Improving the Functionality of the Control System by Strengthening the Interaction of Actors

Synthesis Report of Six Southern and Eastern Africa Countries

May 2016

german
cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by:

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

IMPRINT

Published by	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH Registered offices in Bonn and Eschborn, Germany
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GIZ is responsible for the content of this publication.

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LIST OF ACRONYMS AND ABBREVIATIONS

Term	Description
AC	audit committee
ACB	anti-corruption body
ACC	Anti-corruption Commission (Zambia)
ACCA	Association of Chartered Certified Accountants
ACIAF	Anti-corruption Inter-agency Forum (Uganda)
AFROSAI- E	African Organisation of Supreme Audit Institutions (English-speaking countries)
AG	Accountant-General
AO	accounting officer
ASSIP	Accountability Sector Strategic Investment Plan (Uganda)
ASWG	Accountability Sector Working Group (Uganda)
CAG	Controller and Auditor-General (Tanzania)
CD	capacity development
CFE	Certified Fraud Examiner
CG	central government
CGAP	Consultative Group to Assist the Poor
CIA	Certified Internal Auditor
CIAA	County Internal Audit Assembly
CIAE	County Internal Audit Executive (Kenya)
CIAU	Central Internal Audit Unit (Uganda) (Malawi)
CISA	Certified Information Systems Auditor
CLGA	Committee on Local Government Accounts (Uganda)
CoB	Controller of Budget (Kenya)
CoIA	Controller of Internal Audit (Zambia)
COSASE	Committee on Commissions and Statutory Authorities and State Enterprises (Uganda)
CPA	Certified Public Accountant
CPAIC	County Public Accounting and Investment Committees (Kenya)
EA	external auditor
EACC	Ethics and Anti-Corruption Commission (Kenya)
EMU	Efficiency Monitoring Unit (Kenya)
FCB	Financial Crime Body (Zambia)
FIC	Financial Intelligence Centre
GIF	General Inspectorate of Finance (Mozambique)
IA	internal auditor
IACM	Internal Audit Capability Model
IAG	internal auditor-general
IAU	internal audit unit
ICBF	Institutional Capability Building Framework
ICS	internal control systems
ICT	information and communication technology
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IGAP	State Administration and Public Service (Mozambique)
IIA	Institute of Internal Auditors
INTOSAI	International Organisation of Supreme Audit Institutions
INTOSAI GOV	International Organisation of Supreme Audit Institutions Guidance for Good Governance

IPPF	International Professional Practice Framework
ISC	Inspectorate of State Corporation (Kenya)
ISSAI	International Standards of Supreme Audit Institutions
LG	local government
LGA	Local Government Auditor (Zambia)
LGI	Local Government Inspectorate (Uganda)
MDA	ministries, departments and agencies
MoU	memorandum of understanding
NA	national assembly
NACS	National Anti-corruption Strategy (Uganda)
NAO	National Audit Office (Uganda) (Malawi)
NLGFC	National Local Government Finance Committee (Uganda) (Malawi)
NPD-II	National Development Plan-II (Uganda)
OAG	office of the auditor-general
ODPP	Office of Director of Public Procurement (Uganda) (Malawi)
PAC	parliamentary accounts committee
PCCB	Prevention and Combatting of Corruption Bureau (Tanzania)
PEFA	public expenditure and financial accountability
PFM	public financial management
PFMRS	Public Finance Management Reform Strategy (Uganda) (Zambia)
PIC	parliamentary investment committee
PPA	public procurement authority
PPDA	Public Procurement and Disposal of Assets Authority (Uganda)
PPRA	Public Procurement Regulatory Authority (Kenya) (Tanzania)
PSASB	Public Sector Accounting Standards Board
PSIA	public sector internal audit
SAI	supreme audit institution
SN	subnational government
ST	secretary to treasury
TA	Tribunal Administrative (Mozambique)
ZPPA	Zambia Public Procurement Authority

DEFINITIONS OF TERMS

Term	Description
Accounting Officer (AO)	The top officer responsible for the management of a public institution. This term also means Controlling Officer.
Anti-corruption body (ACB)	A government body that is responsible for investigating fraud and corruption in the public and private sector. Some anti-corruption bodies may have additional powers to prosecute and to freeze or seize assets acquired illegally.
Central government (CG)	The national government headed by the president.
De facto	Actual operation of a control actor.
De jure	Legal framework of a control actor.
External auditors (EA)	SAIs or appointed statutory auditors empowered to audit the following: • Use of public monies, resources or assets by a recipient or beneficiary, regardless of its legal nature • Collection of revenue owed to the government or public entities • Legality and regularity of government or public entities' accounts • Quality of financial management and reporting • Economy, efficiency and effectiveness of government or public entities' operations
Internal auditing	"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve organizations' operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."[1]
Internal Auditor-General (IAG)	The central internal audit unit established in the ministry responsible for finance that coordinates and supervises internal audit units in ministries, departments and agencies, and audit committees. The function also consolidates internal audit reports from internal audit units, develops manuals and guidelines, and builds the capacity of internal auditors and audit committee members in addition to carrying out specialised audits in government entities.
Internal audit units (IAU)	The internal audit function established in ministries, departments and agencies.
Financial Crime Body (FCB)	The body that investigates financial transactions with funds suspected to be involved in money laundering, financing of terrorism or other similar crimes.
Parliament	This term also represents national assembly or senate.

[1] IPPF

Subnational government (SN government)	County governments and local government authorities that have elected leaders with legislative powers in devolved governments or regions.
Public Procurement Authority (PPA)	The body responsible for oversight over public procurement and the implementation of the public procurement law.
State organs	Public entities at the national and subnational level.

1. EXECUTIVE SUMMARY

Introduction: When internal control systems (ICSs) function effectively, steering processes in ministries, departments and agencies (state organs) improve. With a working ICS, of which the internal audit function is part, supreme audit institutions (SAIs), as external auditors, can build on its impacts and shift its scarce resources to areas that have more impact. The International Organisation of Supreme Audit Institutions (INTOSAI) Guidance for Good Governance and International Standards of Supreme Audit Institutions (ISSAIs), and the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA) provide a variety of suggestions for cooperation and coordination among external and internal control actors.

Approach: The above premise is the background against which six projects of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in the eastern and southern African region undertook studies of the functionality of cooperation between SAIs and internal audit functions in Kenya, Malawi, Mozambique, Tanzania, Uganda and Zambia. The aim of these studies was to assess the preconditions, risks, ways, and results of SAIs' cooperation with internal control actors in order to eventually contribute to the strengthening of the control system functionality in each country. Based on the six country studies, a synthesis report was compiled to summarise the main findings, identify commonalities and differences, and to propose innovative answers to shared challenges. The report was presented and validated in Malawi in May 2016 by representatives from the six countries. The studies involved the following:

- Identifying the control actors working within the public finance management framework
- Establishing their legal mandate (de jure)
- Understanding how their functions pursue their legal mandate (de facto)

The studies defined an internal control actor as one that obtains its power from, and is accountable to the entity that the actor is auditing, reviewing or inspecting. An external control actor was defined as one that draws its mandate from, and is accountable to an organ that is external to the actor performing the audit, review or inspection.

Based on this criterion, the key external control actors covered by the study in each country were the parliamentary oversight/accountability committees, SAIs and anti-corruption bodies (ACBs).

Further, the main internal control actors identified by the study were internal audit control actors such as the internal auditor-general's office (IAG) in the ministry of finance, internal audit units and audit committees in ministries, departments, agencies, and local authorities, and the accountant-general and the public procurement authority (PPA) in each country.

The studies classified SAIs and public sector internal audit control actors as primary control actors, while other control actors were classified as secondary. For the synthesis report, only the experiences and leading practices of, and lessons learnt by the primary control actors in the six country studies have been analysed.

De jure and de facto: The studies established that the legal framework (de jure) provides a platform that supports coordination and cooperation among all control actors, except in the case of Malawi, where the legal framework is silent on cooperation between the SAI and internal audit units. SAIs reported directly to parliament in Kenya, Mozambique and Uganda, while they reported indirectly (through the executive) in Malawi, Tanzania and Mozambique. In all countries, the ACB and PPA reported to parliament through the ministers responsible for state finances. Other control actors reported to their respective ministers or governing bodies.

A review of the de facto aspects established that the de facto level of coordination and cooperation varied between control actors as follows:

- Ad hoc contact on an engagement or a need basis
- Regular contact based on informal arrangements, but which is not systematic
- Need for cooperation recognised as strategically imperative, but for which formalisation strategies had not been put in place
- Coordination and cooperation formalised through memorandums of understanding (MoU)

Challenges: The studies identified challenges that may affect the effective coordination and cooperation of the control actors. These included the following:

- Control actors not identifying collaboration and coordination as a strategic agenda
- Lack of MoUs
- Lack of adequate resources
- Lack of a visualisation of the control actors' mapping
- "Turf" wars, with actors protecting their respective domains

- Weak systems of monitoring, evaluating and reporting on the outcomes and impacts of existing collaboration efforts
- Public entities and the public not understanding and/or appreciating the role of the control actors

Conclusion: Although the legal framework supported cooperation and coordination among the control actors in most countries, the study concluded that control actors in most countries had not exploited opportunities for coordination and cooperation. This resulted in inefficiencies such as a duplication of efforts, uncoordinated audit efforts, poor flow of information between control actors and failure to take timely corrective action to improve the internal control system and improve the level of accountability. Enhancing coordination between the control actors while managing the associated risks will have a positive impact on the internal control system. This includes encouraging transparency and accountability on the use of public resources, improving on control actors' ratings, and these control actors developing more effective controls to move up the accountability organisation maturity model and deploy resources in other areas with impact.

Way forward: To resolve the challenges in the coordination and cooperation among the control actors, the study proposes the following:

- A visualisation of the control actors' mapping, indicating all key control actors (broad view) and establishing the roles and responsibility of each actor (in-depth view)
- Tapping into the ongoing legal reforms in each country to strengthen cooperation and collaboration
- Prioritising cooperation as a strategic initiative
- Reviewing and implementing the existing MoUs, and in the case of organisations that have not institutionalised cooperation, assessing the feasibility of establishing a working framework

In institutionalising coordination and cooperation, the control actors should provide for written protocols to ensure that each party understands their obligation, that confidentiality is maintained, that there is regular communication and consultation, and that there is commitment between them to sustain the cooperation initiatives. To discharge this responsibility effectively, there is a need for mutual recognition of the role of each control actor and the interdependence between the control actors and top management. In undertaking this process, care should be taken to ensure independence, and that the functions of the control actors – as provided in the legal framework – are maintained.

Control actors have the responsibility of raising awareness of professional standards with stakeholders and to seek their support.

For the coordination and cooperation strategy to be sustainable, there is a need for capacity building at the following levels:

- **Individual:** control actors' personnel should obtain the required competencies, especially in areas of performance audits, information and communication technology (ICT) audits and investigations.
- **Organisational:** control actors need to acquire the required resources (including financial and human capital), and a platform has to be provided for their staff members to professionally engage with each other
- **Societal:** the cooperation structure has to obtain the buy-in of parliament, the executive, judiciary, development partners and other key stakeholders, so that they can provide the required social, political, and resource or economic support.

The ministry of finance should prioritise coordination in public financial management (PFM) reforms and encourage key stakeholders and control actors to cascade coordination goals to annual action plans and to meet capacity-building goals.

2. PREFACE

2.1 Background and objectives of the study

2.1.1 Introduction

When Internal Control Systems (ICSs) function effectively, steering processes in ministries, departments and agencies (state organs) improve. These systems enable supreme audit institutions (SAIs), as external auditors, to build on their impacts. With a working ICS, of which the internal audit function is part, SAIs can shift scarce resources to more demanding audits, such as performance auditing of national programmes, public works audits or auditing extractive industries.

The International Standards of Supreme Audit Institutions (ISSAI) – issued by the International Organisation of Supreme Audit Institutions (INTOSAI) – recognise the mutual dependence of internal and external audit functions.

The question to be answered is how the cooperation or coordination should look like to improve the overall functionality of the public sector control system.

Although INTOSAI Guidance for Good Governance (INTOSAI GOV) provides a variety of suggestions for coordination and cooperation, systematic research on the subject, which takes into account the complexity of different country contexts and compares countries' experiences, is yet to be conducted.

The above premise is the background against which six projects of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in the eastern and southern African region undertook studies of the functionality of cooperation between their partner SAIs and internal audit functions in Kenya, Malawi, Mozambique, Tanzania, Uganda and Zambia. The aim of the studies was to explore the coordination and coordination effort between the relevant actors.

Following a joint methodology, six individual country studies assessed the preconditions, risks, ways, and results of SAIs' cooperation with internal control actors in order to eventually contribute to the strengthening of the control system functionality in each country. Based on the six country studies, a cross-cutting study was developed as a synthesis report to summarise the main findings, identify commonalities and differences, and to propose innovative answers to shared challenges.

2.1.2 Objectives

The objectives of the individual country studies were as follows:

- Understand the functionality of the internal and external control actors and develop specific recommendations for the improvement of the control systems and for capacity development measures that could enhance such improvement.
- Identify coordination and cooperation structures, successes and challenges, and provide specific recommendations to improve the coordination and cooperation effort.

The objectives of the synthesis report are as follows:

- Leverage and utilise the information obtained in the six country studies.
- Identify common experiences, challenges, lessons learnt and good practices from an overarching perspective.
- Suggest innovative answers to common challenges.

2.2 Approach

For the purpose of the country studies, two dimensions of control actors – external and internal – were identified and the concepts of coordination and cooperation were defined. The studies analysed the following:

- The legal framework (de jure) establishing the control actors, with the aim of understanding their role in enhancing the public finance control framework
- The operations of the control actors in implementing their mandates (de facto)
- How de jure and de facto aspects support coordination and cooperation among the control actors and any challenges in this regard

They concluded with the consideration of strategies to enhance this coordination and cooperation among the control actors. In each country, GIZ consultants undertook a desk review of core documents and subsequently conducted face-to-face interviews with key officials to at the central and sub-national levels of government. The draft reports were validated by the government officials interviewed before final reports were prepared. For the synthesis report, a draft report summarising the experiences, leading practices and lessons learnt in the six country studies was prepared. This report was presented and validated in Malawi in May 2016 by representatives from the countries covered by the studies, and the comments received were incorporated.

2.3 Time frame

The country studies were divided into two phases: field studies and report development. The table below shows when each country study was conducted, when the country reports and synthesis reports were issued and when validation workshops were held.

Country	**Fieldwork**	**Draft report issued**	**Final reports issued**
Mozambique	26 October 2015 to 6 November 2015	12 January 2016	
Kenya	19 November 2015 to 15 December 2015	29 January 2016	2 February 2016
Zambia	4 January 2016 to 15 January 2016	20 April 2016	14 February 2017
Uganda	18 January 2016 to 22 January 2016	21 March 2016	7 April 2016

Malawi	8 February 2016 to 19 February 2016	13 May 2016	8 August 2016
Tanzania	7 March 2016 to 16 March 2016	26 May 2016	10 September 2016
Synthesis report	N/A	15 May 2016	

2.4 GIZ support

The GIZ Good Financial Governance projects in each of the six countries organised the information and coordination of counterparts, scheduled the interviews of control actors and provided guidance and feedback, as well as assisted in the validation of the draft reports.

3. ROLES OF INTERNAL AND EXTERNAL CONTROL ACTORS

3.1 Professional standards

3.1.1 Scope of work and mandate of internal and external auditors

Standards and guidelines have been provided on how to enhance the coordination and cooperation between SAIs/external auditors (EAs) and internal auditors (IAs) in the public sector[2]. The term “coordination” refers to interdependent subsystems or elements of the internal control system working together to achieve the goal of protecting public resources either formally or informally. Cooperation is joint actions by two or more related systems

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[2]ISSAI 1/3/par.3) provides for the SAI to assign tasks and cooperate with internal auditors where SAIs in their own judgement have assessed the internal audit activity to be effective.

ISA 610 and ISSAI 1610 provide standards and guidance on the SAI using the work of the internal auditor.

