



STATE AUDIT OFFICE OF GEORGIA

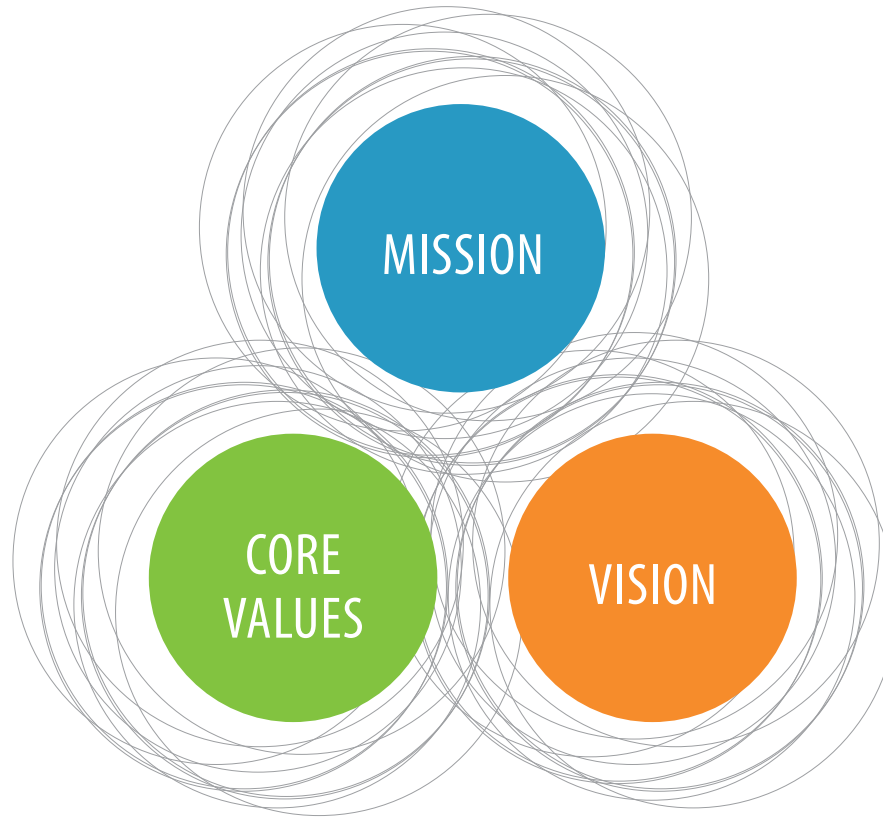
Development Strategy

2018-2022

MISSION, VISION, VALUES

MISSION

To provide value and benefits for the society, the Parliament and the government through independent and high quality audit



VISION

To serve our stakeholders with quality and integrity

CORE VALUES

INDEPENDENCE

Our work is guided by the principles of impartiality and objectivity

PROFESSIONALISM

Our people are committed to high professional standards, integrity and ethics

OBJECTIVITY

We observe the principles of fairness, accuracy and neutrality

TRANSPARENCY

We are accountable to the society and we ensure the accessibility of relevant information to the public



OUR KEY RELATIONSHIPS

SAIs relationship with the relevant stakeholders is of great importance

Strong relationships will lead to greater impact of SAO audit and promote better public finance management



THE PARLIAMENT

- The Parliament is the essential user of SAO audit findings and recommendations
- Strengthening of dialogue with the Parliament of Georgia and its Committees is at the top of SAO's priorities



GOVERNMENT

- SAO is committed to improving its usefulness for the government's budget execution activities and its contribution to better public governance
- SAO participates in variety of activities and projects related to PFM and is a member of several professional councils



CIVIL SOCIETY

- CSOs and NGOs can promote efficiency and transparency of PFM, and contribute towards strengthening of public audit processes
- The CSO/NGO/SAO working group on PFM issues was established



DONORS

- Donors assist in institutional development and strengthening of SAO independence
- EU, GIZ, World Bank, USAID, other SAIs

