

The background of the cover is a composite image. It shows a close-up of a hand holding a glowing blue globe of the Earth. Overlaid on the globe is a white network of lines and nodes, representing digital connectivity. In the upper left and center, there are several stylized virus particles with spiky protrusions, rendered in shades of blue and white. The overall color palette is dominated by teal, blue, and white, with a dark grey background for the hand and globe.

# **AFROSAI-E REGIONAL STOCKTAKING REPORT ON COVID-19 AUDITS**

**December 2022**



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# 1. EXECUTIVE SUMMARY

The COVID-19 pandemic reached most African countries in March 2020. In response, several governments moved swiftly to provide social, health and economic relief for vulnerable citizens and businesses. Consequently, several Supreme Audit Institutions (SAIs) were tasked to monitor the spending of government departments and agencies involved with COVID-19 initiatives. The COVID-19 pandemic also impacted financial statement reporting and audit engagements, resulting in challenges for those responsible for the governance of SAIs. Besides the resulting audit and reporting complexities, SAIs had to respond to new ways of working and the resultant effects on their staff.

The uncertainty arising from COVID-19 increased the challenge of obtaining the sufficient and appropriate audit evidence needed to form an independent view about the reasonableness of management's estimates and judgments. Preparers and auditors need to engage in discussions assessing the impact early in the preparation timeframe and audit process, as there are likely to be issues that have not been previously encountered that may now need to be considered. It is thus of concern that audit trails or information related to COVID-19 expenditures were not forthcoming in some jurisdictions. Weaknesses in internal control systems exacerbated this as governments tried to respond to the pandemic. What is also clear is that such pandemics or related disasters will occur again at some point in the future.

In response to the pandemic, AFROSAI-E took the initiative to research the resilience of sub-Saharan African SAIs to meet stakeholder expectations in the wake of COVID-19. Based on this research, we implemented several initiatives to help member SAIs remain resilient in addressing the "audit expectation gap" during disaster periods. This included enhancing SAI capacity at both a strategic and engagement level to improve resilience. In addition, it is apparent and critical that SAIs share learning experiences from the COVID-19 pandemic to better prepare themselves or future-proof their practices against similar occurrences. This stocktaking report contributes to the discourse by collating the different experiences of SAIs in the region.

## 2. INTRODUCTION

### 2.1 Project Background

AFROSAI-E is the English-speaking subgroup of AFROSAI, the African branch of the International Organisation of Supreme Audit Institutions. We play a facilitating role in the region by sharing information with our members. We are committed to cooperating with and supporting member SAIs to strengthen their institutional capacity and help them successfully fulfil their audit mandates, thus making a difference in the lives of citizens.

Consistent with our values and Strategic Plan, we continue to pursue innovative initiatives that empower SAIs while increasing knowledge-sharing in the region. The stocktaking exercise was conducted to gather information on COVID-19-related audits conducted by regional SAIs to date.

This report will guide further discussions on the way forward for SAIs post-pandemic, in preparation for future disasters. In addition, it will aid with the analysis of SAI training needs, to develop relevant capacity-building initiatives around the audit of disaster situations.

## **2.2 Project Objectives**

The overall objective is to provide a stocktaking report that provides a synopsis of the following issues:

- a) SAI audit responses to COVID-19.
- b) SAI resilience in response to COVID-19 and other disaster aspects.
- c) Recommendations and learning points for SAIs going forward.

## **3. METHODOLOGICAL CONSIDERATIONS**

This section provides the methodological approach adopted to conduct the regional stocktake on COVID-19 audits.

### **3.1 Technical Approach and Methodology**

A semi-structured interview questionnaire was developed in consultation with the AFROSAI-E Secretariat (Annexure 1- Detailed Questionnaire). The questionnaire broadly covered two key areas:

- a) SAI audit responses to COVID-19; and
- b) SAI resilience in response to COVID-19.

Virtual interviews were scheduled with the relevant officials from the different SAIs, each lasting between 30-45 minutes. All twenty-six (26) SAIs were approached to participate in the interviews, with a total of eighteen (18) SAIs or 69% participating. Two (2) SAIs did not have the resources to participate in the study due to work commitments. An additional two (2) SAIs were not available during the period of the research and had availability post the study. The remaining four (4) SAIs did not respond. It is essential to point out that no new significant themes emerged from the additional interviews, suggesting that the research achieved data saturation<sup>1</sup>. Consequently, these findings may be sufficient to make generalised conclusions about the overall population.

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<sup>1</sup> *The criterion for judging when to stop sampling the different groups pertinent to a category is the category's theoretical saturation. Saturation means that no additional data are being found whereby the sociologist can develop properties of the*

## 4. KEY FINDINGS

### 4.1 Overview

This section of the report provides a detailed summary of the key findings based on the two broad objectives, i.e., audit response to COVID-19 and SAI resilience in response to COVID-19. It will conclude with a section on observations from the interviews.

