



STRATEGIC DEVELOPMENT PLAN FOR 2023 - 2027

STATE AUDIT OFFICE OF GEORGIA



TBILISI
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TERMS AND ABBREVIATIONS

AMS – Audit Management System

EU – European Union

GAO – Government Accountability Office of the United States

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

OECD – Organisation for Economic Co-operation and Development

SAI-PMF – Performance Measurement Framework of Supreme Audit Institutions

SAO – State Audit Office of Georgia

PEFA – Public Expenditure and Financial Accountability Assessment

USAID – United States Agency for International Development

WB – World Bank

FOREWARD FROM THE AUDITOR GENERAL

I hereby present Development Plan of the State Audit Office for 2023-2027, which sets the organization's goals and the methods for achieving them over a five-year term.

Having analyzed the 2018-2022 activities and the results of the SAI PMF assessment, we have developed a professional and organizational development strategy. Our objectives aim to solve the challenges identified by the SAI PMF assessment and, at the same time, to maintain and strengthen the existing achievements (such as *inter alia* independence, integrity, high quality of audit work, public trust etc.).

In the following five-years we aim to focus on priorities such as: strengthening fostered professional and organizational international standards; high-quality audit services; strengthening relations with the Parliament in the process of the review of audit reports and monitoring implementation of recommendations; active cooperation with the auditees and strengthening their performance based on our recommendations; implementation and adaptation of modern information technology systems.

In terms of organizational growth, we continue to focus on enhancing performance in order to carry out audits at a high level and to avoid possible obstacles by using preventative procedures.

We will be actively collaborating with our strategic partners, international and relevant professional organizations, by developing new joint initiatives and close communication.

Transparency and availability of information remains a top priority of our office.

Tsotne Kavlashvili
Auditor General

INTRODUCTION

The Strategic Development Plan for 2023-2027 is a primary document which reflects the organization's mission, vision, values, strategic goals, expected outcomes, and ways for achieving them. This document also includes an overview of internal and external challenges facing the institution, identifies possible risks and the ways of managing them.

The strategy represents the organization's long-term vision and fundamental plan. It defines strategic objectives based on the principles of accountability and transparency, aiming to enhance quality of the institution's performance, overcome existing internal and external challenges, and develop strengths further. The strategic directions of the SAO fully comply with the fundamental principles defined by the ISSAI 12 for supreme audit institutions, which emphasizes creating value for society and bringing additional benefits to the citizens.

The 2023-2027 Strategy was developed in 2022, when the Parliament of Georgia selected the new Auditor General. The Strategy announces strengthening existing achievements and their institutionalization, as well as the continuation of the institutional development initiated in previous years and alignment with the European values.

The Strategic Development Plan is guided by the results of performance evaluation of the SAO conducted in 2022 through the SAI-PMF (Supreme Audit Institution Performance Measurement Framework)¹ methodology with support of the Organisation for Economic Co-operation and Development (OECD) and the Support for Improvement in Governance and Management (SIG-MA) of the European Union.

SAI-PMF is a complex mechanism that evaluates both audit and non-audit activities, legal framework, degree of independence of the organization and its mandate, internal governance and ethics, communication with the key stakeholders and human resource management. The evaluation of the activities of the SAO using the SAI-PMF methodology was first carried out in 2017, and the current 2018-2022 Strategy has been developed considering the results of the previous evaluation.

The strategy also includes the results of another international assessment conducted in 2022 - IntoSAINT² assessment with integrated tool for assessing integrity environment of SAIs, which comprehensively studies ethical environment and standards in the institution.

The findings of those evaluations have demonstrated institutional progress in organizational development in all directions within the SAO. In addition, these evaluations, along with the analysis of implementation of the previous strategy, have identified remaining challenges that the current strategy sets out its new priorities, tasks, and the next stage of institutional growth.

¹ <https://www.idi.no/work-streams/well-governed-sais/sai-pmf>

² The evaluation was conducted with joint support of the SAIs of the Netherlands Court of Auditors and the State Audit Office of Latvia.

METHODOLOGY AND LEGISLATIVE BASIS

The strategy has been based on the existing legal framework, international standards, examples of better practices, various obligations announced by the office and expectations of the stakeholders:

- ▶ **Legislative Framework** – The SAO is guided by the Constitution of Georgia, international treaties and agreements, the Organic Law on the SAO, and other legislative and sub-legislative normative acts for defining its goals and priorities. All goals set out in the strategy are led with the spirit of integral and effective performance of the duties assigned to the SAO by the Constitution and the Organic Law;
- ▶ **International Standards of Supreme Audit Institutions (ISSAI)** – The organisation conducts its activities in accordance with the International Standards of Supreme Audit Institutions;
- ▶ **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;
- ▶ **Results of the Performance Measurement Framework of Supreme Audit Institutions (SAI PMF)** – In 2022, the compliance of the organisation with the ISSAI standards has been assessed with the SAI PMF methodology, identifying the main challenges and priorities for further development;
- ▶ **INTOSAI IDI Methodology Handbook** – Structure of the strategy is based on the Strategic Management Handbook³ for Supreme Audit Institutions developed by the INTOSAI IDI;
- ▶ **The results of the evaluation of the previous strategy** – The state of fulfillment of the goals defined by the 2018-2022 Strategic Development Plan and the existing challenges have been assessed.

³ <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 administration, to protect the legitimacy, appropriateness and efficiency of the usage of public 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 AND OBJECTIVITY

Our work is based on the principles of impartiality, fairness, trust and neutrality

PROFESSIONALISM

Our staff operates in accordance with high professional standards, high quality and responsibility

INTEGRITY

Our staff operates conscientiously taking into account public interests

TRANSPARENCY

We are accountable to the public and ensure information publicity

STRATEGIC GOALS

STRATEGIC GOAL 1

Strengthening independence and mandate

STRATEGIC GOAL 2

Improving public finance management system as a result of high quality audit work

STRATEGIC GOAL 3

Strengthening cooperation with the key stakeholders

STRATEGIC GOAL 4

Strengthening internal governance for more efficiency

STRATEGIC 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 primary stakeholders – the Parliament, and other stakeholders in the public.

This strategy 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 2023-2027.



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 the state budget, internal control system, performance efficiency and productive usage of resources. The SAO is a member of number of interagency councils (Public Finance Management Reform Coordination Council; Public Sector Accounting Standards Board; National Anticorruption Council; Interagency Coordination Council of Public Administration Reform; Open Government Coordination Council; Coordination and Monitoring Working Group of the Georgia's European Integration) and participates in various projects and events to ensure transparency and accountability of the public financial management system.



Media and Civil Society – Cooperation with media and civil society is substantially important for every SAI. Civic and non-governmental sector promote transparency of public financial management and improve accountability.



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 direction will better enable the SAO to learn international best practices and foster it for improving its business process. In this process the primary stakeholders of the SAO are the Delegation of the European Union to Georgia (EU), United States Agency for International Development (USAID) and the World Bank continuing their constant support for strengthening SAO's institutional capacity. In addition, the current level of organizational development of the office allows an opportunity to provide professional support to SAIs of other countries by exchanging experience and practice.

Direction and approaches of stakeholder cooperation is detailed in the 2023-2027 Communication Strategy of the SAO.

CURRENT STATE OF AFFAIRS

This chapter summarises achievements of the SAO during the previous years and the outcomes of the Strategy for 2018-2022. Evaluation of the activities carried out in 2018-2022 allowed the strategy update that in its turn fully responds to the challenges revealed with the results of the SAI PMF assessment conducted in 2022.

First of all, it is worth noting the progress achieved in the direction of strengthening the independence of the SAO. The new Constitution that entered into force in 2018 granted the Law on the State Audit Office the status of an Organic Law. Also the SAO has been granted the right to appeal directly to the Constitutional Court of Georgia. The guarantees of independence have been strengthened with introducing the exception to the Law on Remuneration in Public Sector ensuring the independence of the SAO in management of human resources, employment and determining the labour terms. From 2019 the financial audit of the SAO is performed by Big Four. The selection of an audit company is conducted through a competitive and transparent process. The financial audit for 2019-2020 was carried out by Deloitte and for 2021-2022 – by PwC. In all cases the SAO received an unqualified opinion.

