X	X		**X**		

Strategic Goal 5. Professional Development of Employees							
Outcome 5.1 Impoving the quality through increasing professional capacities of employees							
Output	**Indicator**	**2018 Fact**	**2019 Fact**	**2020 Fact**	**2021 Target**	**2022 Target**	**Resources**
Output 5.1.1 Increasing motivation by promoting professional and career development of employees	**Indicator 5.1.1.1** Annual employee outflow rate	16%	8%	4%	**<=5%**	**<=5%**	1. An annual plan for professional development and training of auditors has been developed. 2. Based on the results of the annual evaluation, an annual professional development plan for each employee has been created. 3. A mechanism for monitoring professional development and training results has been introduced. 4. A career development policy has been developed. 5. Involvement of employees in international and local certification programs is ensured. 6. Measures have been taken to promote teamwork and organisational culture of the employees.
	Indicator 5.1.1.2 The career development policy has been developed	Does not exist			**X**		
	Indicator 5.1.1.3 An annual plan for the professional development and training of auditors has been developed		X	X	**X**	**X**	
Output 5.1.2 Strengthening the capacity of the SAO by attracting new employees	**Indicator 5.1.2.1** Development of the recruitment plan for the relevant staff based on the existing needs and vacancies	New employees have been recruited based on the needs emerging during the year			**X**	**X**	1. Based on the needs of the SAO and the available vacancies, a recruitment plan for the relevant qualified employees has been developed. 2. The practice of attracting potential employees through the internship program has continued. 3. Cooperation with higher education institutions has been strengthened.
	Indicator 5.1.2.2 The internship programme is implemented		X		**X**		

ANNEX 4: RESOURCES OF THE SAO

Financial (thousand GEL) and human resources of the SAO.

	2018 Fact	2019 Fact	2020 Fact[18]	2021 Plan	2022 Plan
Budget	14,123	15,925	13,547	17,129	17,307
Number of employees	329	342	348	339	339

18 The reduction in the SAO's budget in 2020 is related to the coronavirus pandemic.

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