### 4.2 Audit Response to COVID-19

During 2020 and 2021, 88% of the responding SAIs indicated they conducted disaster-related audits as part of financial or compliance audits. Specifically, at least ten SAIs could perform COVID-19-related audits, either as compliance, financial, or procurement audits focused on the audit of funds managed by the COVID-19 Response Centres and the direct ministries, departments and agencies involved in the allocation and distribution of COVID-19 funds. *Table 1* provides a summary of the different COVID-19-related audits that SAIs performed.

*Table 1: COVID-19-related audits performed*

Name of Audit	Year	Status
Compliance Audit - "Report on the audit of funds managed by the National COVID-19 Emergency Response Centre and other ministries, departments and agencies."	2020	Completed
Financial Audit - "Audit of the financial statements of National COVID-19 Response Centre for the period 1 March 2020 to 31 December 2020."	2021	Completed
<i>Compliance Audit</i> - "Review report on 2020 expenditure incurred in response to COVID-19 pandemic."	2021	Completed
Compliance Audit - "Review of the government scheme of financial assistance for job retention."	2021	Ongoing
Financial Audit - "Special audit on expenditure related to COVID-19 for 2020 and 2021."	2021	Completed
Compliance Audit - "The preparedness and response of the country towards the COVID-19 pandemic and management of the relief fund."	2021	Completed
Compliance Audit - Supreme Task Force for COVID-19.	2021	Ongoing

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*[theoretical] category. As he sees similar instances repeatedly, the researcher becomes empirically confident that a category is saturated. -Glaser & Strauss, 1967*

Special Report of the Auditor General on the Response to the COVID-19 Pandemic.	2021	2021
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The 2020 audits focused primarily on COVID-19-related expenditures. However, in 2021, a few SAI's shifted the focus to broader policy interventions around COVID-19 and its impact. For instance, on COVID-19 schemes targeted at job retention or for countries dependent on tourism, the adverse effect of COVID-19 on the fiscus given the drop in tourism numbers. It is also observable that while a number of these audits were triggered in 2021, they were still being finalised in 2022, which calls into question their usefulness post-pandemic. However, it is also important to highlight that the broad mandate of some SAIs allowed them to take the initiative to conduct some of these COVID-19-specific audits.

**Areas impacted by audit.**

Most respondents, about 80%, highlighted that the areas most affected by the COVID-19 audits were health or health-related ministries/departments, as indicated in *Figure 1*. The respondents also flagged internal control systems across different functional areas, mostly related to COVID-19-related expenditures. These, however, were also a function of the various economic structural nuances across the countries. For instance, countries skewed towards tourism tended to flag this sector as particularly affected due to the restrictions on travel.

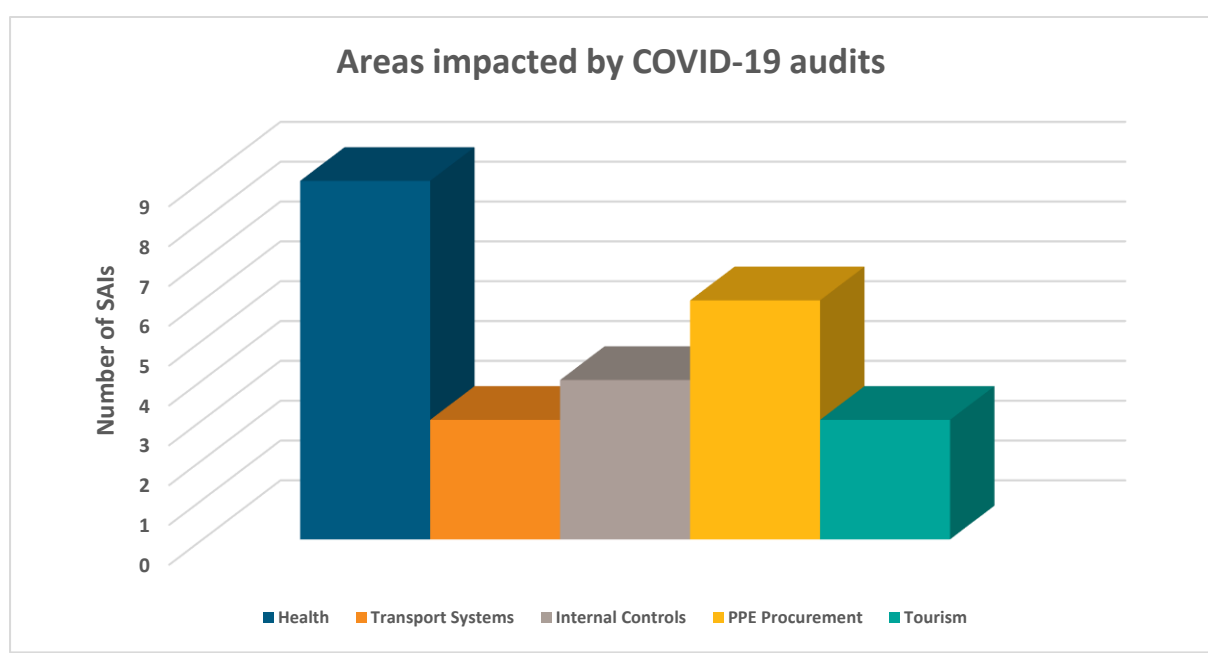


Figure 1: Areas impacted by COVID-19 audits

Procurement processes were not being followed by the respective line ministries leading to ineffective performance of operations and, in some instances, complete non-compliance. Contract management was weak, with suppliers delivering goods that were different from specifications, resulting in wastage

and abuse. Donations did not have pricing, which made accountability difficult. Further, there were no incentives to motivate the frontline personnel, and there was a general failure to submit reports on the donations to account for what was received.