The steps taken in the direction of strengthening independence were also reflected in international evaluations. In the Supreme Audit Institutions Independence Index⁴ of the World Bank the SAO received 9.5 out of a maximum of 10 scores.

The SAO has made significant progress in improving the quality of its audit work with updated financial, compliance and performance audit methodologies aligning with the International Standards of Supreme Audit Institutions (ISSAIs). Since 2018, the organisation has moved to an internationally recognized audit quality control review system, with fully fostering the audit quality assurance system. Introduction of an Audit Management System (AMS) has significantly contributed to improve management and quality of audits. All three types of audits have been fully integrated into the AMS and the use of their standards have been established.

With the improvement of the quality of the audit work, the consolidated budget coverage ratio has increased exceeding 90% in 2022. The SAO started conducting the interagency compliance audits that aims to reveal systemic shortcomings and issue relevant recommendations by covering many budget organizations in public sector.⁵ The share of performance audits conducted by the SAO in the total audit work emphasizing priority of performance audits has also increased to 30% covering all ten public sectors with COFOG classification.

Since 2018, the SAO has become the eligible auditor of projects financed by the World Bank (WB) and USAID in the region. In the past period, 5 such project have been audited.

⁴ The Supreme Audit Institutions Independence Index: Global Synthesis Report 2021

⁵ In 2020-2022 the SAO has completed 6 interagency compliance audits.

In order to better monitor the implementation of audit recommendations, the SAO created an electronic system for monitoring the implementation of recommendations.⁶ The system fully transfers the monitoring process to the electronic space making the process more flexible and proactive. As of 2022, as a result of 27 audits included in the system conducted in 8 ministries, in both autonomous republics and 6 municipalities, about 350 recommendations have been issued.

With respect to the internal governance system and organizational processes Handbook of the Code of Ethics has been updated in compliance with the ISSAIs. The Ethics Commission was established in the office for fostering ethical culture, ensuring detection and prevention of declared values. Ethics Handbook provides employees with detailed information about ethical values and standards through specific examples.

In 2022, with the joint support of the SAIs of the Netherlands and Latvia, integrity assessment has been conducted with the IntoSAINT methodology which fully assesses the ethical environment and standards in the organization. The progress made in recent years was also reflected in the assessment results. In all components, the SAO was assessed with the highest scores.

In order to improve information systems and ensure information security, a long-term IT development strategy and an appropriate information security action plan are being developed; a number of security and information technology management systems are introduced; various policy documents have been developed; the Information Security Council is functioning. Consequently, in recent years, the information security system has significantly approximated with the International Standard for Information Security – ISO 27001.

In terms of relations with the key stakeholders, the SAO has closely cooperated with the Parliament of Georgia and especially with the Audit Group on reviewing the audit reports within the Finance and Budget Committee. In 2022, the group reviewed 30 audit reports, significantly higher than the figures of previous years.⁷

The SAO has also taken important steps to improve communication with civil society, media and citizens. Progress towards transparency of information and promoting citizen engagement was assessed by the Open Budget Index (International Budget Partnership) of the International Budget Partnership,⁸ where the SAO and its modern instruments of citizen engagement contributed to the increase in the assessment of the citizen engagement component (22 points in 2017; 28 points in 2019). The SAO score increased from 67 to 78, thus maintaining the highest scores among other public agencies.

⁶ <https://aris.sao.ge>

⁷ The number of audits reviewed by the Audit Group: 12 audits in 2018; 13 audits in 2019; 21 audits in 2020; 22 audits in 2021.

⁸ <https://www.internationalbudget.org/open-budget-survey/country-results/2019/georgia>

The SAO actively cooperates with international bilateral and multilateral partner organizations. Lately 13 Memoranda of Understanding have been signed with the SAIs of other countries. In addition, with the support of international partners, number of projects have been conducted, which made significant contribution to the institutional and organizational development of the Office.

The SAO is one of the first organizations in public sector to establish and implement 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. Based on the evaluation results of each employee and the identified needs, the SAO develops an individual professional development plan that serves in a result-oriented manner for improving qualification and capacity building of employees.

During the previous strategy, the SAO worked purposefully to address the challenges identified as a result of the SAI PMF assessment conducted in 2017. In order to measure the progress made, in 2022, the Office has repeated the SAI PMF assessment.⁹ The assessment was carried out by a group of independent experts with the support of the OECD and the EU SIGMA project. The average score was 3.4 points (out of maximum 4) increasing significantly as compared to 2017 (2.2 points).

⁹ <https://www.sao.ge/Uploads/2022/10/SAO%20Georgia%202022%20SAI-PMF%20Report.pdf>

ENVIRONMENT AND CHALLENGES

In parallel with the institutional reforms and significant results achieved its essential to analyze and evaluate challenges the SAO faces for proper formulation and implementation of strategic priorities.

KEY EXTERNAL CHALLENGES

With the global 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 compliance of the reforms and programmes implemented by the government with the law, their efficiency and effectiveness.

CHALLENGE 1. MANDATE OF THE SAO AND ACCESS TO INFORMATION

The value and benefits created by the SAO and its contribution to improving public financial management depends significantly on the mandate and the right to a unimpeded access to information. According to the ISSAIs, a SAI should have the authority to conduct tax revenue audit, reflected in the functioning of the tax system and the respective preparation of assessment for tax purposes. In this regard, the main challenge for the SAO remains the limited mandate to conduct tax revenue audits.

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 fulfilling 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 is showcased not only in issuing recommendations but in their implementation. In this regard, the main challenge of the SAO is the low implementation rate of recommendations.

CHALLENGE 3. IMPLEMENTATION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

The Government of Georgia is in the last phase of implementing IPSAS standards. Following the completion of this reform, the SAO is planning to conduct an audit of the consolidated financial statements prepared by the Government. As a result, it's necessary to identify respective challenges related to the capabilities of the SAO and to implement their response actions.

CHALLENGE 4. MODERN INFORMATION TECHNOLOGY SYSTEMS

Development of e-government and electronization of public services is an important component of modern public administration. In recent years, the public sector information infrastructure has been substantially expanded and many electronic systems have been introduced. Along with advantages, the development of 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 its use for promoting sustainable development of government information and communication technology (ICT) infrastructure.

CHALLENGE 5. IMPLEMENTATION OF SUSTAINABLE DEVELOPMENT GOALS

The Government of Georgia has joined to the UN Agenda 2030¹⁰ and has expressed its readiness to contribute to the implementation of the SDGs. The SAO, due to its role and mandate, has the opportunity to make significant contribution by identifying and offering opportunities for SDGs both in planning and in the implementation stages.¹¹

KEY INTERNAL CHALLENGES

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

CHALLENGE 1. INCREASING THE BUDGET COVERAGE

In 2017-2022 the SAO has increased the consolidated budget coverage rate from 81% to 90% and met the requirements established by the international standard in this regard as well as better practices (SAI-PMF, PEFA). It should be taken into account that maintaining this ratio requires significant human and time resources that remains challenge.

CHALLENGE 2. THE COVERAGE OF STATE-OWNED ENTERPRISES

The mandate of the SAO is quite wide and includes public agencies, legal entities under the public law, budgetary organizations in the two autonomous republics of Georgia, as well as 69 municipalities and up to 400 state-owned enterprises. The challenge 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 rates.

CHALLENGE 3. MAINTAINING QUALIFIED STAFF

The main intellectual asset of the SAO is professional staff. Given the high competition in the field of auditing, the challenge remains high rate of outflow of human resources and the recruitment of qualified staff. This challenge is particularly pressing in terms of strengthening the new areas identified in the SAO's strategy and achieving the target coverage rate, as well as the IT audit.

CHALLENGE 4. INFORMATION TECHNOLOGIES AND INFORMATION SECURITY

Performing high-quality audits requires processing and analysis of big data. The importance of information systems security has enhanced significantly against the background of increasing cyber threat risks. In the recent years the SAO introduced control systems that respond to the modern information technology challenges and ensure proper functioning of the SAO as a model organisation in the field of information and cyber security in the 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.