INTOSAI GOV 9150 provides guidelines on achieving coordination and cooperation between SAIs and internal auditors in the public sector.

ISA 315, 23, provides for SAIs to determine whether the internal audit function is likely to be relevant to the audit being undertaken.

ISA 610 and ISSAI 1610 provide standards and guidance on the SAI using the work of the internal auditor.

INTOSAI GOV 9150 provides guidelines on achieving coordination and cooperation between SAIs and internal auditors in the public sector.

within a given division of labour in order to achieve common objectives. Cooperation can be between internal and external control actors, among internal control actors, or even among external control actors.

The internal auditing scope encompasses operational controls and is broader than that of external auditing, which primarily focuses on financial reporting controls. IAs provide assurance services to the public entity governing body and top management, while SAIs report to parliament. IAs and EAs have different mandates, loyalties and reporting relationships.

The SAIs covered by the studies are guided by the professional standards of INTOSAI and the African Organisation of Supreme Audit Institutions (English) (AFROSAI-E) in carrying out their work, while public sector internal auditors are guided by IIA professional standards.
Both sets of standards provide guidance on coordination and cooperation between external and internal auditors.
In addition to expressing an opinion on financial statements, SAIs are required to report on any instances of non-compliance to laws and regulations and/or report on the effectiveness of internal control. According to ISSAI 1610, SAIs should determine whether and to what extent the work of the internal auditors is relevant to their work, and determine the objectivity of the internal audit function.

3.1.2 Professional standards on coordination and cooperation

According to INTOSAI GOV 9150, modes of coordination and cooperation may include the following:

- Communicating plans (audit and strategy)
- Regular meetings
- Sharing of information (including consultation procedures)
- Communicating audit reports
- Organising joint training programmes
- Developing methodologies
- Sharing training material, methodologies and audit work programmes
- Creating assessments to audit documentation
- Using certain aspects of each other's work
- Undertaking joint audits

The IIA International Standards for the Professional Practice of Internal Auditing, Coordination and Reliance (2050) require the head of the internal audit function at the entity to share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise a duplication of efforts. A consistent process for the basis of reliance should be established, and the head of the internal audit function should consider the competency, objectivity and due professional care of the assurance and consulting service providers. The standards further provide implementation guidance, and recommend that internal auditors use assurance maps and the Three Lines of Defence Model to coordinate assurance work at the entity level. The global Institute of Internal Auditors has signed an MoU with INTOSAI, and these entities are working together to develop professional standards for the public sector internal audit function.

Challenges to coordination and cooperation may include the following:

- Legal and structural factors
- Task-related factors
- Capacity factors
- Managerial factors
- Attitudinal factors
- Cultural factors.

These factors are comprehensively discussed in section 5.2.

A SAI's tight reporting deadlines may constrain the degree of coordination and cooperation between the EAs and IAs. The level of reliance on the IAs will be determined by the following:

- The degree of independence of the internal audit function within the entity or organisation
- The maturity of the internal audit department
- Compliance with the International Professional Practices Framework
- The technical competence of the internal auditors
- Extent of the scope of work
- The quality of the work performed by the internal auditors
- The independence of the audit committee and the competency of its members

3.1.3 Areas of coordination and cooperation

Although control actors have different and clearly defined roles, their collective purpose is to promote good governance through their contributions to transparency in, and accountability for the use of public resources, as well as to promote efficient, effective and economic public administration[3]. Control actors review internal control systems in the same entities and most of them follow similar processes of risk assessment, planning and execution. These processes culminate in reports that are issued to those who are in charge of governance for implementation or, in criminal cases, to the judiciary system for determination. Some common work areas where IAs and EAs can coordinate their processes and cooperate are as follows:

a) Evaluating the effectiveness of the system of internal control
b) Reviewing compliance with laws and regulations
c) Reporting and drafting financial statements
d) Prevention, detection and investigation of fraud
e) Reviewing systems for measuring performance or reviewing performance measurement out-turns
f) Development of new systems through systems development audit
g) Auditing geographically dispersed organisations
h) Conducting performance audits

Forms of cooperation may include structural, functional, informational, professional, and instrumental cooperation, and are being analysed in section 5.1. According to GOV 9150, possible types of cooperation are as follows:

a) Cooperation:
    - Meetings of internal and external auditors to promote a better understanding of their respective roles and responsibilities
    - Regular exchange of ideas and knowledge
    - Joint training sessions on audit techniques
    - Discussions on methodological aspects
    - Alignment of terminology, techniques, and methods

b) Coordination and information sharing:

[3] ISSAI 9150 §1.4

- Exchanging audit plans
- Exchanging audit reports
- Allowing access to management letters
- Allowing access to audit documentation

c) Working within an integrated system:
   - Harmonised/joint risk assessments
   - Review of annual and individual audit plans with the aim of maximising coverage and avoiding duplication
   - Building on each other's audit outcomes by following up on audit recommendations
   - Feedback on each other's performance and quality of work

3.1.4 Benefits and risks of coordination and cooperation

Although SAIs and internal auditors have different and clearly defined roles, their collective purpose is to promote good governance through their contributions to transparency in, and accountability for the use of public resources.

They are also required to promote efficient, effective and economic public administration, as stated in INTOSAI GOV 9150, which provides for a framework of cooperation between SAIs and internal auditors. Through coordination and cooperation between SAIs and internal auditors, the efficiency and effectiveness of both parties' work can be improved. Benefits that can accrue to EAs and IAs from coordination and cooperation are as follows[4]:

a) Exchanging ideas and knowledge between professionals
b) Promoting mutual ability to promote good governance and accountability practices
c) Increasing the efficiency of audits, resulting from
   - a refined scope
   - better coordinated work resulting from coordinated planning and communication
d) Reducing the likelihood of unnecessary duplication of auditing work (economy)
e) Mutual support on the follow-up of audit recommendations to enhance the effectiveness of the auditing service

[4] INTOSAI GOV 9150

f) Less disruption to the auditing entity's operations
g) More effective audits based on:
    - a clearer understanding of the respective auditing roles and requirements
    - a better informed dialogue on the risks facing the organisation, leading to a more effective focus of the auditing effort and consequently to more useful advice to management
h) The opportunity for each party to draw on a wider and more flexible skills base.

3.1.5 Risks of coordination and cooperation

According to INTOSAI GOV 9150, preconditions and risks for cooperation need to be appropriately managed if a successful cooperation is attempted. The preconditions include commitment by both parties, agreement on frequency and limits of communication, and guarantees of professionalism, discretion and confidentiality. Risks that can be expected to be harmful to the cooperation process include the following:

a) Compromising confidentiality of information
b) Compromising independence in selecting audit subjects and reporting
c) Premature communication of findings to auditees or external parties before sufficient audit evidence exists to support those findings
d) Losing objectivity in making conclusions and forming opinions
e) Possible conflict of interest
f) Dilution of responsibilities
g) Use of different professional standards relating to independence or performance of the engagement
h) Misinterpretation of conclusions when using each other's work
i) Differing conclusions or opinions on the work performed by the other party
j) Imposing, if not properly defined, additional burdens for coordination and cooperation on either party.

3.2 Definition of internal and external control actors

3.2.1 Internal controls

Internal controls (controls) are considered to be an integral process that is effected by an entity's management and personnel, and that is designed to address risks and to provide reasonable assurance that an entity's objectives will be achieved[5]. Controls provide reasonable assurance but not absolute assurance of the achievement of an organisation's objectives or survival. This is because even the most effective internal control system is constantly exposed to changes in government policy, demographic and economic factors, experiences resource constraints, and is based on human factors, as it is effected by management and personnel. Internal controls systems in an entity require continuous review and improvement to ensure their effectiveness. In these studies, the person or entity that undertakes the function of reviewing the internal control system is referred to as a control actor.

3.2.2 Control actors dimension

The study classifies these actors as either external or internal and primary- or secondary-tier control actors.

3.2.2.1 Internal versus external control actor

Internal control actors: The study defines internal control actors as those that obtain their powers from, and are accountable to the entities that the actors are auditing, reviewing or inspecting. Their legal mandate is to support the heads of the entities to undertake their functions in an efficient, effective, economic and regular manner by supporting the enhancement of the internal control system. The independence of the internal control actors is based on their reporting level within the executive, and on not being involved in day-to-day management activities.

The common internal audit control actors identified in the six countries include the internal auditor-general's office (IAG) in the ministry of finance, internal audit units (IAUs) and audit

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[5]INTOSAI GOV 9100 standards define internal control as an integral process that enables an entity to have orderly, ethical, economical, efficient and effective operations, to fulfill accountability obligations, to comply with applicable laws and regulations, and to safeguard resources against loss, misuse and damage.

IIA Standard 2130.A1 requires an internal audit activity to evaluate the adequacy and effectiveness of controls in responding to risks within an entity's governance, operations and information systems with regard to the achievement of objectives, the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations and programmes, the safeguarding of assets, and the compliance with laws, regulations, policies, procedures and contracts.

committees in ministries, departments, agencies, de-congested levels and local authorities, and the accountant-general (AG) and public procurement authority (PPA).

External control actors: External control actors are defined as those that draw their mandate from, and are accountable to the organs that are external to those that they are auditing, reviewing or inspecting. External control actors are functions external to the organisational structures of the institutions that they are reviewing. They have a legal framework that supports their independence from the control and direction of the institutions of which they are reviewing the internal control systems. External control actors are considered to have the responsibility to provide information to the public on whether an entity is utilising public funds in an efficient, effective, economic and regular manner.

The common external control actors identified in the six countries include parliaments and parliamentary accounts committees (PACs), supreme audit institutions (SAIs) and anti-corruption bodies (ACBs).

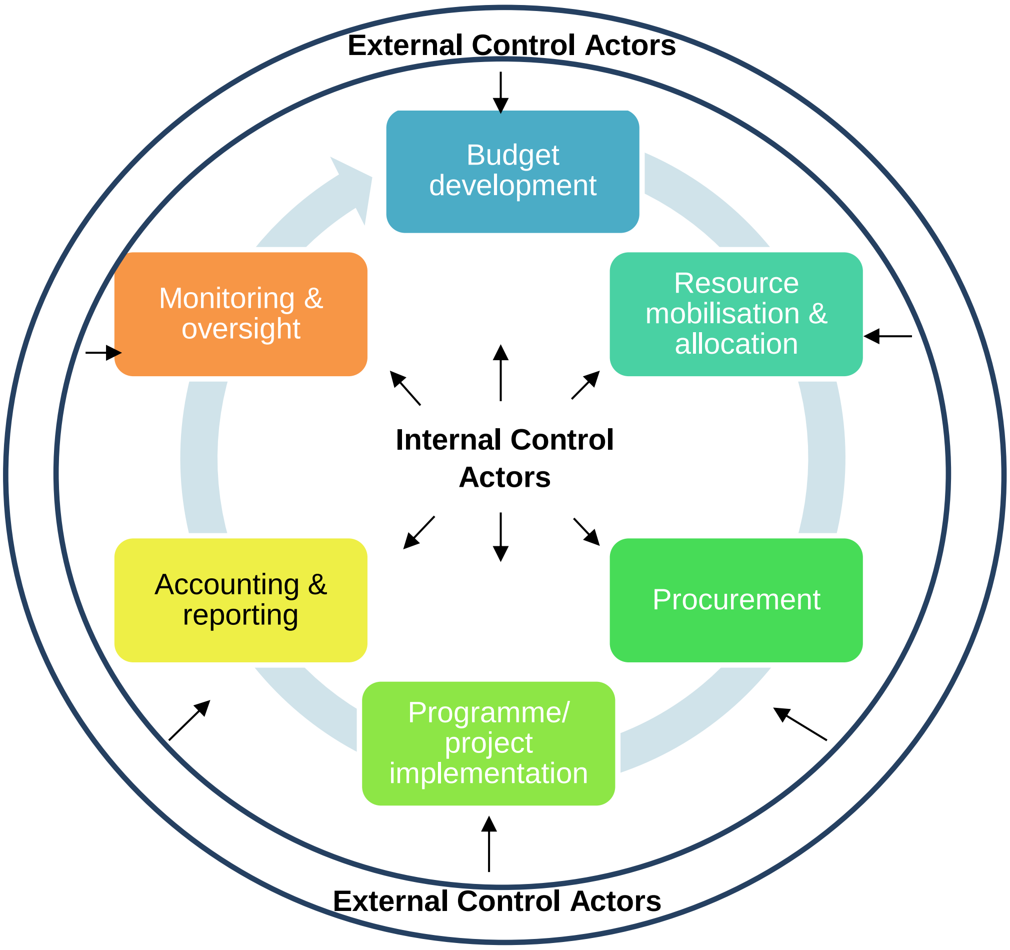
3.2.2.2 Primary- versus secondary-tier control actors

Primary-tier control actors: The study defines primary-tier control actors as supreme audit institutions and internal audit control actors that form the central objective of undertaking the study and the relationship of which is guided by INTOSAI GOV 9150 and the International Professional Practice Framework (IPPF).

Secondary-tier control actors: The study adopted a broad approach to understand the role of the other control actors who are involved in the process of reviewing, inspecting, evaluating or auditing internal controls within the public finance management framework, and their interaction with the internal and external audit functions. These other actors are classified as the secondary-tier control actors. This category typically includes parliamentary committees, audit committees who are responsible for oversight over SAIs and IAs, and other actors involved in the review of internal controls, including PPAs, ACBs, financial crime bodies (FCB) and accountants-general (AGs).

The primary- and secondary-tier control actors work together to provide assurance to stakeholders on internal controls in the annual government budget, which consist mainly of the 1) budget development process and 2) the budget implementation process. In the study the budget execution process has been further broken down into sub-processes so as to have a detailed view of the control actors’ roles in the process and points of interaction between the actors. The budget implementation sub-processes considered include resource mobilisation and allocation, procurement, programme/project implementation, accounting and reporting, monitoring, reporting, and oversight. The budget cycle is summarised in Illustration 1: Budget cycleIllustration 1: Budget cycle.

Illustration 1: Budget cycle



4. COMPARISON OF INSTITUTIONAL SETUP BETWEEN COUNTRIES

4.1. Legal and institutional framework (de jure)

This subsection compares the institutional setup of the governments in the countries covered by the study and evaluates the legal framework (de jure) that establishes functions and provides for coordination and cooperation between the control actors in the six countries covered by the study.

4.1.1 Background

The countries covered by the study have different government structures. The study considered the different levels of government where the control actors were active.
The structures of the three arms of government – parliament, the executive and the judiciary – are also different in the various countries, resulting in different reporting relationships for the control actors. The study identified two levels of government – central government and subnational government (SN) – in each of the countries, as described below.

Kenya: Kenya has two levels of government: the national government and 47 county governments, which are distinct and interdependent, and work in consultation and cooperation. Each level of government has an executive and legislative arm. The control actors covered by the study are indicated in the table below.

Control actor	Role
Office of the Auditor-General (OAG)	SAI
Office of the Internal Auditor-General (IAG)	Supervises and coordinates internal auditors in central government (CG) ministries and departments
Parliamentary Accounts and Parliamentary Investment Committees (PAC, PIC)	Parliamentary oversight
Accountant-General	Head of accounting function in government
Controller of Budget (CoB)	Oversees the implementation of the national and county government budgets by authorising lawful withdrawals from consolidated, equalisation and county revenue funds
Ethics and Anti-Corruption Commission (EACC)	Anti-corruption body
Public Procurement Regulatory Authority (PPRA)	Public procurement authority
Inspectorate of State Corporation (ISC)	Evaluates performance and management of state corporations based on their respective mandates and performance contracts, and advises on the administration of performance contracts

Efficiency Monitoring Unit (EMU)	Supports the President in overseeing the prudence in the use and management of resource by ministries, departments and agencies (MDAs), including those of development partners

Malawi: The government has two levels: the national government and the local government, which is divided into three regions (i.e. Central Region, Northern Region and Southern Region), and further divided into 28 districts. The control actors shown below are covered by the study.