SAI – Supreme Audit Institution

PFM – Public Finance Management

CSOs and NGOs – Civil Society and Non-Government Organizations



PERFORMANCE ASSESSMENT OF SAO BY INTERNATIONAL EXPERTS

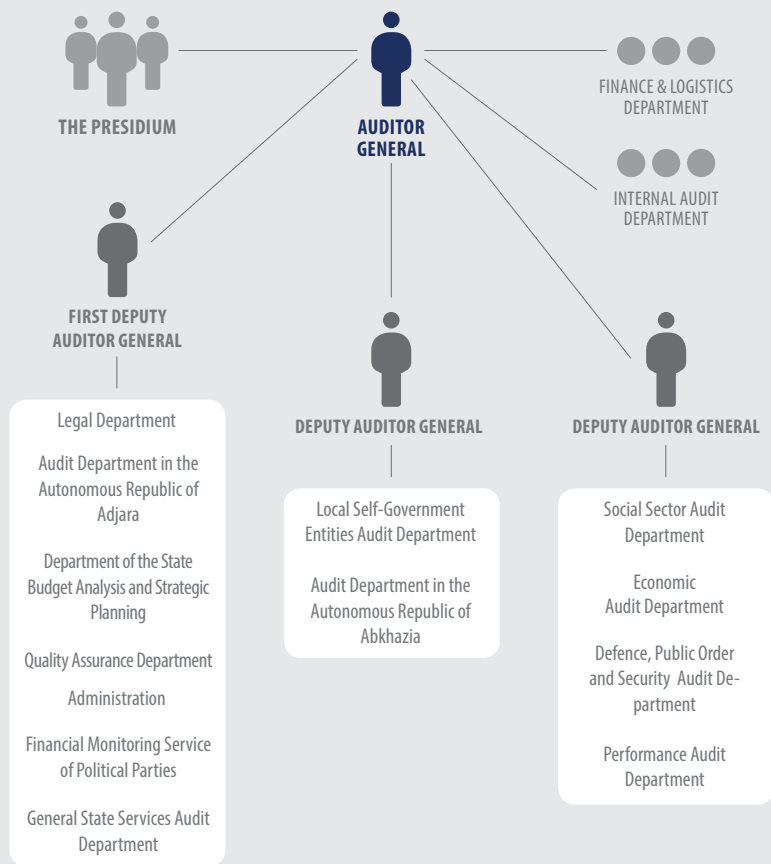


SAI - PMF Performance Assessment was conducted within the framework of the EU Project – “Capacity Building of SAO”.

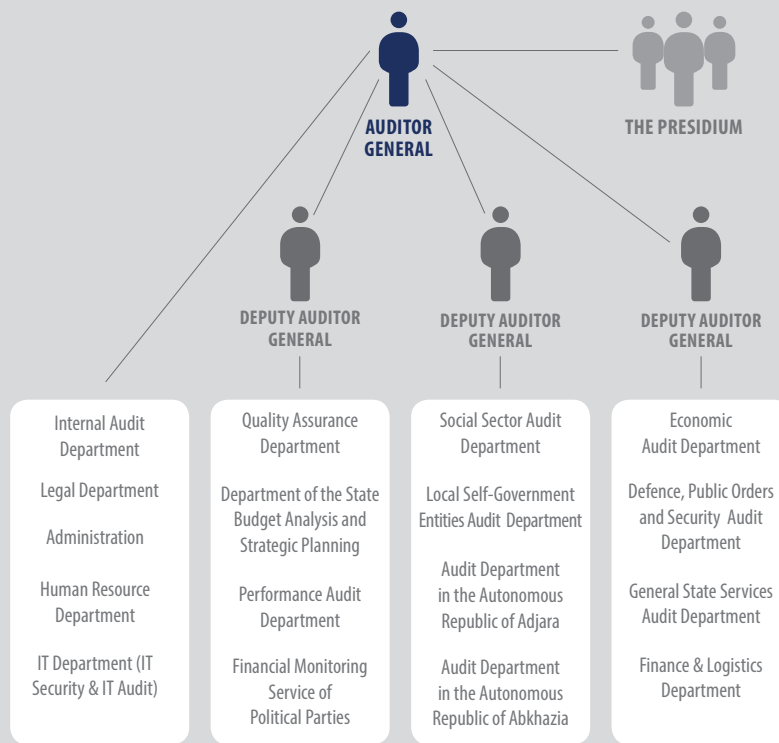


ORGANIZATIONAL STRUCTURE

PREVIOUS STRUCTURE



NEW STRUCTURE



RATIONALE FOR THE ORGANIZATIONAL STRUCTURE

- Reduction of inefficiencies and improvement of internal controls
- Better risk and quality control in audit processes