¹⁰ UN, Sustainable Development Goals: <https://sustainabledevelopment.un.org/sdgs>

¹¹ In 2019 the SAO has already conducted audit on the preparedness for the implementation of SDGs in Georgia. https://www.sao.ge/files/auditi/auditis-angarishebi/2019/mdgradi_ganvitarebis_miznebis_efeqtianobis_auditis_angarishi.pdf

STRATEGIC GOALS

The strategy is based on the following five strategic goals:

STRATEGIC
GOAL
1

Strengthening independence and mandate

STRATEGIC
GOAL
2

Improving public finance management system as a result of high quality audit work

STRATEGIC
GOAL
3

Strengthening cooperation with the key stakeholders

STRATEGIC
GOAL
4

Strengthening internal governance for more efficiency

STRATEGIC
GOAL
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 SAO

Output 1.1.1: Assessment of stakeholder's perceptions / expectations regarding the independence of the SAO

For a supreme audit institution, independence is the most important value with a continuous process for strengthening it. The existence of solid guarantees of independence has a big influence on the activities of the SAIs, their reputation and trust from the public.

INDICATOR 1.1.1.1:

The opinion survey of key stakeholders has been conducted

In accordance with the ISSAIs fundamental standards, the Lima (INTO-SAI-P 1) and Mexico Declarations (INTOSAI-P 10), the objectives of a SAI can be achieved only if it is independent from internal and external influences. In the process of moving towards these values, the SAO has made significant progress in terms of establishing the legal framework and implementing it in practice.¹² Along with legal guarantees of independence, the SAO continues to take care of strengthening both actual and perceived independence by identifying potential risks and establishing appropriate mechanisms for their management.

The SAO considers the most effective mechanism for strengthening independence to be continuous growth of the benefits brought to the society by auditing and care for its presentation. High-quality audits, results-oriented recommendations and proactive communication with all stakeholders for managing their expectations will help increase trust in the office.

OUTCOME 1.2: STRENGTHENING THE MANDATE OF THE SAO

Output 1.2.1: Creation of the legal basis for the revenue audit mandate

According to the Lima and Mexico declarations, the SAI must have a sufficiently broad mandate and unhindered access to all documents and information related to the audit objectives in order to be able to fully perform its activities. This includes the tax revenue audit mandate, which will enable the SAI to cover all aspects of the public finance management system.

INDICATOR 1.2.1.1:

The Organic Law on the State Audit Office defines the mandate for conducting revenue audit

¹² The law on the SAO was granted the status of organic law; the SAO was rendered the right to apply directly to the Constitutional Court of Georgia; The exception allowed in the Law on Remuneration of Labour in Public Institutions ensured the independence of the SAO in HR management, employment and determination of working conditions; financial audit (audit of financial statement) of the SAO is conducted by one of the world's 4 largest private auditing companies.

According to the SAI PMF assessment conducted in 2022, the Organic Law on the State Audit Office does not explicitly define the mandate of the office to conduct tax revenue audits. This represents an institutional challenge, the regulation of which is outlined as an obligation within the framework of the Economic Governance and Fiscal Accountability (EGFA) program of the European Union and Georgia. The SAO will continue to consult with the involved parties in relation to the mentioned issue, as well as ensure: communication is carried out with the Parliament regarding the draft legislative changes and the mandate of the organization is brought into compliance with international standards.

RISKS RELATED TO THE IMPLEMENTATION OF THE 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 awareness rising of stakeholders and receiving feedbacks;
- ▶ The SAO continues to carry out an active campaign to present the benefits created as a result of its work, both with key stakeholders and by communicating with the society;
- ▶ By planning audits with a risk-based approach, a sound system of quality control and assurance, and adherence to ethical values, the SAO continues to improve the quality of audits and the professional capabilities of its employees to create more value for society.

STRATEGIC GOAL 2. IMPROVING PUBLIC FINANCE MANAGEMENT SYSTEM AS A RESULT OF HIGH QUALITY AUDIT WORK

OUTCOME 2.1: IMPROVING 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

The quality of the SAO audits is determined by the methodological framework and the sound system of quality control and assurance. Having updated the methodological framework it is now in full compliance with the ISSAIs. The SAO continues reviewing the methodologies and its compatibility with international standards.

The implementation of the audit quality control review system, recognized by international practice, started in the past years, is currently in its final phase. According to this system, the group of quality reviewers is created from experienced auditors, who carry out quality control of pre-selected audits at all stages of the audit process (planning, execution, reporting). The SAO aims to ensure the full implementation of the quality control system in all types of audits and its institutionalization.

In parallel, the SAO continues working on the quality assurance system (the so-called cold review). The SAO aims to cover each type of audit with a certain periodicity with the quality assurance system and thereby contribute to the establishment of a uniform audit practice, the existence of a sound quality control system and the improvement of the quality of audits. This also includes systematic training for auditors involved in the quality control process and taking care of their professional development.

An important component of audit quality control is the electronic audit management system (AMS), which ensures unified framework of the audit process, procedures and their documentation. In parallel with the implementation of the AMS, it's important to adapt it to the needs of the SAO, institutionalize it and to utilize its wide functionality in practice. In this direction, the SAO aims to implement a working time recording system, which will contribute to the optimal distribution and management of human resources.

Professionalism of auditors determines the quality of audits. Accordingly, the SAO will continue taking care of continuous professional development of employees, raising their qualifications and strengthening their capabilities within the framework of the resources and tools available to the Office, as well as the support of partner organizations.

INDICATOR 2.1.1.1:

The share of financial audits that have undergone quality control procedure

INDICATOR 2.1.1.2:

The share of compliance audits that have undergone quality control procedure

INDICATOR 2.1.1.3:

The share of performance audits that have undergone quality control procedure

INDICATOR 2.1.1.4:

Annual quality assurance report is prepared for each type of audit at least once every three years

INDICATOR 2.1.1.5:

Auditor's time sheet module in AMS has been introduced

INDICATOR 2.1.1.6:

Number of auditors trained in IT audit

Due to the introduction of electronic services and systems in the public sector, the development of information technology and the introduction of e-governance elements, the relevance of IT audit has considerably increased. Taking into account the current needs, the SAO aims, on the one hand, to strengthen the IT audit function in terms of both quantitative and professional growth of IT auditors, and on the other hand, to develop the IT skills of the auditors involved in other types of audits and raise their competence on the fundamental issues of IT audit.

Output 2.1.2: Ensuring supervision of the country's financial accounting-reporting system

The Government of Georgia is in the process of implementing the International Public Sector Accounting Standards (IPSAS). As of now, the reform is at the final stage and in the near future, the financial statements of all budget organizations at the level of the central government will be prepared based on IPSAS standards. In addition, the State Treasury annually prepares consolidated financial statements of the Government.

The recognized practice of the SAIs of developed countries is to audit consolidated financial statement of the Government. In the period of the current strategy, the SAO aims to move to the next level of institutional development and foster practice of auditing Government's consolidated financial statement. This, in turn, ensures the full coverage of the state budget and full supervision of the country's financial accounting and reporting system.

The precondition for auditing Government's consolidated financial statement is the audit of tax revenues. In 2022 the SAO conducted the first financial audit of tax revenues. In parallel with the amendments in the Organic Law, the SAO will continue auditing budget revenues with full extent of financial audit. In addition, to contrite to the improvement of the tax administration system, the SAO also aims to conduct performance audits in this field.