Control actor	Role
National Audit Office (NAO)	SAI
Central Internal Audit Unit (CIAU)	Supervises and coordinates internal auditors in CG ministries and departments
Public Accounts Committee	Parliament
National Treasury	Secretary to the Treasury, Accountant-General and the Director of Budget
Anti-corruption Bureau (ACB)	Anti-corruption body
Office of Director of Public Procurement (ODPP)	Public procurement authority
National Local Government Finance Committee (NLGFC)	• Budgeting, accounting and financial management, and fiscal allocation and transfers in local government • Oversees the internal audit function in LG regions

Mozambique: Mozambique has two levels of government: central and local government. The government is divided into 11 provinces, which are further divided into 153 districts headed by district administrators. The control actors covered by the study are shown in the table below.

Control actor	Role
Tribunal Administrative (TA)	SAI
General Inspectorate of Finance (GIF)	Supervises and coordinates inspectors (equivalent to internal auditors) in CG ministries, departments and SN government, and conducts inspections on public revenue and public expenditure
General Inspectorate of State	Inspects the implementation of public

Control actor	Role
Administration and Public Service	administration and human resource management functions in all state organisations
Procurement Supervision Function Unit	Public procurement authority
Sector Inspectorate General Central	Inspects work for the sector/ministry's functions and state companies
Provincial Sector Inspectorate General	Review operations at the deconcentrated level, i.e. provincial and district levels
Department of Revenue and Inspection of Provincial Departments of Plan and Finance	Inspects matters relating to budget and financial management of state organs with operations at the provincial level, with the exception of municipalities
Provincial Administrative Inspectorates	Inspects all government organisations under the Provincial Governor (i.e. provinces, districts and village towns) and Level D municipalities
Municipal Inspectors	Reviews the financial and administration process of municipalities and issues reports to the Municipal President
Internal Control Agents	Undertakes pre-auditing role and reports to head of finance

Tanzania: The government of the United Republic of Tanzania covers Mainland Tanzania and Tanzania Zanzibar, each of which has a central government and local government authorities. The country is divided into regions, which are further divided into districts. The control actors below are covered by the study.

Control actor	Role
Controller and Auditor-General (CAG)	SAI
Internal Auditor-General Division (IAG)	Supervises and coordinates internal auditors in CG MDAs and SN government
Parliamentary oversight committees: Public Accounts Committee, Local Authorities Accounts Committee and Budget Committee	Parliament
Accountant-General	Head of accounting function in government

Prevention and Combatting of Corruption Bureau (PCCB)	Anti-corruption body
Public Procurement Regulatory Authority (PPRA)	Public procurement authority

Uganda: This country has two tiers of government: central government and local government. The country is divided into districts, and the control actors shown below are covered by the study.

Control actor	**Role**
Office of the Auditor-General (OAG)	SAI
Internal Auditor-General Department (IAG)	Supervises and coordinates internal auditors in CG MDAs and local government
Legislative accountability committees Public Accounts Committee (PAC), the Committee on Local Government Accounts (CLGA) and the Committee on Commissions and Statutory Authorities and State Enterprises (CCSASE)	Parliament
Accountant-General	Head of accounting function in government
Inspectorate of Government (IG)	Anti-corruption body
Public Procurement and Disposal of Assets Authority (PPDAA)	Public procurement authority
Local Government Inspectorate (LGI)	Functions within the Ministry of Local Government with the responsibility of promoting adherence to the rule of law by the LGs

Zambia: Zambia has two levels of government: central and local government. The Zambian government is divided into 10 regions or provinces, which are further divided into districts with elected councils headed by elected mayors. The table below indicates the control actors covered by the study.

Control actor	**Role**
Office of the Auditor-General	SAI
Office of the Controller of Internal	Supervises and coordinates internal auditors in CG

Audit (CoIA)	MDAs and local government
Public Accounts Committee	Parliament
Accountant-General	Head of accounting function in government
Local Government Auditor (LGA)	Functions within the Ministry of Local Government that audits grants from the ministry and revenue collected by SN governments and administrative processes
Anti-corruption Commission (ACC)	Anti-corruption body
Zambia Public Procurement Authority (ZPPA)	Public procurement authority
Financial Intelligence Centre (FIC)	Financial crime body

4.1.2. External control actors

This subsection analyses the similarities and dissimilarities in the functions of the external control actors, as described in their legal framework (de jure). The external control actors identified by the study are SAIs, legislative oversight authorities and ACBs in all countries, as well as the Commissioner of Budget in Kenya.

4.1.2.1 Supreme audit institutions (de jure)

In all the countries, SAIs are established as independent bodies. With the exception of Mozambique, the SAI is a core element of parliamentary oversight and reports to parliamentary committees that review its reports, consider testimony by witnesses from government MDAs, and sends its reports to the full parliament for debate and action. In Mozambique, the SAI follows the Napoleonic system (court of accounts) and the SAI is established as an independent body of both the legislative and executive branches, and with both judicial and administrative authority. The SAI is an integral part of the judiciary, making judgments on government compliance with laws and regulations, as well as ensuring public funds are well spent, in addition to carrying out statutory audits. The General State Accounts section of the SAI issues final audit reports and opinions are issued to the Parliamentary Accounts Committee (PAC) for discussion.

Generally the legal framework establishing the SAIs and the public financial management (PFM) law empowers SAIs to obtain information from any person or entity, which creates a platform for the SAIs to coordinate and cooperate with the control actors in relation to information exchange. The SAI obtains consolidated financial statements from the AG, who also ensures that public entities submit financial statements to the SAI. In Kenya, Tanzania, Uganda and Zambia the legal framework requires internal auditors to at least copy their reports to the SAI. The legal framework provides for the anti-corruption body and the public procurement authority to cooperate with other actors, which provides a platform for interacting with SAIs. In general, the legal framework in all countries provides for SAIs to coordinate and cooperate with all other control actors.

SAIs generally have the mandate to audit all public funds, including funds appropriated by parliament, entity's own income and income from development partners.

4.1.2.2 Legislative accountability (de jure)

The SAIs report to parliament (and subnational government legislative body in Kenya), as provided for in the respective countries' constitutions and the public audit legislation. The study established that the SAIs in Kenya, Mozambique, Uganda and Zambia reported directly to parliament. In Tanzania and Malawi, the SAIs reported to the President and Minister in charge of Finance respectively, who tabled their reports in parliament.

In these countries, the SAI reports are discussed by the parliamentary oversight committees, which present its recommendations to parliament for discussion and adoption, after which they are implemented by the executive. Parliamentary recommendations or instructions are communicated to the SAI and government accounting officers for implementation and follow-up.

In Kenya and Uganda, the SAIs are also required to submit their reports to the SN government's legislative body. The ministries of finance in all the countries are required to submit memorandums to national assembly (NA) on the status of implementation of parliamentary recommendations.

The study further established that the other actors involved submitted their annual reports directly or indirectly (through the executive) to parliament. In Kenya, Uganda and Zambia, the anti-corruption bodies submitted their annual reports directly to parliament, while in Malawi and Tanzania, the annual reports were submitted to parliament through the ministers responsible for finance. Procurement authorities in Kenya, Tanzania, Uganda and Zambia submitted their annual reports to parliament through the ministers responsible for finance, while in Malawi, the annual report was submitted through the office of the President.

4.1.2.3 Anti-corruption bodies (de jure)

The ACBs in Kenya, Uganda and Zambia are established by the respective countries' constitutions and an act of parliament. In the other countries, the ACBs are established by an act of parliament. They are independent bodies responsible for preventing and investigating corruption, and promoting public ethics. The ACBs submit investigation reports to accounting officers to implement the proposed recommendations, while recommending cases for prosecution to the public prosecutors to institute court proceedings to recover public funds. In Malawi, Tanzania and Zambia, the ACBs have power to prosecute, subject to the direction of the public prosecutor. In Uganda, the ACB has the power to prosecute.

In Kenya, Uganda and Zambia, the ACBs' independence is enhanced by providing for the appointment made by the President of the persons who constitute the governance of the ACBs to be ratified by parliament. However, in Malawi and Tanzania, the director who provides governance over the ACB and his/her deputy director are appointed by the President on such terms and conditions as the President may determine.

Factors that support the independence of the ACBs include financial independence and administrative independence. In Kenya, Uganda and Zambia, the legal framework provides for Parliament to ensure that the anti-corruption bodies are adequately funded and the ACBs have the power to manage the scheme of service of their staff.

Although the ACB in Malawi and Tanzania is established by an act of parliament as an institution that is not under the control or direction of any authority or person, its independence has not been provided for in the constitutions of these countries. The ACB director is appointed by the president and is not ratified by parliament, while its reports are submitted to the minister responsible of finance (executive), who presents it to NA. The annual budget is submitted to the minister responsible for finance and it is consolidated with the national budget without ring-fencing the funding, once the estimates are submitted to Parliament. These factors determined that the ACBs of Malawi and Tanzania are internal control actors.

The legal framework in all the countries provide for the ACBs to cooperate with other institutions domiciled within the country and outside.

4.1.3. Internal control actors

This subsection analyses the similarities and dissimilarities in the mandates of the internal control actors, as provided in their legal framework (de jure). The internal control actors identified by the study are the public sector internal audit function, accountants-general and public procurement authorities. Others are the Efficiency Monitoring Unit and Inspectorate of State Corporations in Kenya, the National Local Government Finance Committee in Malawi, the Local Government Inspectorate in Uganda, and the Local Government Auditor and Financial Intelligence Centre in Zambia.

4.1.3.1 Public sector internal audit function (de jure)

The public sector internal audit function comprises an IAG, and internal auditors and audit committees at the central government and subnational level. The internal audit function is recognised in the public finance legal framework in all the countries covered by the study. In addition, internal audit functions at the subnational level are also recognised and established under the subnational or local government legislation in these countries. SN governments in all countries employ their own internal auditors and the internal auditors report functionally to the legislative authorities and administratively to the accounting officers.
In CG, internal auditors report to the accounting officer to which they are providing services administratively and functionally to the audit committee. In all countries internal audit reports are submitted to management for implementation, and issued to the audit committees.

In Mozambique, the role of the internal auditor is undertaken by the General Inspectorate of Finance (GIF) and Inspectorate of State Administration and Public Service (IGAP), which have been established by ministerial decrees with the mandate to conduct the internal auditing of state finances and human resources respectively at all levels of government. The roles of GIF and IGAP are complemented by the Sector Inspectorate General Central established in ministries, the Provincial Sector Inspectorate General and Provincial Administrative Inspectorates operating at the provincial/decongested level, as well as municipal inspectors established at the subnational government level. Some government entities have internal control agents who undertake pre-audits.

Kenya, Malawi, Mozambique, Uganda, Tanzania and Zambia all have internal SAI offices (IAGs), where internal auditors are employed by the ministry of finance and deployed in ministries and departments. The ministry of finance's centralised internal audit unit plays a coordinating role, and, in addition, the secretary to the treasury (ST) has powers to send internal auditors to audit any public entity. The centralised internal audit functions in all these countries were responsible for developing manuals to be used by internal audit units in all public entities, and receive copies of internal audit reports and annual audit plans. The IAG is established by the public finance legislation in all the countries, except Malawi, where the office is established through treasury circulars.

Audit committees are established in all the countries covered by the study, save Mozambique. Audit committees are also recognised by the public finance legislation in all the countries, except Malawi, where they are established by treasury circulars. In Zambia and Kenya, the ST appoints audit committees in ministries and departments, and audit committees are established in all public entities. The Minister of Finance in Uganda appoints cluster audit committees in both central and local government, while the Chief Secretary to Cabinet in Malawi appoints cluster audit committees for ministries and departments. In Tanzania, the audit committee is composed of senior management, with only one external member representing treasury.

The Zambian and Ugandan IAGs have identified coordination and cooperation with key stakeholders as a key strategic objective.

Public entities in Kenya, Tanzania, Uganda and Zambia are required to implement risk management frameworks. Internal auditors in Kenya are required to assist management in implementing risk management. Illustration 2 below summarises the internal audit setup.

Illustration 2: Internal audit setup

	Kenya	**Uganda**	**Tanzania**	**Malawi**	**Zambia**	**Mozambique**
Internal audit setup						
Established by law	☑	☑	☑		☑	☑
Internal audit function in CG reports to IAG	☑	☑	☑	☑	☑	☑
Internal audit function in SN government reports to IAG		☑	☑			☑
Internal audit function in statutory		☑	☑		☑	☑

	Kenya	Uganda	Tanzania	Malawi	Zambia	Mozambique
corporation/parastatal government reports to IAG						
Audit committee in place	☑	☑	☑	☑	☑	
Coordination between audit committee and IAG		☑	☑	☑		
Risk-based audit approach	☑	☑	☑	☑	☑	

4.1.3.2 Accountants-general (de jure)

All countries have accountants-general (AGs) established by the PFM act within the ministry of finance/treasury reporting to the secretary to the treasury, except for Malawi, where the role is established through treasury circulars. The accountant-general offices are responsible for supporting accounting services across government, compiling public accounts, supporting the ST in cash flow management, and developing accounting policies to provide guidance and capacity building on public sector accounting matters.

All countries have implemented integrated financial management information systems (IFMISs), and the AG offices prepare annual consolidated financial statements and ensure that public entities prepare and submit financial statements to the SAIs for auditing. Accounting officers, however, remain responsible for maintaining effective and transparent financial management systems.

In Zambia, the AG seconds staff in ministries, departments and projects. The Zambian PFM Act provides that the AG can cooperate with any public institution. In other countries, accountants are employed by their respective entities, but report functionally to the AG.

In Uganda, the AG is expected to undertake inspections of votes on a quarterly basis and submit a report to the ST, inform the ST of any defects, breach or non-compliance in the management of public revenue, expenditure, cash or assets, and disallow payment of funds where, in its opinion, the payment is wrong, deficient or contravenes the law for the management of public funds. The PFM Act provides for the AG to coordinate and cooperate with the SAI, the public sector internal auditors and legislative assembly.

In Kenya, the AG is responsible for establishing controls in PFM systems and ensuring that they are implemented in terms of the PFM Act. The IAG and Accountant-General report to the Director-General of Accounting and Quality Assurance Services, who reports to the Secretary to the Treasury. The Accountant-General chairs and houses the secretariat of the Public Sector Accounting Standards Board, which develops accounting and internal audit regulations, standards and guidelines to be used in the public sector.

4.1.3.3. Public procurement authorities (de jure)

The PPAs in Kenya, Malawi, Mozambique, Tanzania, Uganda and Zambia are established by the respective countries' acts of parliament as bodies with a board reporting to treasury. The PPAs are responsible for ensuring compliance with the public procurement and disposal laws and for capacity building. PPAs report annually to the minister responsible for finance, or the President in the case of Malawi, for onward transmission to parliament. The authorities carry out investigations and have the power to bar any person from participating in public procurement or asset disposal.

Unlike the other countries, the Zambian PPA has a separate budget vote. In Mozambique, the unit is set up as a department in the Ministry of Finance and also prequalifies all vendors interested in participating in public procurement.

The PPA Act in all countries provides for public procurement authorities to coordinate and cooperate with other public entities.

4.1.3.6. Other internal control actors (de jure)

Inspector-General, Corporations (de jure), Kenya

The Inspector-General, Corporations, is established by an act of parliament with the mandate to advise the government on all matters affecting the effective running of the state corporations. The Inspector-General, Corporations, evaluates the actual results of performance and management of state corporations based on their respective performance contracts, and advises on the administration of performance contracts. The Inspector-General, Corporations, coordinates investigations with the SAI, and has the power to disallow any expenditure contrary to the law and to surcharge public officers for any loss.

Efficiency Monitoring Unit (de jure), Kenya

The Efficiency Monitoring Unit (EMU) is established through a presidential executive order with a mandate to oversee prudence in the use and management of resources by ministries, departments and agencies, including those of development partners. The EMU continuously monitors and analyses the implementation of government policies, programmes and projects with a view to advising the executive on problems being encountered and to recommending remedial measures.