SAO DEVELOPMENT STRATEGY 2018-2022

DEVELOPMENT STRATEGY BUILDING BLOCKS:

- SAO's mission, vision and its core values
- Needs and expectations of our main stakeholders
- Results of SAI-PMF performance assessment
- Compliance with the EU-Georgia Economic Governance and Accountability (EGA) Program Policy Matrix
- Expectations of partner organizations

STRATEGIC GOALS:

**Strengthening
independence
and mandate**

**Increasing
impact through
high quality
audit**

**Effective
engagement
of main
stakeholders**

**Strengthening
of internal
governance for
more efficiency**

**Enhancing the
capacity of
employees**



KEY INTERNAL CHALLENGES



EXPANSION OF AUDIT COVERAGE

- Expansion of budget and sectoral coverage, including state-owned enterprises and local governments
- Development of revenue audit capacities
- Preparation for wider audit scope resulting from the introduction of government consolidated financial statements from 2020



ENHANCEMENT OF INTERNAL CONTROLS

- Development and implementation of internal controls system based on the principles of EU Public Internal Financial Control (PIFC)
- Improvement of methodology and ethics framework
- Implementation of more effective quality assurance system to ensure compliance with International Standards for Supreme Audit Institutions (ISSAIs)



UNDERSTANDABILITY OF AUDIT REPORTS

- Promoting better understanding of audit findings and recommendations
- Improvement of communication with main stakeholders



INFORMATION TECHNOLOGIES AND INFORMATION SECURITY

- Building capacities of IT Audit
- Strengthening of SAO's Information Security Systems

STRATEGIC GOALS

GOAL 1: STRENGTHENING INDEPENDENCE AND MANDATE (1)

OBJECTIVE 1:

STRENGTHENING OF SAO INDEPENDENCE

KPI 1

Organic Law with enforced provisions on SAO independence comes into force

KPI 2

Other independence provisions are included in the SAO's legal framework

Constitutional amendments of late 2017, upgrade the Law on the State Audit Office to the status of "organic law", thus giving the SAO direct access to the Constitutional Court of Georgia. The revised Constitution becomes effective following the newly elected President's oath of office

Requirements of ISSAIs stipulate that Supreme Audit Institutions (SAIs) should be independent in deciding on matters related to human resource management, their employment terms and conditions



STRATEGIC GOALS

GOAL 1: STRENGTHENING INDEPENDENCE AND MANDATE (2)

OBJECTIVE 2:

ENSURING SUFFICIENTLY BROAD MANDATE AND ACCESS TO INFORMATION

KPI 1

SAO's mandate for revenue audit is strengthened through relevant legal changes

KPI 2

SAO's unrestricted right of access to information is emphasized in the Law

SAIs should be empowered to audit the collection of revenues in order to reach the full compliance with the ISSAIs

According to the Lima Declaration (INTOSAI), SAIs should have unrestricted right of access to documents and information related to the audit objectives in order to perform their mandate effectively



STRATEGIC GOALS

GOAL 2: INCREASING IMPACT THROUGH HIGH QUALITY AUDIT (1)

OBJECTIVE 1:

REINFORCING AUDIT QUALITY

KPI 1

All audits are conducted in compliance with updated audit methodologies

KPI 2

Quality assurance procedures are updated and implemented

KPI 3

The share of quality assured audits is increased

SAO aims to revise and streamline its core methodologies and manuals for financial, compliance and performance audits in compliance with international standards

- Quality assurance procedures are in place for all types of audits
- IT audit procedures are in place and followed



STRATEGIC GOALS

GOAL 2: INCREASING IMPACT THROUGH HIGH QUALITY AUDIT (2)

OBJECTIVE 2:

BRINGING MORE VALUE AND IMPACT THROUGH AUDIT

KPI 1

Coverage of the state budget is increased

KPI 2

Analytical capacity of strategic planning is enhanced; risk-based assessments are improved

KPI 3

Number of performance audits is increased

KPI 4

The rate of recommendation implementation increases

Removing mandate deficiencies, further capacity building, better analytical tools and use of Audit Management System should allow the SAO to expand its coverage and achieve:

- Diversification of sectoral coverage into the areas with significant appropriations and/or those characterized with high level of risk
- Enhancement of the impact of SAO's statutory reports (state budget execution)

SAO plans to revise its recommendation monitoring and follow-up system



STRATEGIC GOALS

GOAL 3: EFFECTIVE ENGAGEMENT OF MAIN STAKEHOLDERS (1)

OBJECTIVE 1:

ENHANCING COMMUNICATION WITH THE PARLIAMENT

KPI 1

Number of audit reports discussed by the relevant Parliamentary Committee is increased

SAO intends to actively cooperate with the Parliament of Georgia on issues related to SAO's audit report presentation, its understandability and clarity

SAO will share the most urgent audit findings through periodic meetings with the Parliament



STRATEGIC GOALS

GOAL 3: EFFECTIVE ENGAGEMENT OF MAIN STAKEHOLDERS (2)

OBJECTIVE 2:

ENHANCING CITIZEN ENGAGEMENT

KPI 1

Number of unique users
of Budget Monitor is
increased

KPI 2

Number of citizen
requests or proposals
is increased

KPI 3

Seminars and
educational meetings
are organized with
media and NGO
representatives

SAO developed a citizen engagement strategy, and created a working group together with NGOs

SAO plans to expand the capacities of Budget Monitor and its awareness with the help of its donors and partners

Budget Monitor is an informational platform intended to present key budgetary information in an easy-to-interpret format



STRATEGIC GOALS

GOAL 4: STRENGTHENING OF INTERNAL GOVERNANCE FOR MORE EFFICIENCY (1)

OBJECTIVE 1:

STRENGTHENING THE SYSTEM OF INTERNAL CONTROLS

KPI 1

The needs of the internal controls system are assessed

KPI 2

Manuals and procedures are developed and implemented

KPI 3

Employees have a good knowledge of internal controls system

Existing system will be analyzed and the gaps identified. Internal controls system will be developed and implemented according to the principles of EU Public Internal Financial Control (PIFC)

The effective internal controls system will allow SAO to identify and mitigate operational risks and implement better quality assurance process



STRATEGIC GOALS

GOAL 4: STRENGTHENING OF INTERNAL GOVERNANCE FOR MORE EFFICIENCY (2)

OBJECTIVE 2:

STRENGTHENING OF SAO INFORMATION TECHNOLOGY SYSTEMS

KPI 1

Audit Management Software is implemented

KPI 2

IT strategy and action plan is developed and implemented

KPI 3

IT Security policies and procedures are developed and implemented according to international standards (ISO 27000)

Audit Management Software (AMS) is an audit control system which provides functionalities for managing the complete audit lifecycle

The AMS system is planned to be launched in 2018, with gradual replacement of current audit processes over the next several years

SAO plans to develop and implement IT Security policies and procedures, and establish dedicated IT Department



STRATEGIC GOALS

GOAL 5: ENHANCING CAPACITY OF EMPLOYEES (1)

OBJECTIVE 1:

ESTABLISHING EFFECTIVE PERFORMANCE APPRAISAL FRAMEWORK

KPI 1

Performance appraisal system is developed and implemented

Individual performance appraisal system will be developed focusing on Key Performance Indicators relevant to both audit and non-audit functions of the SAO

Clear bonus/reward system linked to Key Performance Indicators will be developed and implemented

GOAL 5: ENHANCING CAPACITY OF EMPLOYEES (2)

OBJECTIVE 2:

ESTABLISHING EFFECTIVE STAFF DEVELOPMENT POLICIES

KPI 1

Employee training needs are identified and relevant trainings are provided

KPI 2

The share of certified auditors increases

SAO will develop and implement the employee mobility, training and career progression policies

As a result of performance appraisal, each employee will have a personal development plan



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