INDICATOR 2.1.2.1:

Financial audit of tax revenues has been conducted

INDICATOR 2.1.2.2:

Performance audit of tax revenues has been conducted

INDICATOR 2.1.2.3:

Financial audit of the Government's consolidated financial statement has been conducted

Output 2.1.3: Ensuring a high rate of audit coverage of organizations and areas included in the SAO's mandate

While delivering the mandate defined by the law, the SAO is guided with the criteria established by the SAI's international standards and various evaluation mechanisms (for example, SAI-PMF, PEFA etc.). An important indicator for the assessment of the SAO's performance is the volume/frequency of coverage of organizations included in the mandate, state sectors and topics. The SAO aims to achieve following coverage rates:

- ▶ Maintaining the consolidated budget coverage rate at least 90%. In addition, auditing Government's consolidated financial statement will render the SAO the opportunity to further increase the financial coverage of the budget;
- ▶ Covering thematic areas of the public finance management system with compliance audits and studying systemic issues. In this regard, the SAO aims to actively use interagency compliance audits in practice in the upcoming years as well;
- ▶ Coverage of large and materially important state owned enterprises. Due to the high public interest and urgency of the issue, the SAO plans to ensure the coverage of large state owned enterprises during the strategy period;
- ▶ Increasing both the quantity of performance audits and the number of state sectors¹³ covered by them. Performance audit remains a priority direction of the SAO. By means of performance audits, the SAO carries out the analysis of state programs/projects with the principles of economy, effectiveness and efficiency, which is a matter of high public interest. The SAO aims to gradually increase the share of performance audits in the total audit work to at least 30%, and at the same time, to ensure the coverage of the main state sectors with thematic diversification;
- ▶ All municipalities will be audited at least once within 3 years;
- ▶ Auditing donor funded projects. The SAO plans to continue auditing the projects of international donor organizations in the coming years and thereby strengthen the trust that was declared by those partners.

INDICATOR 2.1.3.1:

The coverage rate of the consolidated budget

INDICATOR 2.1.3.2:

Number of interagency compliance audits

INDICATOR 2.1.3.3:

Number of state owned enterprise audits

INDICATOR 2.1.3.4:

Share of performance audits in total audit work

INDICATOR 2.1.3.5:

Number of sectors covered by the performance audit

INDICATOR 2.1.3.6:

All municipalities are audited at least once every three years

INDICATOR 2.1.3.7:

Donor funded project audits has been conducted

¹³ The sectors defined by the classification of the functions of Government (COFOG) international classification.

Determining audit priority/strategic directions is considered an internationally proven approach among the SAIs. The purpose of such an approach is to direct the institution's resources to several state sectors - taking into account its materiality, importance and high public interest, which in turn serves to render the maximum benefit from targeted audit activities. In 2023-2027, the priority directions of the SAO will be:

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

Output 2.1.4: Ensuring adherence with international standards for completion of audits

The challenge for the SAO is to complete audits within the timeframe set by the SAI PFM methodology. This mainly applies to financial audits. Timely completion of financial audits will enable auditees to take into account the issues identified in their current year's activities. Also, the issue of financial audit completion is an important component for expressing an opinion on the Government's consolidated financial statement. Accordingly, the SAO aims to gradually increase the number of financial audits that will be completed within 6 months from the receipt of the financial statements and thereby ensure the smooth implementation of the audit of the consolidated financial statement.

INDICATOR 2.1.4.1:

Share of financial audits completed no later than 6 months after receiving financial statements

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

Output 2.2.1: Improving the monitoring process of implementation of audit recommendations

The ultimate goal of the SAO, as the supreme audit institution, is to create value for citizens by implementing audit recommendations. The SAO constantly strives to develop quality and effective recommendations by improving internal processes and establishing an effective monitoring mechanism. At the same time, it's the priority to facilitate the timely implementation of recommendations through effective communication and cooperation with the Parliament and budgetary organizations.

INDICATOR 2.2.1.1:

Share of audits conducted during the year, which recommendations implementation is being monitored through the ARIS

In 2021 the SAO launched an electronic system for monitoring the implementation of audit recommendations – ARIS.¹⁴ The system fully transfers the monitoring process to the electronic space ensures proactive communication with auditees, automation of processes and the existence of an effective monitoring mechanism.

As of 2022, 7 ministries and 30 subordinate budget organizations, as well as both autonomous republics and 3 municipalities are registered in the ARIS. The SAO aims to monitor all audit recommendations issued during the strategy period through the ARIS system.

In order to ensure the implementation of the recommendations, it's important to involve the Parliament in this process. In order to increase the awareness of the Parliament, the SAO plans to continue the current practice and annually prepare an analytical report on the implementation of the recommendations, which will allow the Parliament to receive detailed information on the challenges and systemic issues related to the implementation of audit recommendations.

INDICATOR 2.2.1.2:

The annual report on the implementation of audit recommendations has been prepared

Output 2.2.2: Implementing audit recommendation's impact assessment approach

Against the background of institutional strengthening, significant improvements in the quality of audits and implementation of effective recommendation monitoring system, the SAO aims to move to the next stage of organizational development and introduce recommendation impact assessment approach. Measuring the benefits received from the implementation of audit recommendations is an internationally recognized practice used successfully by leading SAs such as the US Government Accountability Office (US GAO) and the UK National Audit Office (UK NAO).

INDICATOR 2.2.2.1:

Number of recommendations which impact is measured

The SAO has been cooperating with the US GAO since 2020 to develop a mechanism for evaluating the impact of audit recommendations. In 2021-2022, together with the US colleagues, 3 pilot performance audits were conducted, in which the mentioned approach was used. The SAO aims by developing/updating the methodological basis and strengthening the employees' capabilities, to gradually ensure the measurement of the impact received from the implementation of the recommendations.

¹⁴ www.sao.aris.ge

RISKS RELATED TO THE IMPLEMENTATION OF THE STRATEGIC GOAL

- ▶ Outdated functionality of the audit management system;
- ▶ Delays in communication with auditees during the audit process;
- ▶ Absence of the necessary legal framework for auditing the Government's consolidated financial statement;
- ▶ Limited number of IT auditors;
- ▶ Neglecting recommendations by the budgetary organisations.

RISK MANAGEMENT

- ▶ The SAO provides periodic monitoring of the functionality of the audit management system and, if necessary, appropriate updating;
- ▶ Proactive communication with auditees in order to avoid delays in the audit process, including the involvement of top management;
- ▶ Consultations with the Finance and Budget Committee of the Parliament and the Ministry of Finance to regulate the legislative framework;
- ▶ Continuous care for professional development of IT auditors. In addition, raising the qualifications of auditors of all areas in IT skills;
- ▶ Introducing the ARIS system for auditees, providing instructions and informing about its benefits;
- ▶ Periodically informing the Parliament about the state of implementation of the recommendations.

STRATEGIC GOAL 3. STRENGTHENING COOPERATION WITH THE KEY STAKEHOLDERS

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

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

The Parliament of Georgia oversees the management of public finances through the SAO. The Parliament is the main partner of the SAO and the main user of audit reports. The close cooperation between the SAO and the Parliament is the cornerstone of accountability and transparency in public administration.

The cooperation between the SAO and the Parliament moved to a new level as a result of the creation of a Permanent Audit Group reviewing audit reports within the Finance and Budget Committee. Over the years, the mentioned platform has been established as an effective mechanism for reviewing audit reports and implementing appropriate responses. The SAO will continue to proactively communicate with the Audit Group in this direction. The joint objective is to review all audit reports¹⁵ submitted to the Audit Group.

In addition, in order to further deepen the cooperation between the SAO and the Audit Group, the SAO plans to provide information about the systemic audit findings/recommendations to the group through various formats. Along with the audit reports, conducting periodic reviews of the implementation of audit recommendations will contribute to the increase of the implementation rate of recommendations and, accordingly, create more value for citizens.

INDICATOR 3.1.1.1:

The share of audits reviewed by the Audit Group of the Finance and Budget Committee in the audits conducted at the central government level delivered to the Parliament during the year

INDICATOR 3.1.1.2:

The state of implementation of the audit recommendations has been reviewed by the Audit Group of the Finance and Budget Committee of the Parliament

Output 3.1.2: Ensuring effective cooperation with the Government by extending communication

Cooperation with the executive authorities is of vital importance to ensure further response to the audit findings and the recommendations. In this regard, the SAO plans to establish effective cooperation by improving organizational processes, on the one hand, and by applying various communication platforms, on the other hand.