Local Government Inspectorate (de jure), Uganda

The Local Government Inspectorate has been established in the ministry responsible for local governments to promote adherence to the rule of law by the LGs. LG inspectors may initiate inspections on their own initiative or upon receiving a complaint. They report to the minister who may call a meeting of the concerned local government council to point out irregularities and provide guidance on how these should be rectified, request for an inquiry into the matter and advice, based on the results of the inquiry, or refer the outcome of the inquiry to the relevant authorities to take appropriate action.

National Local Government Finance Committee (de jure), Malawi

The National Local Government Finance Committee (NLGFC) is established by the Constitution of Malawi, and its function is complemented in the Local Government Act. It is involved in the budgeting process through the consolidation of LGs' budgets and recommending the allocation of the funds appropriated by parliament to the LGs, supervising the accounting and financial management of LGs, and coordinating financial reporting to ensure the Auditor-General receives financial statements from all LGs for auditing.

Local Government Auditors, Zambia

Local Government Auditors are appointed on an annual basis by the minister responsible for local governments in accordance with the local government involved. The auditors are responsible for auditing the accounts of the council (ordinary audits) and undertaking investigations and extraordinary audits, as requested by the council or the minister.

Financial Crime Body (de jure), Zambia

The Financial Crime Body (FCB) in Zambia is established by an act of parliament, with the mandate to receive, analyse and disclose transactions involving money laundering, financing of terrorism or other serious offences and to request law enforcement agents to undertake investigations. The FCB prepares an annual performance report to the finance minister for onward submission to parliament. The FCB has powers to cooperate and exchange information with any public institution in discharging its mandate.

4.1.3 Ongoing reform efforts that impact on the institutional setup

(a) Kenya

Reforms in Kenya are driven by the implementation of the 2010 constitution, which has led to revisions of the PFM Act, Procurement Act, Public Audit Act and other legislation to conform to the two levels of government, national and county government. The PFM Reforms in Kenya 2013–2018 Strategy identified internal and external control actors as key organisations to support the government in achieving a public finance management system that is efficient, effective and equitable.

The 2012 PFM Act established the Public Sector Accounting Standards Board (PSASB), which develops accounting and internal audit regulations, standards and guidelines to be implemented by the public sector. In July 2014 the government of Kenya adopted the International Professional Practice Framework (IPPF) and International Financial Reporting Standards (IFRS) in undertaking internal auditing, accounting and financial reporting respectively in the public sector.

(b) Uganda

Through national strategies like the National Development Plan-II (NPD-II), the Public Finance Management Reform Strategy (PFMRS) and the Accountability Sector Strategic Investment Plan (ASSIP), the government has identified coordination and cooperation as a key strategic factor in enhancing accountability, transparency, responsiveness, participation by all, efficiency and effectiveness, equity, inclusiveness and observance of the rule of law, which are key in supporting the achievement of its Vision 2040.

To support the implementation of the accountability sector, as provided in National Development Plan-II, the government has established the Public Finance Management Reform Strategy (PFMRS) (2014/15 to 2017/18) and ASSIP 2014 to 2019. The Accountability Sector Working Group (ASWG) enhances the coordination and cooperation among member institutions through monthly meetings of the technical committees and steering committee meetings, and some of the control actors have established MoUs or are in the process of establishing MoUs for coordination and cooperation.

The PFM Act 2015 requires the SAI to submit audited accounts and reports to parliament within six months after year-end down from nine months.

(c) Tanzania

At the time of the study, the country was reviewing its constitution. The draft constitution provided for the enhancement of the process of appointing the Controller and Auditor-General and proposed that the Controller and Auditor-General report directly to the President.

The Public Finance Act and the budget were being reviewed to enhance the financial independence of the Controller and Auditor-General, the independence of the audit committee, the role of the accounting officers in establishing risk management, the role of the internal auditors at the subnational level, as well as to adopt international public sector accounting standards.

Furthermore, the legal framework was being reviewed to enhance the ACB's independence by providing for it to be established by the constitution.

(d) Malawi

The government was discussing recommendations by a PwC report for the SAI to report directly to NA, to have a separate scheme of service and to present its budget to NA. The IAG has drafted a bill to establish internal audit functions and audit committees by law. The PFM ad PPA acts were also undergoing review at the time of the study.

(e) Zambia

Zambia assented to an amended constitution on 5 January 2016, which established two levels of government. To support the achievement of Vision 2030, the government is currently implementing the Revised Sixth National Development Plan (2013–2016) which has identified PFM reforms as one of the drivers of development. The Public Financial Management Reforms Strategy (2013–2015) has the objective of ensuring the efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved public service delivery.

The Constitution of Zambia has increased the Auditor-General's auditing scope to cover local authorities and has reduced the time required to present SAI audit reports, which is likely to stretch the resources of the SAI, especially in entities that have not fully implemented IFMIS. The government is also planning to implement an e-procurement system. Most of the control actors have established coordination and cooperation MoUs.

4.1.4 Summary of de jure

The legal frameworks in all countries provide for the control actors to perform their functions either at the central government level, local government level or both. The SAIs, AGs, ACBs, IAs and FCBs are established at all levels of government.

SAIs are directly accountable to parliament. All other internal or external control actors report to the relevant ministers or STs at central government level or to the SN governments or governing bodies for state organs. Only the external ones, such as ACBs and PPAs, report to parliament through the ministers concerned. The legal frameworks provide for SAIs to coordinate with all actors.

Internal audit units in MDAs are coordinated by the IAGs in the ministries of finance, and every public entity has an internal audit unit that reports administratively to the controlling officer and the functionally to the audit committee or an LG legislative body. In Malawi, Zambia and Uganda, the minister of local government have established inspectorates to monitor the implementation of PFM legislation in local government.

The IAGs and accountants-general report to the STs. Local government auditors report to the ministers of local government.
Although these actors are not required to submit any reports to the NA, the PAC has the authority to request information from these control actors through their respective ministers.

Audit committees are expected to provide oversight over the internal audit functions at both the central and local government levels. All the countries, except Mozambique, have audit committees to which internal auditors report functionally. In Malawi, the legal framework does not provide for the IAG and audit committees, which are established by treasury circulars and charters.

The legal frameworks in the countries other than Malawi generally provide for control actors to cooperate and coordinate with other control actors.

4.2. Comparison of performance of actors (de facto)

4.2.1. Background

This subsection compares how the control actors in the six study countries implement their mandate and functions as stipulated in their legal frameworks. It analyses SAIs and the public sectors' internal audit plans (strategic, annual and operational) and operations (manuals, tools and reports). The information was obtained through working sessions with the control actors.

4.2.2. Supreme Audit Institutions (de facto)

The performance of a SAI depends on many factors[6]. These factors include a variety of issues, ranging from the legal framework and mandate provided by national legislation to the quality, quantity and utilisation of the resources employed. Like any other professional organisation, a SAI must demonstrate that it complies with standards and delivers products that are relevant to its stakeholders.

The Institutional Capacity Building Framework (ICBF) of the African Organisation of Supreme Audit Institutions (English) (AFROSAI-E) offers a framework that can be used to compare the performance of the SAIs of the six countries. It has five domains with elements for all five levels in the framework (ICBF):

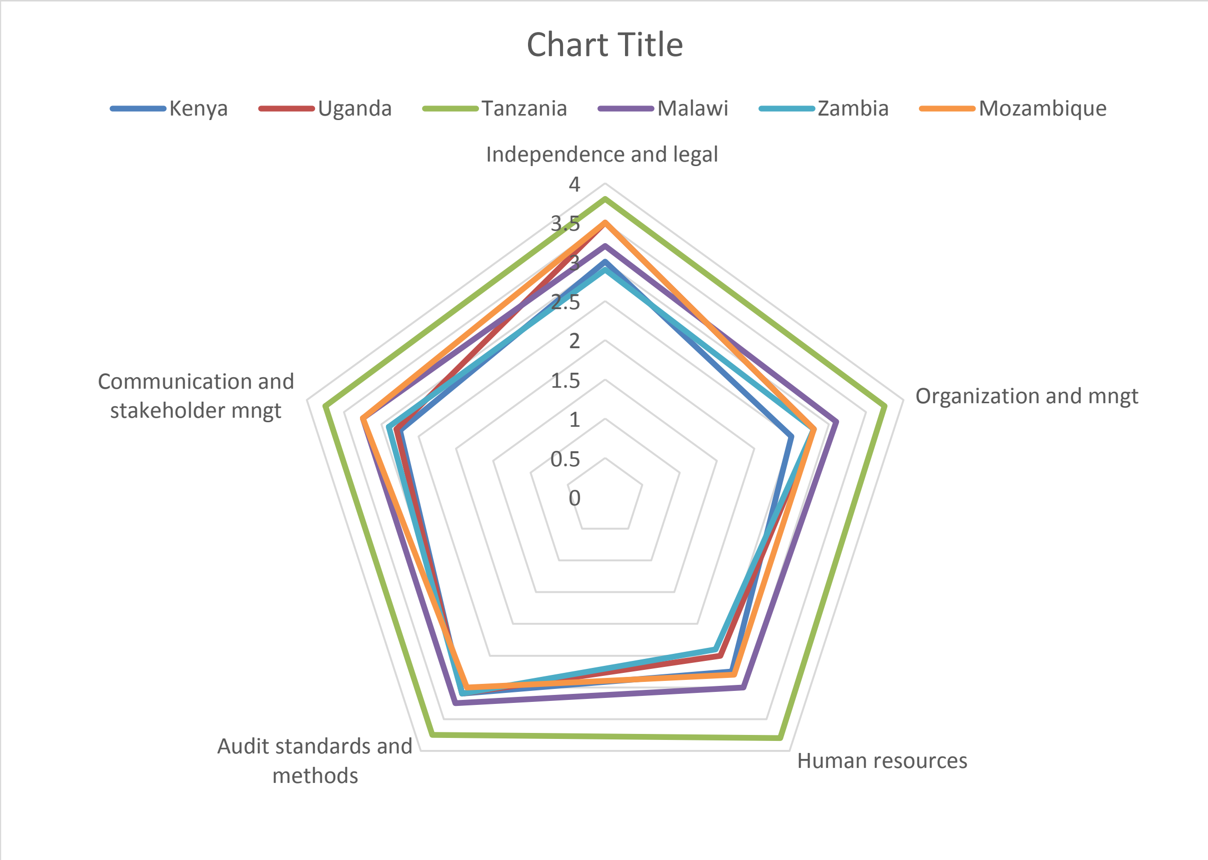
1) Independence and legal framework
2) Organisation and management
3) Human resources
4) Audit standards and methodology
5) Communication and stakeholder management

To reach level 4 of the AFROSAI-E ICBF, SAIs should demonstrate that they have implemented a regular communication process with internal auditors.

[6] AFROSAI 2010 Activity Report

According to the AFROSAI 2015 Transversal Activity Report, most SAIs are between 2.75 and 3.75 in their self-assessment, as shown illustration 3 below.

Illustration 3: AFROSAI 2015 Transversal Activity Report



The ICBF elements identified in the country studies that have a bearing on coordination and cooperation are summarised below.

1) Independence

This is covered under the de jure analysis in section 4.1.2.1. All SAIs report to parliament. In Kenya, there are delays in discussing SAI reports, which leads to a low implementation level of audit recommendations. Uganda's SAI has simplified its reports to improve impact. The SAIs in Kenya, Uganda and Mozambique have a separate vote and a separate scheme of service for their staff, while in Zambia and Malawi the SAIs depend on the ministries of finance for allocation and staff are recruited by the public service commission. These two countries' SAIs operations were underfunded at the time of the study.

In addition to carrying out audits, the Mozambican SAI is mandated to carry out administrative litigation, tax and customs litigation, and pre-approval of contracts. The SAI also undertakes some functions that may be perceived to be part of internal control, such as the recruitment of civil servants and pre-approval of contracts above MZN5 million through granting or withholding clearance. Zambia's SAI certifies the implementation of contracts above ZMK15 000 before payments. In Uganda, the SAI approves all withdrawals from the Consolidated Fund and Petroleum Fund. In Malawi, the SAI pre-audits pensions and gratuities payments.

2) Organisation and management

Some SAIs had identified coordination and cooperation as a strategic agenda. However, some had not developed specific strategies to implement it.

3) Human resources

Most SAIs have severe resource constraints in terms of the number of staff members and budgets. They sponsor staff to undertake professional qualifications such as those of the Association of Chartered Certified Accountants (ACCA), Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA) and Certified Fraud Examiner (CFE), diplomas, and undergraduate and master's degrees. In addition, Uganda's SAI organises regular training in areas such as Teammate, ACL, and the auditing of ICT systems like IFMIS, Navision, Linux, networks and SQL database. However, capacity to audit ICT systems remains a challenge for most SAIs, with Malawi choosing to outsource ICT and local government audit engagements.

4) Audit standards and methodology

All SAIs have audit manuals that are aligned to ISSAIs and AFROSAI-E manuals. The Zambian SAI was in the process of developing manuals on performance, ICT and forensic audits. In Kenya, Uganda and Zambia, the SAIs have adopted a risk-based audit approach and assess whether entities have implemented a risk management framework. Public entities are slow in implementing risk management frameworks, which has made the implementation of risk-based auditioning difficult. Some SAIs, including that of Kenya, have not implemented risk management frameworks yet.

In Kenya and Uganda, the SAIs have automated working papers using Teammate. Kenya, Uganda and Zambia use the IDEA data analysis tool, but not all auditors have access to the tool due to limited licences. Kenya's SAI uses Audit Vault to capture transactions in IFMIS.

In Zambia and Uganda, some entities use manual procedures, resulting in delays in preparing financial statements and audits.

Mozambique's SAI maintains a database of audit findings, but Kenya's SAI does not have a system of maintaining all audit findings and recommendations.
All SAIs follow up the implementation of audit recommendations in the next auditing cycle. In Zambia, the IAs follow up the implementation of SAI recommendations during the year.

5) Communication and stakeholder management
In Zambia, the SAI invites the IAG to annual planning and engagement planning meetings, and reviews the work of internal auditors and audit committees during engagements. Internal auditors also follow up on the implementation of the SAI's audit recommendations. At the time of the study, Zambia's SAI was in the process of establishing a memorandum of understanding with the IAG. This SAI has already established MOUs with the ACB, PPA, FCB and the Drug Enforcement Commission.

The interaction of Zambia's SAI with parliament is considered strong and the institution follows up implementation of parliament recommendations through a treasury memorandum to parliament. In Kenya, Zambia and Uganda, there is inadequate capacity in parliamentary committees to discuss performance audit reports before they are tabled in Parliament.

In Kenya, interaction with other control actors take place on an ad hoc basis, depending on the engagement basis, although other agencies request to carry out further investigations.
In Malawi, the SAI has identified cooperation with the other control actors and key stakeholders as a key success factor in the implementation of its strategic plan and achievement of its mandate. However, the National Audit Office (NAO) has not developed any strategies to implement the plan. The IAUs copy their audit plans and reports to the SAI, and internal auditors are invited to planning and exit meetings, but this practice is not institutionalised. The SAI undertook a joint payroll and human resource audit with internal auditors in the past with positive outcomes, and the two offices also plan to undertake joint training. The SAI, AG and IAG hold an annual symposium or forums attended by external auditors, internal auditors and accountants where presentations on common subject matters are discussed.

4.2.3. Public sector internal audit function (de facto)

The IIA's Public Sector Internal Audit Capability Maturity model (IACM) can be used to compare the performance of public sector internal audit functions between the six countries. The model has six domain elements:

1) Services and role of the internal audit function
2) People management
3) Professional practices
4) Performance management and accountability
5) Organisational relationships and culture
6) Governance structures

Each element has five levels of maturity:

1) Initial
2) Infrastructure
3) Integrated
4) Managed
5) Optimising

To reach level 3 of the internal audit capability model (IACM), internal audit units are required to have developed the capability to consistently share information and coordinate activities with internal and external assurance and advisory service providers to ensure appropriate organisational coverage and minimise duplication of effort.

IACM elements identified in the country studies that have a bearing on coordination and cooperation are summarised below.