Along with introducing the audit recommendation implementation electronic system, the SAO will continue holding frequent meetings

INDICATOR 3.1.2.1:

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

¹⁵ Audits conducted on central level.

with the management of the government institutions for discussing systemic findings and recommendations. Furthermore, the SAO aims to introduce a feedback mechanism with the auditees in accordance with the international practices, which will contribute to further improvement of audit processes, creating the framework for cooperation based on mutual understanding.

Output 3.1.3: Raising awareness and ensuring the quality of engagement with media, civil society and citizens

The goal of the SAO is to promote raising awareness of the media and civil society on issues related to the management of public finances and the activities of the SAO through developing modern approaches. In this regard, the organisation will develop a communication strategy describing in details the platforms and mechanisms of cooperation with stakeholders.

The SAO plans to organise the series of thematic seminars and workshops with media and civil society representatives for raising awareness and sharing information regarding the SAO's activities, achieved results, systemic issues identified within the audits conducted in public sector and issued recommendations. In order to disseminate information on the implementation of the goals and the results for the assessment of the impact of audit recommendations, the SAO will actively use the blog platform.¹⁶

Budget Monitor¹⁷ is an innovative platform for ensuring transparency of public finances and providing information to society, through which the SAO promotes raising the awareness and engagement of citizens in the process of managing public finances. The SAO plans to update the functionality of the budget monitor in order to adapt the platform to the users' needs and to further simplify the process of finding and processing the necessary information.

INDICATOR 3.1.3.1:

Number of workshops hosted with media and civil society representatives

INDICATOR 3.1.3.2:

Functionally updated SAO's analytical web platform - Budget Monitor

¹⁶ www.blog.sao.ge

¹⁷ www.budgetmonitor.ge

Output 3.1.4: Increasing support of donor organisations and international partners of the SAO through effective communication

Support of the international partners is an important component for ensuring the institutional and organisational development of the SAO. During the strategy period, the SAO aims to maintain and deepen cooperation with donor organisations through close communication and initiation of new joint projects.

The result of successful cooperation with international donor organisations is the trust that USAID and the World Bank expressed to the SAO. In particular, for several years, the SAO has been the auditor of the projects funded by the USAID and the World Bank in the region. The goal of the organisation is to continue this cooperation with the international partners next years and involvement in the audit of new projects.

INDICATOR 3.1.4.1:

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

RISKS RELATED TO THE IMPLEMENTATION OF THE STRATEGIC GOAL

- ▶ Low public perception of the activities of the SAO;
- ▶ Low involvement of the Parliament in the process of reviewing audit reports and further response to the recommendations;
- ▶ The SAO is unable to manage external expectations related to its role or audit findings;
- ▶ Lack of interest from the donor organisations.

RISK MANAGEMENT

- ▶ Holding regular workshops with the key stakeholders of the SAO;
- ▶ Regular review of stakeholders and customer opinion survey;
- ▶ Seminars and workshops for media representatives;
- ▶ Discussion of audit findings, recommendations and impact assessment results of relevant sector audits with thematic public groups;
- ▶ Proactive communication with the Parliament on the state of important audit reports, systemic findings and implementation of recommendations;
- ▶ Holding periodic workshops with partner donors, for sharing the activities of the organisation and the necessary needs to achieve strategic goals.

STRATEGIC GOAL 4. STRENGTHENING INTERNAL GOVERNANCE FOR MORE EFFICIENCY

OUTCOME 4.1: ESTABLISHING THE SAO AS A MODEL ORGANISATION OF THE PUBLIC SECTOR

Output 4.1.1: Strengthening the internal governance system

A sound system of internal governance and established organisational culture are an important components for the successful operation of the SAIs. The SAO is focused on increasing the efficiency of activities through the strengthening of governance systems, which will enable to overcome both internal and external challenges arising in a changing environment, to ensure further development of strengths and creation of more value for the society, as well as to establish the SAO as a model organisation in the public sector.

An important role in the strategy is attributed to the management of the internal organisational environment, reflected in increasing efficiency of business processes, existence of sound strategic and operational planning, quality control, financial management and risk analysis systems, strengthening ethical values and creating a safe working environment.

The internal governance system should ensure timely detection of operational and reputational risks and appropriate response. In this regard, an Ethics Commission has been created in the SAO, which ensures the establishment of a system of prevention, detection and response to possible violations of values declared by the Code of Ethics. In an ever-changing environment, risks have also been changing in line with activities. Consequently, the goal of the SAO is to update the existing ethics handbook that provides employees with detailed information about ethical values and standards through specific examples; the SAO also plans to conduct relevant trainings to increase the awareness of the employees.

It is a matter of reputation for the SAO to have a sound organisational, human resources and financial management systems, as well as a high standard of transparency and accountability, which makes the organisation a role-model institution in the public sector.

Within the process of continuous development of high quality of its activities, the SAO aims to continue the practice of conducting international and complex assessments such as SAI-PMF and IntoSAINT. These assessments ensure a realistic assessment of current situation and challenges of the SAO and helps to take target oriented steps towards creating more value for the society.

INDICATOR 4.1.1.1:

Evaluation of the SAO's integrity environment with the IntoSAINT methodology

INDICATOR 4.1.1.2:

Evaluation of the SAO's performance with the SAI PMF methodology

INDICATORS 4.1.1.3:

Updated Ethics Handbook

INDICATOR 4.1.1.4:

An unqualified opinion has been issued by the independent auditor on the SAO's financial statement

Output 4.1.2: Strengthening information technology systems

Considering the challenges in the modern technological world, the priority for the SAO remains to ensure information security. The SAO realises the challenges it faces in protecting the confidentiality, integrity and accessibility of information in the organisation, as well as their management. Accordingly, the SAO aims at creating a secure information technology environment equipped with relevant control systems by implementing/updating IT security policies and procedures, as well as improving the IT infrastructure, and as a result fully complying with the requirements of the ISO 27001 international standard.

For the development of IT services, personnel and infrastructure, the Information Security Council has been operating in the SAO and a long-term IT strategy is adopted. The SAO plans to update the strategy based on the periodical assessment of the IT environment and identification of the relevant needs.

Along with security, the SAO constantly strives to optimize the management process of information assets and IT systems so that they can fully respond to modern technological challenges. In this regard, the SAO aims to introduce a centralized computer management system - VDI (Virtual Desktop Infrastructure), which will ensure both timeliness and flexibility of IT service delivery, as well as a high standard of security in the organisation.

INDICATOR 4.1.2.1:

The SAO is certified by ISO 27001 international standard

INDICATOR 4.1.2.2:

IT environment of the SAO is evaluated

INDICATOR 4.1.2.3:

The SAO's long-term IT strategy has been updated

INDICATOR 4.1.2.4:

Virtual Desktop Infrastructure (VDI) has been introduced

RISKS RELATED TO THE IMPLEMENTATION OF THE STRATEGIC GOAL

- ▶ Business processes fail to ensure effective management of strategic and operational risks;
- ▶ The internal control system fails to ensure the prevention and management of ethical risks;
- ▶ The SAO's IT security system fails to prevent cyber attacks.

RISK MANAGEMENT

- ▶ Periodic analysis of the SAO's business processes and finding ways to improve;
- ▶ Encouraging ethical conduct of employees through the work of the Ethics Commission, raise awareness and introducing effective whistleblower mechanisms;
- ▶ Continuous capacity building of the staff of the SAO's IT Administration Department and development of the infrastructure necessary for ensuring IT security.

STRATEGIC GOAL 5. PROFESSIONAL DEVELOPMENT OF EMPLOYEES

OUTCOME 5.1: INCREASING MOTIVATION OF EMPLOYEES BY PROMOTING PROFESSIONAL AND CAREER DEVELOPMENT

Output 5.1.1: Promotion of professional and career development of employees

Highly qualified and professional staff is the cornerstone for delivering the SAO's mandate with high-quality audits and achieving strategic goals. Human resources are the main asset of the institution. The SAO priority is to attract and retain professional staff and to ensure their retention by promoting further development and raising their motivation.

To support promotion, professional and career development of employees, the SAO will continue to identify training and further development needs through the annual appraisal system, on the basis of which an individual professional development plans are developed. In addition, the SAO plans to introduce a continuous professional development system, which ensures compliance with the requirements of the standards and modern challenges by constantly improving the knowledge and qualifications of employees.

Taking into consideration high competition in the field of auditing the SAO aims to develop the mechanisms of increasing motivation of employees, which will help to retain promising staff. In this regard, the SAO ensures the involvement of employees in various international or local professional development programs, the implementation of measures to promote teamwork and organisational culture, as well as periodically conducting employee satisfaction surveys, which will allow the management of the SAO to analyze and evaluate the needs of employees.

The LEPL Public Audit Institute is the platform for continuous learning of employees which offers various programs and training courses for professional development to the employees of the SAO. In addition, with the support of the donor organisations, the SAO ensures participation of employees in various international certification programs.

INDICATOR 5.1.1.1:

The Human Resources Management Strategy for 2023–2027 has been developed

INDICATOR 5.1.1.2:

Individual professional development plans of the employees has been developed

INDICATOR 5.1.1.3:

Number of employees who have received international and national professional certificates

INDICATOR 5.1.1.4:

An employee satisfaction survey has been carried out

INDICATOR 5.1.1.5:

Measures to promote teamwork and organisational culture of employees have been carried out

The SAO also plans to continue the successful practice of the internship program during the strategy period. The program aims to attract young, promising staff, their professional development with internal resources, and thus, to strengthen the SAO's work. In this regard, the organisation will closely cooperate with higher educational institutions.

INDICATOR 5.1.1.6:

The internship program is implemented

Creating a modern approaches of human resources management system is an important precondition for achieving the strategic goals and establishing the SAO as a model organisation in the public sector. Therefore, the organisation will also develop the human resources management strategy, which will outline detailed activities and measures to be implemented in this field.

INDICATOR 5.1.1.7:

Annual employee outflow rate

RISKS RELATED TO THE IMPLEMENTATION OF THE STRATEGIC GOAL

- ▶ Lack of mechanisms for employee motivation;
- ▶ Limited capacities to attract new employees.

RISK MANAGEMENT

- ▶ Establishment of a competitive system of remuneration for the employees;
- ▶ Offering professional and declared career development opportunities to employees;
- ▶ Taking measures for promoting organisational culture and corporate values.

STRATEGY MONITORING AND REPORTING

The SAO ensures 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 5), 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 3), as well as with the financial support of the donor organisations (see Annex 4).

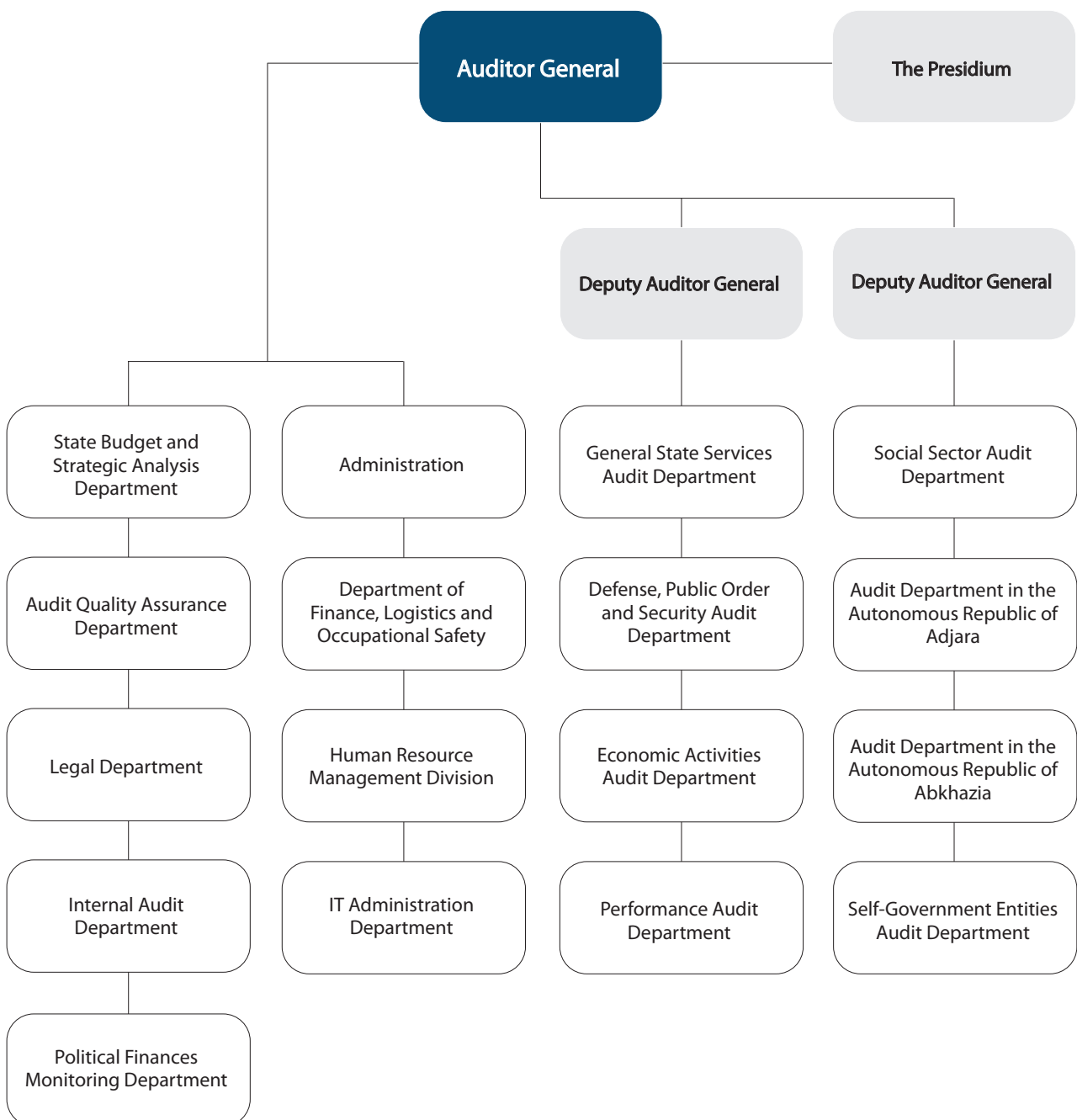
The SAO develops annual operational plans to achieve outcomes and outputs presented in the strategy. The information on the activities carried out during the year and the results achieved is reflected in the annual performance report,¹⁹ which is submitted to the Parliament of Georgia and is publicly available.

The results of the implementation of the strategy will be evaluated in the final year of the strategy according to the performance measurement framework of the SAls - using the SAI PMF assessment.

¹⁹ www.sao.ge

ANNEXES

ANNEX 1: ORGANOGRAM OF THE SAO²⁰



20 According to the decision of the Parliament of Georgia, the Anti-corruption Bureau has been created in 2022, which will transfer the function of monitoring political finances from 1st of September, 2023.