1) **Services and role of the internal audit function:** The types of audits undertaken by the internal audit function are listed in 4.1.3.1 above. In Uganda, Kenya and Malawi, the internal audit functions lack adequate skills to undertake performance, ICT and forensic audits. Zambia CG's internal auditors had not started to conduct performance, ICT and forensic audits, but was in the process of setting up the units to support these audits. At the time of the study, manuals had been developed to support these audits.

   All countries have adopted risk management, but the uptake has generally been slow, which has slowed the implementation of risk-based auditing. In Kenya and Uganda, the internal audit function is tasked with spearheading the implementation of risk management in public entities.

The implementation of IAs' recommendations is generally low in most countries covered by the study, compared to the recommendations from EAs in all countries, and management does not provide specific action plans. In Zambia and Kenya, some internal auditors still do pre-audits, although the countries have migrated to risk-based auditing.

2) **People management:** In Kenya and Uganda, the internal audit staff in state corporations had a higher level of competency than internal audit staff in CG and SN government. In Kenya, Malawi and Uganda, the IAG sponsors internal auditors to pursue CPA, ACCA, Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and Consultative Group to Assist the Poor (CGAP) professional qualifications. Malawi's IAG conducts short courses, while the SN government's internal auditors hold an annual conference to share experiences. However, this is not consistent due to a lack of adequate resources.

3) **Professional practices:** Kenya, Uganda and Zambia IAUs have adopted the IPPF. However, in Zambia, the SN government internal audit units are not aligned with the IPPF and do not use auditing tools, training and manuals developed by the IAG. In all countries quality assurance was carried out through the review of working papers and inspection reports.

In Kenya, Uganda and Zambia, internal auditors had adopted risk-based auditing, but the slow implementation of risk management in government remained a challenge. Although all countries require internal auditors to adopt a risk-based auditing approach, some accounting officers in countries such as Kenya and Zambia required internal auditors to perform pre-audits, which can compromise internal auditors' independence. In Zambia, internal auditors are also involved in stock verification, which may be seen as a management function.

The Kenyan and Mozambican IAGs prepare consolidated annual audit plans that are submitted to the secretary to the treasury or the minister in charge of finance. Mozambique's IAG shares its consolidated annual audit with the SAI. The Mozambican IAU's annual audit plan is structured in such a way to ensure all state organs are inspected every two to three years.

In all countries, IAUs prepare draft audit reports and obtain management comments before issuing final audit reports. In some entities in Uganda and Kenya, there were challenges at SN level in obtaining management comments, which delay the finalisation of audit reports. Management comments lack action plans and sometimes are verbal.

In Kenya, Uganda and Zambia, internal audit units send individual engagement reports to the respective accounting officers and quarterly audit reports to audit committees, with a copy to the IAG.

The Mozambican IAG maintains a database of all audit findings.

In all countries the implementation of audit recommendations is followed up during subsequent audits. In Mozambique, the Inspectorate General of State Administration and Public Service holds monitoring meetings with its clients to assess implementation of its recommendations.

In Kenya, Uganda and Zambia, the implementation of audit recommendations remains a challenge. There is no systematic process of following up the implementation of audit recommendations in Zambia and Uganda.

Kenyan internal auditors have acquired Teammate and IDEA, while the ACL data analysis tool has been acquired in Zambia.

4) **Performance management and accountability:** In Kenya, Uganda, Mozambique and Zambia, the IAG had developed strategic plans. Strategic objectives included quality audit reports, promoting accountability, alignment with national objectives, resource mobilisation, independence of the internal audit function, quality and improvement programmes, tools and methodology, facilitating risk management, communication with stakeholders, and improving competency levels. In Mozambique, the strategic plan was aligned to the government-wide strategic plan.

In Kenya and Uganda, the role of the internal audit function is not well understood or appreciated in some public entities, which has led to low levels of management support during engagements and poor implementation of audit recommendations.

5) **Organisational relationships and culture:** In Kenya, there is no formal coordination with other control actors, but IAs interact with the SAI, PPA and ACB, and other control actors request internal audit reports when they are undertaking reviews at the relevant entities. Internal auditors also undertake joint assignments with other actors, but this is done on an ad hoc basis.

Uganda's IAs submit copies of all internal audit reports to the SAI. The internal auditors interact with the ACB on corruption and fraud cases. Cooperation with the PPA has been minimal.

Zambian and Ugandan internal auditors have identified coordination and cooperation with key stakeholders as a key strategic objective. Zambia's IAU was in the process of establishing MoUs with the FCB and PPA. The IAG refers corruption cases to the ACB, SAI, police and the Drugs Enforcement Commission for further investigation.

In Mozambique, the IAG shares its audit plan with the SAI, while the Inspectorate General of State Administration and Public Service submits findings that have a criminal element to the Public Prosecutor.

6) **Governance structures:** Internal auditors in Kenya, Uganda and Zambia are recognised in PFM legislation and regulations, and are supported by internal audit charters, internal audit manuals and audit committee charters. The only way in which internal auditors are recognised by law in Malawi, is as audit committees established by treasury circulars and supported by an audit committee charter.

All countries have IAGs that coordinate the internal audit units in CG. In Kenya and Malawi, the IAG is responsible for building the capacity of audit committees in CG. In Uganda, the IAG maintains a database of all internal audit findings and prepares a consolidated internal audit report for the secretary to the treasury, based on reports received from internal audit units in entities. The IAG in Malawi receives copies of audit reports from ministries, and was in the process of setting up a central database for monitoring at the time the study was conducted. In Zambia, Kenya and Malawi, there is no coordination between the IAG and SN government's audit committees and internal audit units. In Zambia, the IAG did not interact with audit committees in CG. There is minimal interaction between the IAG and internal auditors at SN government level in Malawi, Mozambique, Zambia and Kenya. In Uganda and Tanzania, internal audit functions in CG and LG are coordinated centrally by the IAG. There was little interaction between the IAG and internal auditors in state organs in all the countries.

All countries, except Mozambique, have audit committees to which internal auditors report functionally, while reporting administratively to accounting officers. To ensure their objectivity, audit committee members should be independent of the entity. However, in Kenya CG, some of the audit committee's members are part of management, while in Malawi SN government, some of the audit committee members are members of management or politicians. In Uganda, audit committees are established at CG and SN government level, and report to the Minister of Finance.
In Zambia, audit committees are established at all levels of government and members are independent, except in SN government, where they are composed of functional heads.

However, the role of audit committees is not well understood by accounting officers and support is low in most countries. Malawi was in the process of establishing audit recommendations implementation committees in the public entities, which would be composed of management who would oversee the implementation of EAs', IAs' and audit committees' recommendations. Only Malawi has a central audit committee, composed of chairpersons of cluster audit committees, which consolidates all audit committees' recommendations into one report to the Chief Secretary to Cabinet.

The reporting structure of the internal audit function at SN government level in Kenya is not systematic, and some internal auditors report to accounting officers and others to heads of finance departments. The competency of IAs in SN government levels is generally low in all countries, despite an increase in service and resource devolution.

7) Coordination and cooperation with other control actors

Malawi's IAG has identified cooperation as a key success factor in its strategic plan, but has not developed specific strategies to implement it. The PPA in Malawi has facilitated training on procurement for internal auditors. The Inspectorate Directorate in the Malawi Defence Force attend training sessions organised by the IAG. Internal auditors refer procurement findings that require legal interpretation to the PPA. However, the internal auditors do not receive copies of PPA reports to monitor the implementation of their recommendations. The IAG also recommends further investigations on fraud cases to the

ACB through the ST. Internal audit units in ministries in Malawi copy their reports to the ST and AG, but they do not receive any feedback on them.

4.2.4 De facto summary

Most control actors followed a risk-based approach to doing their work and had developed manuals or were in the process of developing manuals to implement their mandate. External control actors had more capacity and had developed advanced skills in providing specialised auditing services relative to internal control actors. In addition, all control actors faced staff and resource shortages, with some reporting that the problem was severe. This resulted in a shortage of skills, which was exacerbated by a high staff turnover, especially where control actors' staff were enrolled in the public service scheme of service.

The effectiveness of control actors was weakened by delays in discussing their reports and poor implementation of audit recommendations in some countries. There was, however, a higher implementation rate of external audit recommendations compared to the implementation of internal audit reports. In some countries, management did not provide action plans for the implementation of internal audit recommendations. Although audit committees were in place, in most countries their impact was yet to be felt and some faced operational challenges.

A review of the de facto aspects of the control actors indicates that the various actors interact with each other to various degrees. Common interaction involve the exchange of information in the form of sharing reports, undertaking joint audits, inspections or reviews, and following-up on each other's recommendations.

The interaction between SAIs, IAGs and AGs is in relation to information sharing. In addition to sharing information, the interaction between SAIs, ACBs and PPAs includes undertaking joint engagements and providing technical advice on assignments. External control actors have access to internal audit reports during their engagements.

There is a higher level of awareness of the need for cooperation and coordination among control actors in Zambia and Uganda. To this effect, these actors have indeed identified cooperation as a key objective in their strategic plans, and MoUs have been developed or are in the process of being put in place. However, sharing information between control actors still needs to be enhanced.

In addition, most control actors follow up the recommendations of other control actors when conducting engagements, but there were no framework for sharing information with the other control actors. In some countries, e.g. Malawi, internal auditors do not receive copies of SAI reports from management, and they are therefore not able to follow up implementation of recommendations.

4.3 Conclusion

The level of coordination and cooperation varied between control actors, and varied across the following range:

- Ad hoc contact on an engagement or needs basis
- Regular contact based on informal arrangements, but not systematic
- Where a need for cooperation was recognised as strategically imperative but formalised strategies had not been put in place
- Where MoUs on coordination and cooperation had been put in place, institutionalised and supported by stakeholders
- Where implementation of MoU benefits where monitored regularly and coordination efforts were reported on at entity level and nationally

The de jure framework provides an entry point for control actors in all countries, except Malawi, to collaborate directly with each other or indirectly. Coordination and cooperation was entrenched in most laws establishing control actors in Zambia and Uganda. The de jure aspects provide for the SAIs to obtain information from any persons or institutes in undertaking their functions. A review of the de facto aspects indicates that the external control actors interact with all the other actors.

The de jure aspects provide for the public sector internal auditors to cooperate with the auditors-general, ACCs, PPAs and FICs, whereas a review of the de facto aspects shows that all control actors have access to internal audit reports when conducting their engagements. However, there is weak coordination and cooperation between IAGs and internal auditors based in spending agencies and at LGs, and audit committees.

5. COORDINATION AND COOPERATION BETWEEN INTERNAL AND EXTERNAL CONTROL ACTORS

5.1 Analysis of interfaces between control actors

This section evaluates the de jure and de facto formal (based on statutes, regulations or written agreements) and informal coordination mechanisms that are not defined in advance, but implemented on an ad hoc basis. It also focuses on assessing the coordination between internal and external control actors, among the internal control actors and among the external control actors, and establishing the overall objective of the coordination. The study classified the coordination areas into five components, namely structural, functional informational, professional and instrumental.

5.1.1 Structural coordination

From a structural viewpoint, the de jure and de facto aspects are reviewed to identify areas of cooperation in order to plan and perform audit engagements on the basis of existing relationships of direction and management. A review of de jure aspects established that there were no legal restrictions that could prevent interaction among the control actors in each of the six countries. However, the level of cooperation differed from one country to the other, based on different factors.

5.1.1.1 Structural coordination between external and internal control actors: The study found that some control actors were in a superior position in relation to others. The national assemblies and their committees are considered to hold a superior position, as they have the overall responsibility of ensuring that public resources are held and utilised in a transparent, accountable, efficient, effective and sustainable manner, the power to initiate and make changes in the statutes that govern the operations of the control actors, and the power to request the control actors to undertake reviews, audits or inspections and submit reports to them. SAIs are by law required to submit audit reports and financial statements to parliament for oversight. Anti-corruption bodies, procurement bodies and financial crime bodies are required to submit annual performance reports to parliament through the ministers responsible for finance. Parliament further has the power to request information from any control actor through the relevant ministers.

While parliaments actually have a superior position, the other control actors can be classified as having “perceived superior positions” or “perceived sub-ordinate positions”. SAIs and anti-corruption boards (and the Controller of Budget in Kenya) that are established as independent control actors by the constitution and that are under no control or direction of the legislature, executive or judiciary can be perceived to be in “perceived superior positions”. The AGs are expected to submit annual accounts and financial statements to the SAIs, and international auditing standards require SAIs to review internal audits, which form part of internal control.

The study found that some control actors had established liaison offices with parliament, and that cooperation and coordination champions had been identified and mapped. This facilitated the monitoring of performance indicators, and provided better incentives for staff to take initiative to coordinate and cooperate with other control actors.

SAIs review the reports of other control actors and include them in their reports that are publicised and published, unlike those of internal control actors. Internal control actors also refer suspected fraud cases to the SAIs. Other control actors, including the SAIs, submit reports with suspected fraud cases to the anti-corruption bodies for further investigation. SAIs and anti-corruption bodies are considered to hold superior positions. Although the legal framework does not require other control actors to report to SAIs or ACBs, these control actors share copies of their reports with them.

The PPAs, AGs and PSIA functions are considered internal control actors who are appointed by, and report to the minister in charge of finance or the secretary to the treasury. There are also inspectorate departments that report to the ministers in charge of local government or public administration. These control actors hold a “perceived subordinate position“ relative to the others.

A review of the de facto aspects established that AGs had close working relationships with the SAIs to whom they submitted financial statements and annual reports for audit. Accountants-general in Kenya and Uganda monitored the implementation of SAI recommendations, and in Uganda the Secretary to the Treasury submitted a treasury memorandum to Parliament.

In Zambia, the IAG, PPA and FCB and other control actors were more proactive in mapping the stakeholders they wanted to coordinate with and identified concrete areas for doing so. This also facilitated the monitoring and evaluation of the coordination and cooperation efforts.

5.1.1.2 Structural coordination among external control actors: A review of the de facto aspects established that generally, the SAIs in all countries worked together with the anti-corruption bodies to share information, exchange advice and follow up on recommendations. Control actors did not undertake joint engagements or share annual audit plans.

5.1.1.3 Structural coordination among internal control actors: A review of the de facto aspects established that IAGs in the ministries of finance in Uganda and Tanzania, Zambia and Kenya coordinated the work of internal audit units in ministries and government departments. The IAGs in Kenya, Mozambique and Zambia only coordinated the work of internal audit units in ministries, and did not that of the SN governments' internal auditors. Most of the SN governments' internal auditors did not follow international standards.
Uganda, Kenya, Malawi and Zambia had established audit committees to provide oversight over the internal audit function. Audit committees had a responsibility for providing oversight over internal and external audit functions at the entity level, and could promote cooperation between the control actors to optimise assurance services to the public entity. However, audit committees mainly received internal audit reports.

5.1.2 Functional coordination

Areas of functional cooperation are planning, performance and control (quality control and tracking the implementation of recommended measures) of audits, reporting and possibly advisory services.

The study found that in all the six countries, SAIs, anti-corruption bodies and public procurement bodies had the mandate to review all public entities. All public entities were required to establish internal audit units, while AGs were responsible for establishing accounting and financial management controls in all public entities. The study identified the following areas of coordination:

a) Most control actors reviewed the same internal controls in entities, with the main difference being the area of focus. For example, the SAIs focused on assessing the true and fair view of financial reports, while internal auditing focused on financial reporting controls. Procurement authorities were concerned with value for money in public procurement, which was also an area of focus of SAIs and IAs. All parties carried out fraud investigations and referred serious corruption cases to the anti-corruption bodies, public prosecutors or the police for detailed investigation and litigation. Other types of audits that were common among control actors include ICT audits, value for money audits and compliance audits.

b) Control actors used audit, inspection or investigation methodologies, depending on the issue being reviewed. Most control actors used a risk-based approach, which involves annual planning, engagement planning, reporting and follow-up actions.
c) Control actors could give each other technical advice when planning, executing and reporting engagements results.
d) Control actors could monitor the implementation of the other control actors' recommendations, especially when conducting an audit engagement in the same area.
e) Control actors could jointly promote good governance, ethical practices and controls and advise government on internal controls and risk management by making joint pronouncements
f) Control actors could rely on work done by other control actors for planning, execution and reporting.
g) Audit committees had an oversight role over internal controls and risk management processes at the entity, and reviewed the status of the implementation of recommendations from all the actors prepared by the internal audit units. These similarities created grounds for functional coordination.