ANNEX 2. RESULTS OF THE SAI-PMF ASSESSMENT CONDUCTED IN 2022 AND 2017

Indicator		Year	Dimensions				Overall Score	Change compared to 2017
			i	ii	iii	iv		
Domain A. Independence and Legal Framework								
SAI-1	Independence of the SAO	2017	3	4	3	2	3	≥
		2022	3	4	4	2	3	
SAI-2	Mandate of the SAO	2017	1	2	3		2	≥
		2022	1	2	4		2	
Domain B. Internal Governance and Ethics								
SAI-3	Strategic planning cycle	2017	3	4	4	3	3	↑
		2022	4	4	4	3	4	
SAI-4	Organisational control environment	2017	0	1	2	2	1	↑
		2022	4	3	4	4	4	
SAI-6	Leadership & internal communication	2017	2	4			3	↑
		2022	4	4			4	
SAI-7	Overall audit planning	2017	3	1			2	↑
		2022	4	3			3	
Domain C. Audit Quality and Reporting								
SAI-8	Audit coverage	2017	0	3	2		2	≥
		2022	0	4	2		2	
SAI-9	Financial audit foundations	2017	4	3	2		3	≥
		2022	4	3	3		3	
SAI-10	Financial audit process	2017	1	1	2		1	↑
		2022	3	3	3		3	
SAI-11	Financial audit results	2017	3	4	2		3	↑
		2022	3	4	4		4	
SAI-12	Performance audit foundations	2017	4	3	2		3	↑
		2022	4	3	4		4	
SAI-13	Performance audit process	2017	3	3	3		3	=
		2022	3	3	3		3	
SAI-14	Performance audit results	2017	0	3	3		2	↑
		2022	2	4	4		3	
SAI-15	Compliance audit foundations	2017	2	3	1		2	↑
		2022	4	3	3		3	
SAI-16	Compliance audit process	2017	0	1	2		1	↑
		2022	3	3	3		3	
SAI-17	Compliance audit results	2017	3	2	2		2	↑
		2022	1	4	4		3	

Domain D. Financial Management, Assets and Supports Service								
SAI-21	Financial management, Assets and support	2017	3	2	3		3	↑
		2022	3	4	4		4	
Domain E. Human Resources and Training								
SAI-22	Human resources management	2017	3	2	2	2	2	↑
		2022	4	4	4	4	4	
SAI-23	Professional development and training	2017	2	2	2	2	2	↑
		2022	4	4	4	4	4	
Domain F. Communication and Stakeholder Engagement								
SAI-24	Communication with the Legislative, the Executive and the Judiciary	2017	2	3	2	2	2	↑
		2022	4	4	4	4	4	
SAI-25	Communication with media, citizens & CSOs	2017	3	4			3	↑
		2022	4	4			4	

ANNEX 3. FINANCIAL AND HUMAN RESOURCES OF THE SAO

	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Budget (thousand GEL)	21,300	23,044	23,972	26,083	26,873
Number of employees	351	341	341	341	341

ANNEX 4. SUPPORT OF DONOR ORGANISATIONS DURING THE IMPLEMENTATION OF THE STRATEGY

N	Project/Programme Name	Project/Program Description	Project Duration
1. European Union			
1.1	Economic Governance and Fiscal Accountability Technical Assistance Program	Project objectives: <ul style="list-style-type: none"> Improving the legal framework of the SAO and ensuring its compliance with ISSAIs; Strengthening capacity of the SAO for financial, compliance, performance and revenue audits; Capacity building of municipalities with the involvement of the SAO. 	2022-2024
1.2	Security, Accountability and Fight against Crime in Georgia (SAFE)	Project objectives: <ul style="list-style-type: none"> Strengthening the oversight of the security sector; Prevention and fighting against crime; Regulation of hybrid and emerging threats; Improvement of civil protection. 	2022-2024
2. USAID			
2.1	National Governance Program (NGP)	Project objectives: <ul style="list-style-type: none"> Strengthening public administration transparency, accountability and efficiency in Georgia; Strengthening tools of citizen engagement in the process of public finance management; Support of the SAO in strengthening its institutional development, professional capacity building, citizen engagement and communication improvement. 	2023-2027
2.2	USAID G4G Project	Project objectives: <ul style="list-style-type: none"> 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. 	2018-2023

ANNEX 5. STRATEGY RESULT FRAMEWORK

Strategic Goal 1. Strengthening Independence and Mandate²¹								
Outcome 1.1: Achieving perceived independence of the SAO								
Output	Indicator	Baseline	2023 Target	2024 Target	2025 Target	2026 Target	2027 Target	Resources
Output 1.1.1: Assessment of stakeholder's perceptions / expectations regarding the independence of the SAO	Indicator 1.1.1.1: The opinion survey of key stakeholders has been conducted	SAI-PMF Assessment conducted in 2022			X		X	1. Stakeholders' opinion survey mechanisms; 2. A report on opinion survey of key stakeholders.
Outcome 1.2: Strengthening the mandate of the SAO								
Output	Indicator	Baseline	2023 Target	2024 Target	2025 Target	2026 Target	2027 Target	Resources
Output 1.2.1: Creation of the legal basis for the revenue audit mandate	Indicator 1.2.1.1: The Organic Law on the State Audit Office defines the mandate for conducting revenue audit	Draft amendments of the Organic Law has been prepared	X					1. Working meetings with the Parliament and the Ministry of Finance.

²¹ Strengthening the independence of the SAO depends on external factors; hence, most of the measures taken for this objective are not fully under the control of the SAO.

Strategic Goal 2. Improving Public Finance Management System as a Result of High Quality Audit Work**Outcome 2.1: Improving accountability and transparency in the public sector**

Output	Indicator	Baseline	2023 Target	2024 Target	2025 Target	2026 Target	2027 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: The share of financial audits that have undergone quality control procedure	93% in 2022	100%	100%	100%	100%	100%	1. Financial, compliance and performance audit methodologies in line with ISSAI standards. 2. Financial, compliance and performance audit reports. 3. Reports on the state budget execution, and opinions on the draft state budget law. 4. Audit quality control and assurance systems in line with ISSAI standards. 5. Auditors systematically trained in audit methodologies. 6. Quality reviewer auditors, systematically trained in quality control procedures and processes. 7. Updated and functional Audit Management System (AMS). 8. The legislative framework created for auditing of the Government's consolidated financial statement. 9. Defined approaches/procedures for auditing the Government's consolidated financial statement. 10. Financial auditors trained in IPSAS standards. 11. Increased number of IT auditors. 12. Trained financial, compliance and performance auditors in IT audit. 13. Performance auditors trained in conducting interviews and researches.
	Indicator 2.1.1.2: The share of compliance audits that have undergone quality control procedure	63% in 2022	35%	40%	45%	50%	50%	
	Indicator 2.1.1.3: The share of performance audits that have undergone quality control procedure	44% in 2022	40%	45%	50%	50%	50%	
	Indicator 2.1.1.4: Annual quality assurance report is prepared for each type of audit at least once every three years	In 2021-2022 the annual report on the quality assurance of compliance and performance audits were prepared	X	X	X	X	X	
	Indicator 2.1.1.5: Auditor's time sheet module in AMS has been introduced	Auditor's time sheet module is technically developed		X	X	X		
	Indicator 2.1.1.6: Number of auditors trained in IT audit	15 auditors have been trained	10	10	10	10	10	

Strategic Goal 2. Improving Public Finance Management System as a Result of High Quality Audit Work**Outcome 2.1: Improving accountability and transparency in the public sector**

Output 2.1.2: Ensuring supervision of the country's financial accounting-reporting system	Indicator 2.1.2.1: Financial audit of tax revenues has been conducted	Financial audit of the tax revenues was conducted in 2022		X			
	Indicator 2.1.2.2: Performance audit of tax revenues has been conducted	Performance audit of the tax revenues has not been conducted			X	X	X
	Indicator 2.1.2.3: Financial audit of the Government's consolidated financial statement has been conducted	Audit of the Government's consolidated financial statements has not been conducted			X	X	X
Output 2.1.3: Ensuring a high rate of audit coverage of organizations and areas included in the SAO's mandate	Indicator 2.1.3.1: The coverage rate of the consolidated budget	90% in 2022	>=90%	>=90%	>=90%	>=90%	>=90%
	Indicator 2.1.3.2: Number of interagency compliance audits	In 2018-2022 6 Interagency compliance audit were conducted	3	3	3	3	3
	Indicator 2.1.3.3: Number of state owned enterprise audits	In 2018-2022 15 state owned enterprises were audited	3	4	4	4	4
	Indicator 2.1.3.4: Share of performance audits in total audit work	18% in 2022	>=20%	>=25%	>=25%	>=30%	>=30%
	Indicator 2.1.3.5: Number of sectors covered by the performance audit	4 sectors were covered in 2022	5	5	5	6	6

Strategic Goal 2. Improving Public Finance Management System as a Result of High Quality Audit Work**Outcome 2.1: Improving accountability and transparency in the public sector**

	Indicator 2.1.3.6: All municipalities are audited at least once every three years	In 2020-2022 all municipalities were audited	X	X	X	X	X	
	Indicator 2.1.3.7: Donor funded project audits has been conducted	In 2018-2022 6 donor funded project audits were conducted	X	X	X	X	X	
Output 2.1.4: Ensuring adherence with international standards for completion of audits	Indicator 2.1.4.1: Share of financial audits completed no later than 6 months after receiving financial statements	7% in 2022	50%	60%	100%	100%	100%	

Outcome 2.2: Creating added value for the society by implementing audit recommendations

Output 2.2.1: Improving the monitoring process of implementation of audit recommendations	Indicator 2.2.1.1: Share of audits conducted during the year, which recommendations implementation is being monitored through the ARIS	28% in 2022	100%	100%	100%	100%	100%	1. Fully functional ARIS system. 2. Auditors are trained in the writing of recommendations and using of the ARIS system. 3. Representatives of budgetary organisations involved in the ARIS system are trained in the use of the system. 4. The Budget and Finance Committee is engaged into the ARIS system. 5. Manual/approaches for impact assessment of the recommendations has been developed. 6. Trained Auditors in approaches of impact assessment of the recommendations. 7. Expert level support provided by the donors regarding the recommendation implementation impact assessment.
	Indicator 2.2.1.2: The annual report on the implementation of audit recommendations has been prepared	In 2022 an annual analytical report on the implementation of the recommendations was prepared and submitted to the Budget and Finance Committee	X	X	X	X	X	
Output 2.2.2: Implementing audit recommendation's impact assessment approach	Indicator 2.2.2.1: Number of recommendations which impact is measured	In 2021-2022 within the 3 audits the impact of findings were assessed	5	10	10	15	20	

Strategic Goal 3. Strengthening Cooperation with the Key Stakeholders**Outcome 3.1: Better understanding of the activities and results of the SAO among the stakeholders and increasing the impact with their involvement**

Output	Indicator	Baseline	2023 Target	2024 Target	2025 Target	2026 Target	2027 Target	Resources
Output 3.1.1: Increasing the impact of the audit work through effective communication with the Parliament	Indicator 3.1.1.1: The share of audits reviewed by the Audit Group of the Finance and Budget Committee in the audits conducted at the central government level delivered to the Parliament during the year	In 2022 Audit Group reviewed 30 audit reports	70%	80%	90%	100%	100%	1. The SAO's annual performance report discussed by the Parliament. 2. Regular working meetings with the Budget and Finance Committee to discuss systematic issues. 3. Providing the results of monitoring of audit recommendations to the Budget and Finance Committee. 4. Audit reports discussed by the Audit Group. 5. Regular working meetings with senior government officials. 6. Feedback survey for the auditees. 7. Press releases and short summaries of audit reports posted on the official website and social media of the SAO. 8. Systematic production of media monitoring and media analysis. 9. Conducted thematic discussions with stakeholders about the state of implementation of recommendations. 10. Feedback mechanism with the media and CSOs. 11. Support of donor organisations in the process of updating the Budget Monitor. 12. The needs of the SAO have been identified and respective communication has been established with the donors and other partners. 13. Regular working meetings with donor organisations to make them familiar with the results of the SAO's work. 14. Communication Strategy of the SAO. 15. Audits of donor funded projects.
	Indicator 3.1.1.2: The state of implementation of the audit recommendations has been reviewed by the Audit Group of the Finance and Budget Committee of the Parliament	Status of implementation of audit recommendations has not been reviewed			X	X	X	
Output 3.1.2: Ensuring effective cooperation with the Government by extending communication	Indicator 3.1.2.1: The feedback mechanism with auditees on the audit process has been implemented	General framework of the feedback mechanism has been developed		X	X	X	X	
Output 3.1.3: Raising awareness and ensuring the quality of engagement with media, civil society and citizens	Indicator 3.1.3.1: Number of workshops hosted with media and civil society representatives	On average one working meeting is held every year	2	2	2	2	2	
	Indicator 3.1.3.2: Functionally updated SAO's analytical web platform - Budget Monitor	Existing Budget Monitor	X	X				
Output 3.1.4: Increasing support of donor organisations and international partners of the SAO through effective communication	Indicator 3.1.4.1: Number of projects with donor and other partner organisations in which the SAO is involved	3 project in 2022	3	3	2	2	2	

Strategic Goal 4. Strengthening Internal Governance for more Efficiency**Outcome 4.1: Establishing the SAO as a model organisation of the public sector**

Output	Indicator	Baseline	2023 Target	2024 Target	2025 Target	2026 Target	2027 Target	Resources
Output 4.1.1: Strengthening the internal governance system	Indicator 4.1.1.1: Evaluation of the SAO's integrity environment with the IntoSAINT methodology	IntoSAINT assessment was conducted in 2022					X	1. Ethics Commission. 2. Functional system for identifying, reducing, preventing and encouraging ethical behaviors. 3. Employees trained in ethics and internal control policies. 4. Mechanisms for involving employees in the decision-making process. 5. The internal control environment of the SAO is periodically evaluated. 6. Financial accounting-reporting system.
	Indicator 4.1.1.2: Evaluation of the SAO's performance with the SAI PMF methodology	SAI-PMF assessment was conducted in 2022					X	
	Indicator 4.1.1.3: Updated Ethics Handbook	Existing draft version of ethics handbook	X	X				
	Indicator 4.1.1.4: An unqualified opinion has been issued by the independent auditor on the SAO's financial statement	The SAO received an unqualified opinion on the financial statements of 2018-2021	X	X	X	X	X	
Output 4.1.2: Strengthening information technology systems	Indicator 4.1.2.1: The SAO is certified by ISO 27001 international standard	The SAO is not certified with ISO 27001 certificate				X		1. Information Security Council. 2. Information Security Officer. 3. Employees periodically trained in informational security issues. 4. Assessment report of the existing state of information systems of the SAO. 5. Information security action plan. 6. Information security environment evaluation report. 7. Developed/updated information security policies and procedures. 8. Employees trained in using Virtual Desktop Infrastructure (VDI).
	Indicator 4.1.2.2: IT environment of the SAO is evaluated	Information Security Officer of the SAO conducts periodic assessments of IT environment	X	X	X	X	X	
	Indicator 4.1.2.3: The SAO's long-term IT strategy has been updated	IT strategy	X			X		
	Indicator 4.1.2.4: Virtual Desktop Infrastructure (VDI) has been introduced	Virtual Desktop Infrastructure (VDI) is operating in pilot mode	X	X				



Strategic Goal 5. Professional Development of Employees**Outcome 5.1: Increasing motivation of employees by promoting professional and career development**

Output	Indicator	Baseline	2023 Target	2024 Target	2025 Target	2026 Target	2027 Target	Resources
Output 5.1.1: Promotion of professional and career development of employees	Indicator 5.1.1.1: The Human Resources Management Strategy for 2023–2027 has been developed	Existitng Human Resource Management Strategy	X					1. Employee performance appraisal system. 2. Evaluation reports of the professional development and outcomes of conducted trainings. 3. Monitoring Reports of Human Resource Management Strategy. 4. Involvement of employees in international and national certification programs is ensured. 5. Developed recruitment plan for the relevant qualified employees, based on the needs of the SAO and the available vacancies. 6. Continuous professional development system of employees has been developed. 7. LEPL - Public Audit Institute. 8. Enhanced cooperation with higher educational institutions.
	Indicator 5.1.1.2: Individual professional development plans of the employees has been developed	Professional development plan of employees for 2022	X	X	X	X	X	
	Indicator 5.1.1.3: Number of employees who have received international and national professional certificates	About 140 employees of the SAO have international and national professional certificates	20	20	20	20	20	
	Indicator 5.1.1.4: An employee satisfaction survey has been carried out	An employee satisfaction survey has been developed		X		X		
	Indicator 5.1.1.5: Measures to promote teamwork and organisational culture of employees have been carried out	One event was held in 2022	X	X	X	X	X	
	Indicator 5.1.1.6: The internship program is implemented	An internship program was conducted in 2018 and 2020		X				
	Indicator 5.1.1.7: Annual employee outflow rate	4% in 2022	<=5%	<=5%	<=5%	<=5%	<=5%	





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