5.1.2.1 Functional coordination between external and internal control actors: From a de jure perspective, the SAIs receive financial statements from the AGs and report the results of the audits to parliament. SAIs have the power to access internal auditors' reports and review internal audits and audit committees while assessing the entity control environment and determining the level of reliance to place on internal audit work and controls. A review of de facto aspects found that SAIs largely did not rely on work carried out by internal auditors either due to independence or quality-of-work concerns. Kenya's SAI, however, did not consider the work carried out by internal auditors.

Supreme audit institutions made reference to unresolved audit findings from other control actors in their reports. As a result, Zambia's PAC also involved the IAG in discussing SAI reports.

Supreme audit institutions reviewed internal audit plans and invited internal auditors in the entities involved to audit closing meetings, although this was not institutionalised and depended on the auditor in charge.

In Uganda, IAs and EAs were members of the PFM joint working groups, which provided avenues for the control actors to cooperate and collaborate.
The legal frameworks provided for control actors to interact, and the SAI undertook joint engagements with the ACB and PPA. All other actors reported directly to the ACB when they identified corruption or fraud-related transactions. The AG attended SAI closing meetings and PAC sessions. National assembly had the power to request SAIs, ACBs and other control actors established by the constitution to carry out investigations and report on their findings.

Internal audit functions often monitored the implementation of recommendations from other control actors, especially external auditing, and provided the necessary advice to the accounting officers. However, none of the countries has systems set up to inform other control actors on the results of follow-up activities by internal auditors. Management might not have wanted internal auditors to report internal control weaknesses to external audit institutions.

Other control actors referred procurement and fraud-related cases to the PPAs or anti-corruption bodies respectively for further investigation, or consulted them for advice. Joint teams were formed on an ad hoc basis. Due to the number of actors who had the mandate to review procurement and fraud, more than one agency could be involved in reviewing the same fraud case. This duplication could, however, have been intentional, as different institutions could provide different views on facts and provide different solutions. In this case, control actors might want to carry out their own independent investigations and not rely on work conducted by other control actors.

Internal auditors considered the work carried out by other actors in developing risk-based annual audit plans, such as recent audits by SAIs or ACBs.

5.1.2.2 Functional coordination among external control actors: A review of the de facto aspects established that the Ugandan government had identified coordination and cooperation as a strategic objective for the accountability sector working group, and had developed structures to support coordination and cooperation among control actors. The

ACB receives copies of all SAI reports and reviews them to establish whether any possibilities of corruption practices exist in the audited entities. The government has also established a forum called the Anti-corruption Inter-agency Forum (ACIAF) to support the effective implementation of the National Anti-corruption Strategy (NACS), which promotes the fight against corruption and related malpractices. The ACB and SAI are members of these forums, which formulated joint action plans to promote accountability through advocacy and public engagement.
In Kenya, interaction between external control actors mostly takes place on ad hoc basis, based on the engagement being undertaken. In the past, the Kenya Integrity Forum, which had members from 14 sectors and was hosted by the anti-corruption body, brought together key watchdog agencies to share their key findings on public sector controls. In Kenya, the AG works closely with the Controller of Budget in budget implementation.

The SAI seeks the advice of the ACB when dealing with fraud cases, and in some cases they form joint teams. However, each member of the team prepares separate reports instead of a joint report. This could be due to the fact that despite having a legal framework for coordination and cooperation, there are no protocols or MoUs that determine how to coordinate the interaction.

5.1.2.3 Functional coordination among internal control actors: Internal auditors functionally report to audit committees, which follow up the implementation of audit recommendations with accounting officers. The IAG in Zambia, however, did not have access to audit committees or SAIs. In Kenya and Malawi, the IAG was responsible for coordinating capacity building for audit committees.

The IAG in Zambia and Kenya coordinated the work of internal auditors in ministries and government departments, but it did not coordinate that of internal auditors at local government level, as is the case in Uganda.

Interaction between AGs and IAGs was minimal, and the two departments did not share reports, although in most countries they both reported to the STs. Internal auditors in Malawi copied their internal audit reports to the AGs and STs but did not receive feedback from them. Internal auditors referred procurement cases to the PPAs for further investigation. In Zambia, the FCB did not have the power to audit or inspect, but instead received reports for analysis from other control actors.

5.1.3 Informational coordination

The informational dimension reviews the de jure and de facto aspects to identify areas of cooperation in the area of information and communication.All actors share information directly in the form of reports or indirectly during engagements.
The study found that IAs in Zambia sent their reports to the SAI systematically, while in other countries the SAIs received copies of these reports during audit engagements.

In Uganda, the SAI, PAC, ACB and PPA published their reports. Control actors did not have established structures for sharing strategic, annual and engagement plans or participating in joint planning sessions.

In Zambia, the SAI sent copies of reports to the ACB. Internal control actors could also get copies of SAI reports from management. In Zambia, the SAI invited the IAG to attend its annual planning and engagement planning meetings, and the SAI reviewed the operations of IAs and audit committees during their engagements.

Generally, internal auditors required the approval of management to share reports with other control actors, and the reports were sent through management.

5.1.4 Professional coordination

The professional dimension reviews the de jure and de facto aspects to identify areas of cooperation in exchanging ideas and knowledge (peer learning), developing and implementing joint training measures, exchanging training documentation, methods and work programmes for audits, and the temporary secondment of staff.

The study found that no joint training sessions were held, but control actors would be requested to train other control actors in a specific area of specialisation, e.g. the PPA on procurement or the AG on accounting. All control actors followed their own auditing standards, and lacked an awareness of each other's professional standards and competency, which might be an impediment to relying on each other's work. The secondment of staff among the control actors was not common, as most actors did not even have adequate staff to undertake their annual engagement plans.

The Accountant-General’s Office in Zambia coordinated the scheme of service and training for the accounting and stores cadre, while in Uganda the Accountant-General’s Office coordinated the scheme of service and professional training for accountants, auditors and the procurement professions.

5.1.5 Instrumental coordination

The instrumental dimension reviews the de jure and de facto aspects to identify areas of cooperation in developing common manuals and audit guidelines, establishing and using shared information systems and databases, and sharing licences for audit tools and audit management tools (economy). To make the behaviour systematic among staff, areas of coordination should be identified in control actors’ policies and procedure manuals.

An analysis of the engagements undertaken by the control actors indicated that some of the engagements undertaken were similar, e.g. procurement audit, fraud investigations and value-for-money audits. The study, however, found that public entities did not share instruments such as data analysis tools (for example, IDEA or ACL), audit management systems (for example, TeamMate) and databases of findings, although some of the actors where using these tools. In instances where these systems were implemented, the systems were accessible only to staff in the headquarters, and staff stationed in regional offices did not have access.

Most control actors used an audit, inspection or investigation methodology. However, the study found that the control actors did not share common manuals and auditing guidelines.
While most SAIs and internal auditors had read-only access to information in the IFMIS system, some auditors did not know how to use it.

5.2 Functionalities and challenges in the sector

5.2.1 Successes in coordination and cooperation

The study identified areas where coordination and cooperation had been successful. Key factors supporting coordination and cooperation include the following:

5.2.1.1 Conducive legal framework: The study found that control actors that were required by law and regulations to coordinate and cooperate with other actors were more likely to do so. The law provided for all control actors to have unlimited access to information while carrying out their duties.

In all countries, the SAIs' legal frameworks provided for them to cooperate with other control actors in discharging their mandates. In all countries, except in Malawi, the legal framework required ACBs and PPAs to cooperate with other control actors in discharging their mandates.

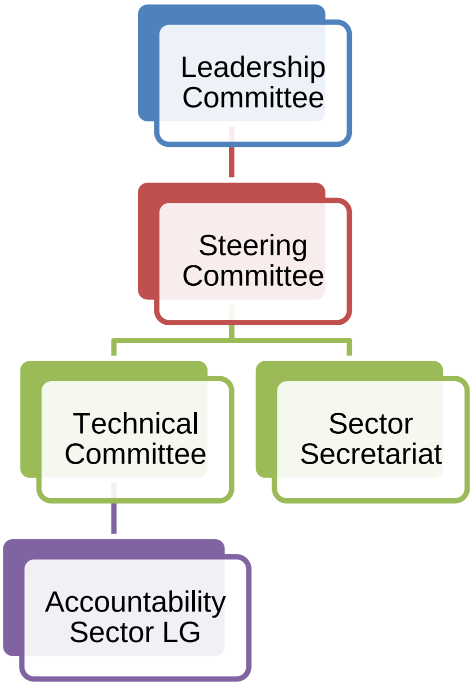
5.2.1.2 Memorandum of understanding or protocol: The study found that MoUs enhanced interaction between control actors and that coordination and cooperation was more formalised and frequent, as the areas, format and modes of interaction had been defined. Control actors that had MoUs shared audit reports and referred issues to other actors for further investigation more systematically.

Zambian control actors identified coordination and cooperation as a key strategic agenda and institutionalised this through MoUs to exchange information and provide technical support. This helped to utilise the capacity of other control actors and increased efficiency. Control actors that had MoUs or were in the process of concluding these agreements were the SAI, IAG, ACB, PPA and FCB.

5.2.1.3 Structure for coordinating control actors: In Uganda, the PFM Reform Strategy Plan and Accountability Sector Strategic Investment Plan recognised coordination and cooperation among control actors as a strategic factor in enhancing accountability, transparency, responsiveness, participation by all, efficiency and effectiveness, equity, inclusiveness and observance of the rule of law.

The Accountability Sector Strategic Investment Plan established four committees to support the achievement of the objectives for strengthening the coordination and cooperation among accountability sector institutions. These committees are the Leadership Committee, which provides strategic leadership, the Steering Committee, which formulates policies and priorities, the Technical Committee, which implements the sector programmes, and the Accountability Sector at Local Government, which implements the accountability sector programmes at the district levels. The sector secretariat is domiciled at the AG's office and its structure is depicted in illustration 4.

Illustration 4: Leadership and management structure of the accountability sector



The mapping of control actors eliminated a duplication of efforts, reduced resource wastage and helped to align control actors' plans with national priorities.

5.2.1.4 Participating in joint audits, reviews and inspections: Some control actors conducted joint engagements, e.g. the SAI and a local government auditor or a local government and local government auditor in Zambia. In Uganda, the SAI and ACB conducted investigations jointly. In Kenya, the SAI and PPA offered technical advice to each other during engagement, which may be considered as partially joint engagements.

The Ugandan PPA, SAI and ACB conducted joint procurement audits and investigations. This facilitated the sharing of experience and expertise among the control actors.

Malawi's IAG and SAI conducted a joint human resource and payroll audit that was successful, and the two groups planned to conduct similar assignments in future. Malawi's SAI also undertook joint audits with the PPA.

In Kenya, the Efficiency Monitoring Unit undertook joint inspections with the Inspector-General, corporations, and conducted joint research on the procurement process with the PPA. The Kenyan PPA also conducted joint investigations with the SAI and EACC.

5.2.1.5 Sharing information: The study identified different forms of sharing information:

a) Regular submission of reports among the control actors
b) Control actors communicating to each other where they required the other control actor to undertake further work
c) Informal communication during the engagement where actors would have discussions on how each of them conducted their audits, inspections or monitoring. For example, during an audit engagement, the SAI could hold discussions with internal auditors to understand their scope, the work done and the outcome of their audits.

In Uganda, the PPA communicated with the SAI in cases of non-responsiveness to implementing its recommendations, and with the ACB in instances of misappropriation that should be further investigated. This helped to hold public officers accountable. The IAG systematically issued quarterly reports to the SAI, and the SAI copied all its reports to the ACB.

In Kenya, the Inspector-General, Corporations, PPA, Controller of Budget and IAG shared fraud reports with the Efficiency Monitoring Unit, ACB, SAI and National Treasury for further follow-up actions. This assisted these control actors in taking appropriate action to close fraud cases.

In Malawi, the AG, SAI and IAG held annual forums attended by external auditors, accountants and internal auditors, where common topics were discussed, including the quality of financial reports, the quality of internal and external audit reports to develop solutions. Internal auditors also copied their internal audit reports and annual audit plans to the SAI.

In Zambia, the technical staff of the SAI, ACB, PPA and FCB provided technical support to each other on ongoing assignments, mainly through meetings. The SAI, for instance, invited the IAG to its annual and engagement planning meetings. The SAI copied the FCB and ACB on all its reports. The ACB also shared its reports with the SAI.

5.2.1.6 Following up on the implementation of recommendations: The study found that during the execution of the engagements, control actors followed up the implementation of recommendations of other actors. However, this practice was not consistent among all actors. For example, most control actors would follow up the recommendations of the SAI, but did not necessarily consistently follow up those raised by internal auditors or the PPA.

In Kenya and Zambia, the AGs coordinated the implementation of SAI recommendations. Zambia had a technical committee comprising the SAI, IAG and AG to monitor the implementation of audit recommendations and to prepare treasury memorandums in this regard to parliament. The SAI included outstanding internal audit recommendations in its reports and the IAG and AG had standing invitations to PAC meetings where SAI reports were discussed. This brought public accountability to internal audit findings. In Zambia, most control actors followed up implementation by other control actors when undertaking similar assignments.

5.2.1.7 Risk management framework: Uganda and Zambia were in the process of implementing risk management in the public sector, although some public entities were yet to implement risk management frameworks. Control actors adopted a risk-based audit approach. This offered a unique opportunity to share risk information when preparing annual and engagement audit plans. Internal auditors in Uganda and Kenya were tasked to spearhead risk management implementation. Control actors that had implemented a risk-based audit approach, including Kenya's ACB and SAI, used review implementation of risk management when conducting their engagements.

In Kenya, the ACB and SAI reviewed whether public entities had implemented risk management frameworks. In addition, public entities were required to conduct corruption risk assessments, although it was not integrated into the risk assessment.

5.2.1.8 Effective oversight bodies: Where oversight bodies, including parliamentary committees and audit committees, invited control actors to their meetings, there was better coordination among the control actors and better recognition of their work. In Zambia, the parliamentary audit committee invited the Controller of Internal Audit to discuss SAI reports. This raised the profile of internal auditors and provided an opportunity to explain unresolved findings raised in internal audit reports that were included in SAI reports. Control actors could rely on the SAI to bring major issues to the attention of the audit committee and parliamentary oversight committees.

5.2.1.9 Joint training forums: The study found that control actors in different countries rarely attended the same training forums despite having similarities in mandates. However, there were instances where control actors invited other control actors to facilitate training in areas in which the latter were more specialised or experienced, e.g. procurement training by procurement authorities, financial auditing training by SAIs, or internal control and risk management training by internal auditors.

In some countries, SAIs were also invited to speak at professional forums organised by either accountants or internal auditors' institutes, or at training sessions for government officials. This interaction helped to clarify the role of each player and highlighted the coordination and cooperation agenda.

In Kenya, the SAI, PPA, EACC, Efficiency Monitoring Unit and Inspectorate of State Corporation attended joint training on corruption.

In Uganda, control actors held joint training sessions, and control actors also invited other control actors to attend their training in areas where they have common jurisdiction or where one control actor is more specialised, e.g. procurement and fraud investigations. This promoted the sharing of methodology and procedures, which made it easier to undertake joint audits. It also reduced the overall training costs of the control actors.

In Zambia, joint training sessions had been conducted with the SAI and Local Government Auditor.

5.2.1.10 Joint public forums: The study found that there were forums in Kenya and Uganda where some of the control actors jointly promoted ethics and public awareness on corruption. In Uganda, control actors attended joint public forums to create awareness on corruption. The National Accountability Forum held annual meetings that brought together all accountability sector members and key stakeholders to assess the performance of the sector, showcase successes and develop priorities.

In Kenya, the PPA had formed a public procurement forum chaired by the Director of Public Procurement, National Treasury, to promote procurement standards and guidelines and build capacity. The Kenyan ACB had formed primary-tier inter-agency forums – comprising the Director of Criminal Investigation, Director of Public Prosecution, Kenya Revenue Authority, Financial Reporting Centre and Asset Recovery Agency – to fight corruption. A secondary-tier inter-agency forum comprising the SAI, Central Bank of Kenya and Capital Market Authority had also been formed.

In Kenya and Zambia, internal auditors were part of integrity committees formed in entities to prevent and detect fraud in addition to conducting corruption risk assessment and promoting awareness. The committees were trained by the ACB. This enabled the ACB to work indirectly with IAU in entities.

5.2.1.11 Access to the legislature and general public: The external control actors had been constituted as independent constitutional bodies and were expected to submit their reports to the legislature and publish and publicise them. This was identified as a key strength by the control actors who only reported to the executive to have their findings and recommendations publicised by external control actors. It promoted social accountability and put pressure on the executive to implement recommendations raised by the internal control actors.

5.2.1.12 Development of tools: In Malawi, some control actors worked together on developing policies and procedure manuals to be used by these control actors in providing oversight over PFM controls or by the actors who actually implemented the controls.

5.2.1.13 Improvement of internal control systems: Sharing internal audit reports with the AG improved internal control systems and assisted in the review of existing policies, procedures and manuals in public sector.

Although the ST and AG in Malawi did not give feedback on internal audit reports received from MDAs, they cited that the reports were very useful in reviewing and improving the internal control systems.

5.2.2 Challenges in coordination and cooperation

The study sought to identify factors that could impact on the effectiveness and efficiency of coordination and cooperation among control actors[7]. Based on organisational theory, the dysfunction or gaps in coordination and cooperation can be classified into legal and structural factors, task-related factors, capacity factors, managerial factors, attitudinal factors, and cultural factors. A breakdown of the factors follows below.

[7]INTOSAI GOV 9150, Section 5.1 refers to this as risks inherent in coordination and cooperation.

5.2.2.1 Legal and structural factors:

- Control actors' mandates, which require them to undertake similar types of engagements, e.g. investigation, procurement and system audits, and result in a duplication of effort
- Lack of commitment by policy-makers
- Delays in reviewing control actors' reports at the legislative and executive levels and providing the required action plans
- Public entities' organisational and structural weaknesses (for example, poor implementation of risk management, and weak document and information management systems)
- Weak implementation of control actors' recommendations
- Lack of appreciation by management for coordination between internal and external control actor
- Lack of risk management frameworks

5.2.2.2 Task-related factors:

- Lack of awareness of the standards, methodologies and practices of other control actors and the use of different standards and methodologies by control actors
- Control actors not accessing reports of other control actors, especially where management does not share these reports with internal auditors – this makes it difficult for internal auditors to follow up the implementation of these reports
- Inability of some control actors to understand and utilise the reports and information generated by other control actors
- Lack of a structure to provide feedback on following up recommendations
- Weak quality assurance processes among some actors, resulting in other actors perceiving that their papers and reports are not in accordance with acceptable standards
- Organisational and structural weaknesses of public entities impacting negatively on the efficiency of joint engagements undertaken by the control actors

5.2.2.3 Capacity factors:

- Lack of human capital capacity (numbers and expertise), resulting in the work of some control actors being perceived as not meeting the minimum quality standards – control actors that have staff who do not have the required professional qualifications are not perceived as equal partners

- Control actors' services not being adequately developed, e.g. not fully adopting risk-based, international standards, automation etc.
- Strict reporting deadlines for the SAI
- Lack of awareness of the standards adopted in the methodology and practices of actors
- Differences in adopted professional standards
- Failure by some control actors to adopt international standards
- Lack of a framework to enhance staff interaction to share ideas and knowledge
- Lack of a framework to enable actors to share manuals and tools
- Lack of continuous training for control actors working at the local/decentralised levels

5.2.2.4 Managerial factors:

- Lack of a strategic focus on cooperation
- Lack of MoUs or unsigned MoUs to institutionalise cooperation
- Full implementation of signed MoUs not given adequate priority
- Failure to appoint key persons to manage the MoUs, i.e. focal point
- Control actors' strategic plans not identifying coordination and cooperation as a strategic agenda
- Lack of adequate funding for joint forums
- Lack of clear visualisation of control actors' mapping
- Weak supervision, monitoring and reporting systems to assess the performance and impact of joint activities undertaken by control actors
- Weak working framework to support the work of existing coordination and cooperation forums
- Oversight bodies not holding control actors accountable for how they cooperate with other control actors
- Weak quality assurance processes among some actors, resulting in the other actors perceiving that their papers and reports are not in accordance with acceptable standards

5.2.2.5 Attitudinal factors:

- Public entities not appreciating the role of the control actors and the importance of linkages between actors
- Competition on who gets credit for certain results/competition for publicity
- SAIs using and reporting the work of other control actors without referencing them

- Weak culture of transparency and accountability within the government and failure by the public to hold government officials accountable
- Refusal by management of public entities to allow internal auditors to share control weakness information with outside control actors who will publicise it and hold them accountable

5.2.2.6 Cultural factors:

- A perception among some control actors that other actors are not independent, resulting in their work and reports not being considered by other actors
- In particular, perception that internal auditors work for management and are not independent, resulting in their work not being considered by other control actors
- Demand for pre-audits by management, which compromise the independence of internal auditors
- Complex ad bureaucratic communication channels for sharing information that prevents information being made available to other control actors, e.g. when management does not share external control actors' reports with internal auditors or audit committees
- Perception that auditors are fault-finders or policemen, and not advisors

5.3 Conclusion

From a risk-based perspective, the challenges in the coordination and cooperation among control actors that require prioritised attention include the following:

- Implementing a continuous quality assurance and improvement framework to ensure control actors maintain independence and professional standards and to promote reliance on other control actors' work where appropriate
- Policy-makers not placing adequate priority on coordination and cooperation
- Individual actors' strategic plans not prioritising coordination and cooperation
- Mapping the control areas of responsibility and eliminating "turf wars"
- Identifying areas where sharing plans, information, and the results of activities may be beneficial for control actors
- Signing draft MoUs and effecting them
- Agreement on procedures that would underpin cooperation, including regular meetings, ways in which planning information would be shared and discussed, procedures for documenting work and audit findings, and exchanging audit reports etc.

- Agreement on the basis for relying on other control actors' work, including use of working papers and quality reviews
- Establishing a liaison office or appointing champions to enhance cooperation between control actors
- Improving the implementation of recommendations and holding government officials accountable

6. THE WAY FORWARD: CAPACITY DEVELOPMENT AREAS

6.1 Appropriate measures to improve cooperation and sector integration

To resolve and prevent the challenges in cooperation and coordination among the control actors, strategies need to be established to integrate the activities of the control actors. Such integration strategies should consider the structural or position element of the integration (bearing in mind the legal mandate of the control actors), the capacity of the control actors and the context in which they operate. This section provides recommendations for developing synergies between control actors' functions to enable them to undertake joint engagement planning, execution, reporting, follow-up on recommendations and quality assurance, and to improve information, knowledge and experience exchange, and the sharing of instruments. These are categorised into short-term and long-term measures.

6.1.1 Short-term measures

6.1.1.1 Visualisation of the control actors' mapping: The study identified commonalities in the scope of the different control actors' reporting relationships, interaction and the types of engagements undertaken. Control actors should consider reviewing these common areas to identify areas of synergy that can be used to enhance the linkages among the control actors while maintaining each one's independence. To ensure coordination, there is a need to come up with a common framework that promotes a common understanding of value addition in cooperation. This will require interaction among the control actors to come up with a common vision. Examples of control actor maps, developed during the country studies, are attached as **Annexure 3.**

The Institute of Internal Auditors' combined assurance maps and Three Lines of Defence, illustrated in **Annexures 4 and 5** respectively, can be used to demonstrate the position of each control actor and areas where it provides assurance, and to identify areas where their functions overlap and where there are gaps in providing assurance and how these can be addressed to optimise assurance services. The IIA Standard 2050 on Coordination requires the head of internal audit in an institution to share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise a duplication of efforts.

6.1.1.2 Memoranda of understanding: Coordination has to be guided by a protocol or an MoU agreed at a national level that outlines administrative structures for coordination, as well as responsibilities to facilitate implementation at the entity level and ensure consistency across entities. The protocol or MoU should contain performance indicators that have been agreed to by oversight authorities to facilitate monitoring. Control actors can identify possible areas of coordination and cooperation with other actors and initiate MoUs to formalise the cooperation. Control actors that have established MoUs but that have not implemented them should allocate adequate resources to the joint activities and appoint liaison persons to institutionalise the cooperation. Control actors that have implemented MoUs should meet regularly to review whether the objectives are being met and to identify ways of improving cooperation. To support the institutionalisation of coordination and cooperation, the control actors need to identify this as a key strategic agenda and provide for this when they develop the following set of strategic plans.

6.1.1.3 Sharing resources to meet the expanded mandate: The duration for reporting of most SAIs has been reduced during constitutional and legal reform, and the scope of the SAIs extended to include SN entities. Most countries are preparing consolidated general government financial statements, and IFMIS implementation has been expanded to include most government entities. There has also been an increase in the types of auditing services demanded, including ICT audits, auditing of extractive industries, performance audits and fraud investigations, to address emerging risks and demand transparency and accountability in addition to the traditional regularity audit.

Faced with increased demand on the one hand and resource constraints on the other, assurance providers need to combine their efforts to undertake joint engagements such as joint audits, training or the establishment of a database for findings and recommendations to consolidate the outcome of engagement by the control actors.

6.1.1.4 Joint forums: A number of countries have implemented joint forums to fight corruption, promote ethics, review government programmes and implement reforms and other initiatives. These forums can be used as a launching pad for cooperation.

The control actors that have a perceived superior positioning, such as SAIs, AGs and ACBs, should promote these forums and host their secretariats. In Uganda, the AG hosts the Accountability Working Group Secretariat, while in Zambia, the AG hosts a steering committee, comprising the IAG, AG and SAI, that monitors the implementation of SAI and PAC recommendations. In Kenya, the ACB has formed an inter-agency forum to fight against corruption.

6.1.1.5 Aligning methodologies, tools and templates: The study found that although control actors conducted similar assignments, they did not collaborate in developing manuals, tools and audit programmes. As a result, the detail, quality of work and reports may not reliably cover the interests of the other control actors. Financial auditing, ICT auditing and fraud investigation are areas where IIA and INTOSAI have issued professional standards for internal and external auditors, e.g. ICT Audit and Fraud Investigations. Other control actors, such as anti-corruption bodies, may be relying on guidance from the Association of Certified Fraud Examiners and the relevant laws to meet stringent legal requirements for evidence and in conducting fraud risk assessments. Understanding the professional standards used by the other control actors will promote confidence in each other's work.

6.1.1.6 Audit manuals, procedures and policies: Control actors should leverage on investment by other control actors in manuals and work programmes in areas of common interest to reduce competence gaps. Control actors that are considered to be more advanced in certain areas can train others. In Zambia, control actors share audit manuals.

6.1.1.7 Information technology: Control actors can leverage on technology to share information by developing a common findings database and sharing information on the monitoring of audit recommendations. The study found that generally, the implementation of recommendations was done in subsequent audits by most actors, and not regularly. In addition, when actors followed up on the implementation of other actors' recommendations, they did not provide them with feedback, resulting in a duplication of efforts. Sharing information through information technology platforms can promote consultation between control actors, as it improves access to information.

6.1.1.8 Communication: Regular and open communication between control actors is essential to the success of cooperation. Control actors should establish common understanding on the timing and nature of such communication. Formal communication could take place in regular meetings, but there should also be a willingness to communicate less formally when issues arise that are of a mutual interest. The agreed procedures to facilitate effective cooperation should ideally be agreed on by both parties, documented in an MoU, and be approved by oversight bodies.

6.1.2 Long-term measures

6.1.2.1 Legal reforms: A number of countries have recently undergone constitutional reforms. Zambia, Kenya and Tanzania are in the process of reviewing different laws to align them with their constitutions. Other countries, including Uganda and Malawi, have also recently reviewed or are in the process of reviewing their PFM laws and/or regulations. This provides an opportunity to strengthen the existing legal framework for coordination and cooperation among control actors and other government agencies.

6.1.2.2 Performance management: To promote accountability for coordination and cooperation, control actors should have relevant performance indicators in their performance contracts. This will promote change management and commitment to developing coordinated services.

6.1.2.3 Institutional capacity: Control actors have different training programmes for their staff, which result in the staff having different skills sets and knowledge. Due to the lack of common training programmes on PFM laws and regulations, and the absence of secondment programmes between control actors, they may not understand the nature of work carried out by other control actors. In addition, some control actors do not have enough qualified staff to work on joint projects with other control actors. Furthermore, there are instances where internal auditors are not properly positioned in their organisational structure to receive adequate attention from management. Control actors should develop strategies to improve their competencies and quality of work so as to be considered for partnership in joint projects.

6.2 Coordination and cooperation development needs

Lack of capacity was identified as one of the factors causing challenges in cooperation among control actors. In addition to the establishment of a coordination and cooperation strategy and an administrative structure to support the strategy, capacity building among control actors will be vital to ensure that this initiative is successful. Capacity building must be embedded within the coordination and cooperation strategic plan through a capacity development (CD) strategy.

The implementation of the CD strategy should consider the training of individual personnel members at the control actors to enable them to acquire the required capacity, which is essential if the other actors are to rely on their work or engage them in joint engagements.
The CD strategy should also consider enhancing the capacity of the control actors' organisations to enable them to achieve their roles and responsibilities assigned under the cooperation framework.

6.2.1 Individual competency development

Individual competency development focuses on the acquisition of personal and social competence, technical competence, management and methodological competence and leadership competence (i.e. the wide range of skills that allow individuals to perform their duties effectively), and facilitates networking through shared learning processes. Where the staff of a control actor have the required expertise, it creates an environment where other control actors can leverage on their expertise and are willing to undertake joint audits with them. This also provides an opportunity for control actors to have joint sessions for developing and updating their instruments.

The study identified competency development that is actor-specific and development that applies to all the actors. The competency development that applies to all the actors includes ICT, performance and forensic audits (and extractive industries audits in SAIs). Some actors have competencies in these types of audits. Strategies to close individual competency gaps may include the following:

- Developing a professional competency framework for each control actor that identifies the required skills, behaviours and knowledge, and mapping each staff member and developing their career development plans
- Identifying how specialised skills can be shared between actors, including opportunities for cross-training, secondment and sharing manuals
- Control actors sensitising each other on the international standards and good practices adopted in their methodology, and on the outcomes of their quality

assessment exercises to increase an understanding of their findings and to promote reliance on their work

- Change management to enable staff to adopt modern auditing, reviewing or inspecting methodology and tools, and to ensure adherence to international standards governing their profession in order to improve the quality of their work and ensure reliance on their work by other actors
- Awareness training for management, audit committees and other key stakeholders on the importance of coordination and cooperation
- Support secretariats: parliamentary accountability committees are expected to review a number of reports from the various control actors. A review of the operations of these committees would require the capacity of these members and their supporting secretariats to be enhanced to enable them interrogate the reports submitted to them, link these reports to government policy and make recommendations on the action the controlling officers need to undertake to enhance the controls within the PFM Framework.

6.2.2 Organisational development

Organisational development has two components: raising the performance and flexibility of a specific control actor, and establishing and strengthening coordination and cooperation between control actors through an administrative structure to enable the control actors to exploit the advantages of location, economies of scale and expertise in a given area to improve service delivery.

Enhancing the organisational capacity of control actors will require strategies that address the gaps identified for each actor. This may include the following:

- Identifying common areas of jurisdiction and processes in which other control actors provide assurance and relevant information to other control actors
- Identifying coordination and cooperation champions who will be held accountable for coordination and cooperation
- Developing manuals and updating manuals and tools to improve audit process and meet the information needs of other control actors
- Training staff to understand the methodologies and requirements of other control actors

- Ensuring that each actor has the required number of staff and technical skills to discharge their mandate. This should also include the issue of staff retention, professional training and short courses
- Developing and implementing MoUs and communication channels with other control actors to formalise and institutionalise cooperation
- Providing for coordination and cooperation when reviewing laws and regulations establishing control actors
- Sensitising ministries of finance, accounting officers, audit committees and other stakeholders to support coordination efforts
- Monitoring benefits of cooperation and addressing any gaps noted.

6.2.3 Society framework condition

A society framework condition builds favourable legal, political and socio-economic frameworks that support coordination and cooperation among the control actors. Such a framework provides for the control actors to have avenues of also engaging with civil society, the private sector and the general public, which enhances social accountability.

The implementation of the coordination and cooperation strategy should encourage actors in the coordination and cooperation framework to form inter-agency working groups to develop, implement and monitor controls in public finance management and to protect public assets. Stakeholders can be engaged to implement the recommendations of joint activities and to support the establishment of a legal framework that forms the foundation of the coordination and cooperation framework.

The capacity of budget and programme implementers should be enhanced to improve the impact of assurance service provided, especially in the areas of budget formulation, procurement, programme implementation, reporting and monitoring, document and information management to ensure there is adequate performance information, risk management, understanding of the laws and regulations impacting on their operations, and implementation of control actors recommendations.

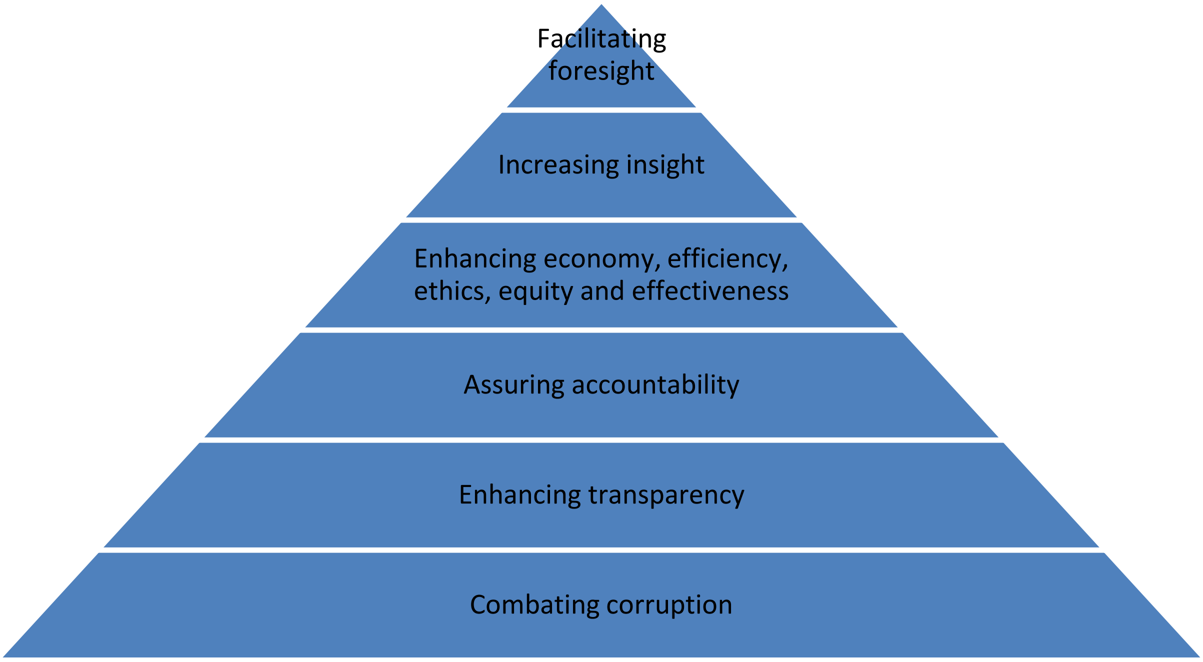
Continued support of multilateral and bilateral partners should be rendered in the development of both the individual and organisational capacity of the control actors through the provision of training and technical equipment. Consultancy services will fast-track implementation of the coordination and cooperation strategies.

6.3 Conclusion: Coordination and cooperation

The study has identified different types of interaction among the control actors with regard to the areas they audit, inspect or monitor. It has further identified similar engagements undertaken by control actors and existing points of interaction. Control actors in most countries had not exploited opportunities for coordination and cooperation, resulting in inefficiencies such as a duplication of efforts, uncoordinated audit efforts, poor flow of information between control actors, and failure to take timely corrective action to improve the internal control system and improve the level of accountability.

A review of recent public expenditure and financial accountability (PEFA) country assessments shows that the ratings of internal control systems and internal control actors have not improved significantly from one survey to the next, as illustrated in **Annexure 6.** Improving coordination between the control actors while managing the associated risks will have a positive effect on the internal control system and control actors' ratings, and it will assist control actors in building a more effective internal control system to move up the accountability organisational maturity model, as shown in Illustration 5 below, and deploying their resources in other areas with impact.

Illustration 5: Accountability organisational maturity model



(Source: National Audit Office, UK)

Most control actors had identified the need to cooperate with other control actors as a strategic agenda. However, few control actors had specific strategies for institutionalising cooperation, and even fewer had memorundums of understanding with other control actors to formalise cooperation. A successful implementation of cooperation should start with a visualisation of the control actors' mapping, which would enable the control actors to identify opportunities for coordination and cooperation, as illustrated in **Annexure 3**. This would provide for identifying all key control actors (broad view) and establishing the roles and responsibilities of each control actor, considering its hierarchy or organisational structure (in-depth view). The establishment of this structure could be based on the implementation of MoUs.

A number of challenges and a lack of pre-conditions, including legal, structural, cultural, managerial, capacity, task-related and managerial factors, were cited as impeding successful cooperation attempts. To overcome these challenges, capacity development strategies should be developed to tackle these challenges in the short, medium and long term at individual, organisational and societal level.

At an individual level, capacity development should focus on enhancing competency levels in areas of ICT and performance audits, and investigations and forensic audits. At an institutional level, control actors should sensitise each other to international standards and good practices, as well as the results of quality reviews to provide assurance to other actors that their methodologies and outputs are of a high standard and can be relied upon by the other actors. At an organisational level, control actors should develop strategies to enhance their existing human capital, which can be in the form of collaborating with each other to meet the increased demand of devolving their services. Capacity development at organisational level should ensure that there is commitment by policy-makers and that adequate funding and personnel are allocated to support the coordination and cooperation strategy. At the societal level, capacity development should involve creating awareness and getting buy-in from key stakeholders, including the executive, legislature, judiciary and other stakeholders.

The coordination and cooperation framework should create a platform for the control actors' technical staff to professionally engage with each other through activities such as joint training, joint engagements, information sharing, staff exchange and secondment, and sharing instruments.

The ministry of finance and other stakeholders should promote coordination and cooperation as a strategic agenda in PFM reforms and mobilise stakeholders and control actors to cascade this agenda in their action plans. Ultimately, control actors should formalise their interactions through formal protocols or MoUs after identifying areas of common interest where they can build synergies. Sustaining cooperation initiatives will require confidence, consultation, commitment, confidentiality and regular communication between the control actors.

6. CONCLUSION: CHALLENGES, LESSONS LEARNED, AND RECOMMENDATIONS

7.1 Good practices and challenges

The identification of coordination and cooperation as a key strategic agenda by control actors and the establishment of MoUs among the actors are strong indicators of strengthened interaction among the actors. The key pillars of enhancing coordination and cooperation among the control actors include joint training, sharing information and reports, and following up recommendations issued by other control actors. Zambia and Uganda have taken the lead – compared to the other countries – in developing partnerships between control actors, although some improvement is still needed in these countries. The main impediments to enhanced interaction among the control actors were identified as the lack of knowledge about other control actors' mandate, assigning appropriate priority and resources to fully implementing the MoUs, weak monitoring, evaluation and reporting frameworks to assess the impact of cooperation and coordination among control actors, and "turf wars". Control actors have capacity gaps in the areas of investigation, and performance and ICT audits, where they could utilise the expertise between them while maintaining their independence and objectivity.

7.2 Lessons learnt and way forward

To enhance coordination and cooperation between control actors in the countries covered by the study, a control actors' mapping should be undertaken and areas where the control actors can undertake joint tasks should be identified. The outcome of this process should be integrated with the existing structures supporting coordination and cooperation, as provided in the legal framework. The implementation of the coordination structure should be supported by each control actor identifying coordination and cooperation as a strategic agenda and being committed to partnership with other control actors.

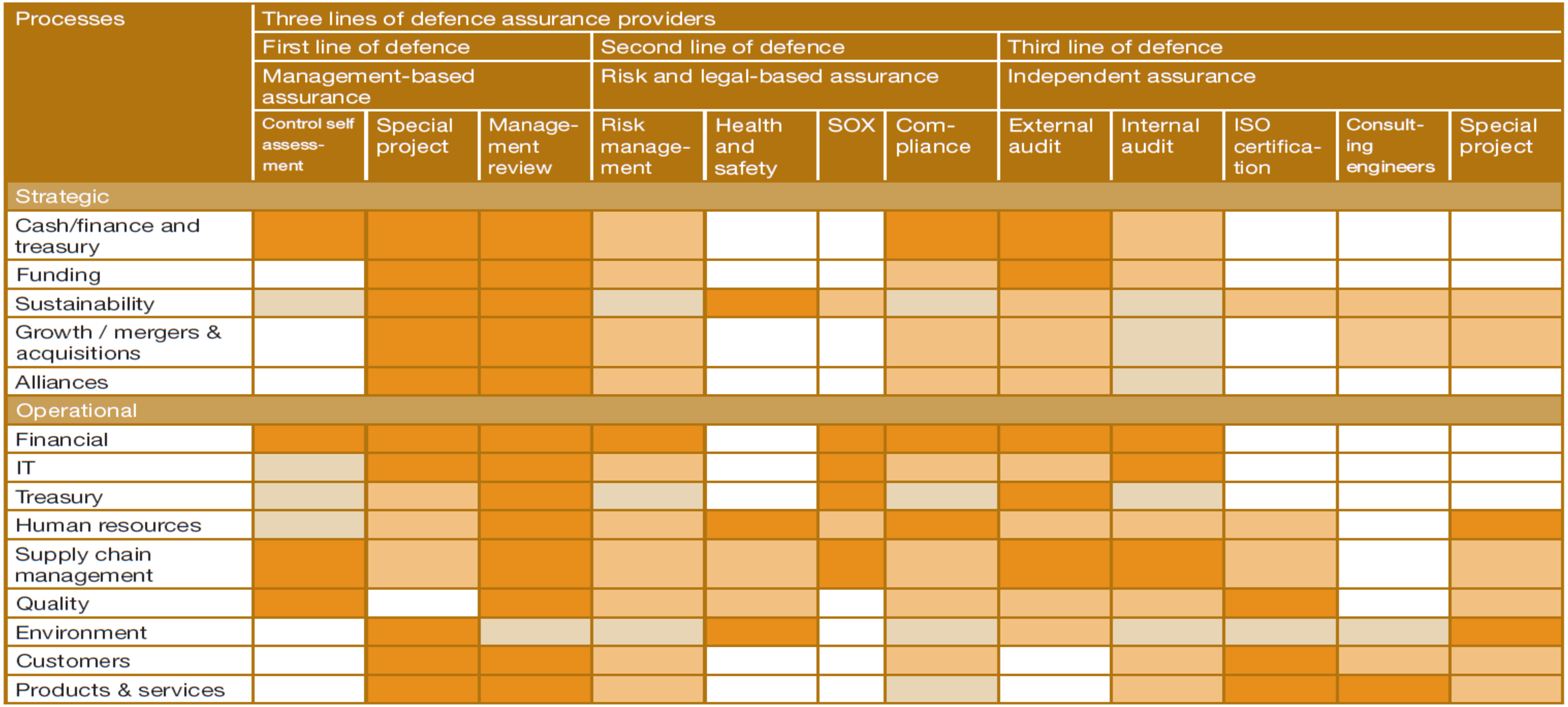
Control actors should work together to eliminate challenges to coordination, identify areas where they can utilise each other's information, tools or expertise, establish communication channels and formalise coordination through MoUs with the other actors, where possible. Policy-makers should prioritise cooperation on PFM strategies and provide adequate resources (human, financial and physical capital) to help control actors implement MoUs.
A robust monitoring and evaluation framework should be established and forums where progress is discussed and priorities set should be strengthened. The ongoing legal reforms should determine ways of strengthening the coordination and cooperation initiatives among the control actors.

ANNEXURES

Annexure 1: References

1. AFROSAI-E Institutional Capacity Building Framework (ICBF)
2. IIA Supplementary guidance: Internal Audit and the Second Line of Defence
3. IIA Practice Advisory 2050–1: Coordination
4. IIA Practice Advisory 2050–2: Assurance Maps
5. IIA Practice Advisory 2050–3: Relying on the Work of Other Assurance Providers
6. IIA Internal Audit Capability Model for the Public Sector
7. IIA Global Public Sector Insight – The IIA and the International Organisation of Supreme Audit Institutions (INTOSAI)
8. INTOSAI GOV 9100: Guidelines for Internal Control Standards for the Public Sector
9. INTOSAI GOV 9110: Guidance for Reporting on the Effectiveness of Internal Controls: SAI Experiences in Implementing and Evaluating Internal Controls
10. INTOSAI GOV 9120: Internal Control: Providing a Foundation for Accountability in Government
11. INTOSAI GOV 9130: Further information on Entity Risk Management
12. INTOSAI GOV 9140: Guidance for Good Governance, Internal Audit Independence in the Public Sector
13. INTOSAI GOV 9150: Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector
14. ISSAI 1: The Lima Declaration, Section 3: Internal audit and external audit
15. ISSAI 1260: Communication with Those Charged with Governance
16. ISSAI 1315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
17. ISSAI 1610: Financial Audit Guideline – Special Considerations – Using the Work of Internal Auditors
18. ISSAI 1620: Using the Work of an Auditor's Expert
19. Kenya Country Report on Interaction of Control Actors
20. Malawi Country Report on Interaction of Control Actors
21. Mozambique Country Report on Interaction of Control Actors
22. Tanzania Country Report on Interaction of Control Actors
23. Uganda Country Report on Interaction of Control Actors
24. Zambia Country Report on Interaction of Control Actors

Annexure 2: Control actors assurance maps



Key:

- Extensive assurance
- Moderate assurance
- Inadequate assurance
- Not applicable

This profile can be used to assess the potential for combined assurance – gaps, duplication, curiosity for further detail and King III compliance. The audit committee should use this profile to commission further work on establishing combined assurance. At this point an executive sponsor should also be identified to ensure that co-operation is provided for the initiative throughout the business/operations.

Annexure 3: Three Lines of Defence Model

Annexure 4: Control and oversight PEFA scores

Performance indicator	Kenya		Uganda		Tanzania		Malawi		Zambia		Mozambique	
	2012	**2008**	**2012**	**2008**	**2013**	**2010**	**2011**	**2008**	**2012**	**2008**	**2015**	**2010**
Controls in budget execution												
P18 – Effectiveness of payroll controls	B+	C+	D+	D+	B	C+	B+	C+	C+	D+	B	B
P19 – Competition, value for money and controls in procurement	C+	B	D+	D+	NR	NR	C	NR	D+	NA	D+	B
P20 – Effectiveness of internal controls for non-salary expenditure	C	C	C	C	D+	C+	C+	C+	C+	C+	B+	C+
P21 – Internal Audit	C+	C+	C+	C+	B	C	D+	D+	C+	C+	B+	C+
Accounting recording and reporting												
P22 – Timeliness of reporting of accounts reconciliation	D	C	B	B	D+	D+	D	B	B	B	B	B
P25 – Quality of timeliness of financial statements	D+	D+	C+	C+	B+	B+	C+	C+	C+	C+	B+	C+
External scrutiny and audit												
P26 – External Audit	D+	D+	B+	C+	C+	B	D+	D+	B	B	C+	C+
P28 – Legislative scrutiny of audit reports	C+	D+	D+	D+	D+	D+	D+	D+	C+	C+	C+	C+

NR – Not relevant