### ***Nature of audit findings***

Observable across the SAIs' audit findings were weaknesses in internal controls across government departments resulting in non-adherence with basic control measures. This was partly due to the insufficient legal frameworks to cater for occurrences like the COVID-19 pandemic and weak state-of-emergency measures. This was compounded by the weak coordination of activities and poor record management at government district levels, resulting in insufficient audit trails. In some instances, COVID-19-related donations were personalised and used for other purposes.

In one of the extreme cases, the respondent indicated that despite several attempts by the SAI to audit COVID-19-related transactions, the audit entities deliberately did not respond to audit queries. At the same time, those in charge of implementing the COVID-19 programme were not committed or prepared for the audit.

Waste was also a key finding as it relates to management's responsibility to obtain and economically apply resources without wasting public money.

While there was a shift towards conducting audits virtually at several SAIs, this was constrained by a lack of robust information technology (IT) infrastructure to continue working and employees of the audited departments or ministries lacking IT knowledge. This was compounded by an absence of disaster plans and readiness programmes.

### ***Type of audits planned for future engagement***

Regarding disaster-related audits, 72% indicated they were planning for future disasters, with the majority referring to climate-related disasters, such as droughts and floods. 11% were concerned about health-related disasters, notably cholera and malaria, while 22% were concerned about climate and health-related disasters (*Fig 2*). It was noted and highlighted by the respondents that, in most instances, the COVID-19 pandemic was the first time that the SAI had to respond to a disaster situation.

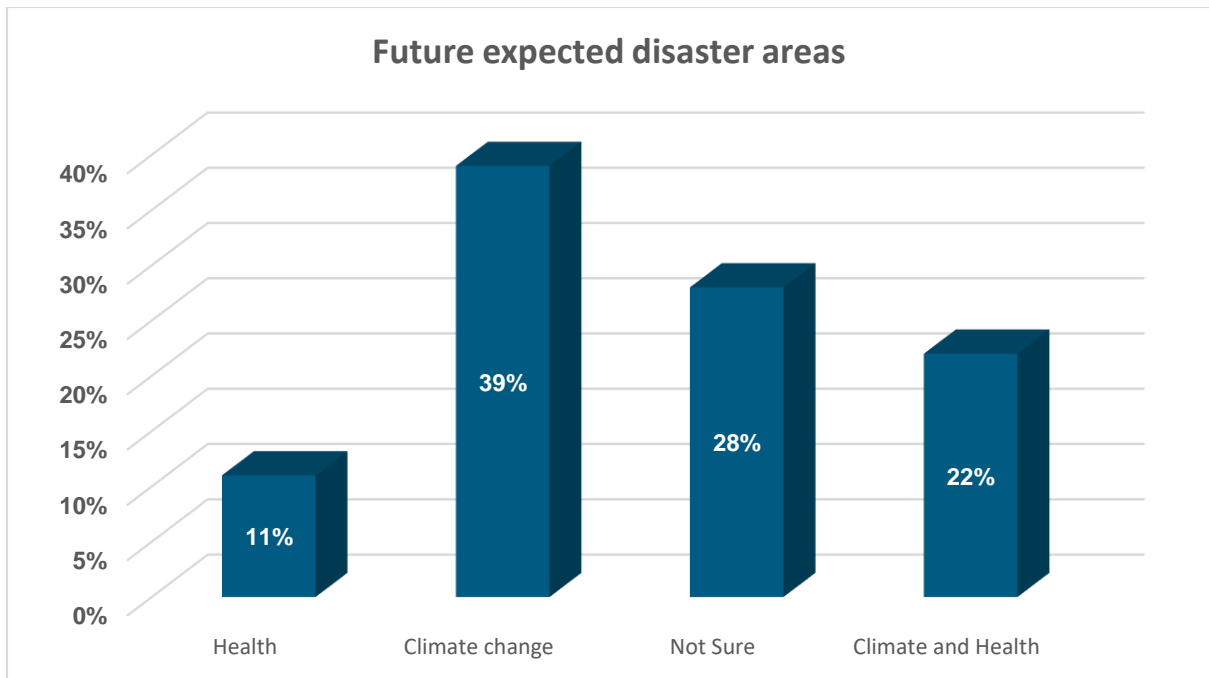


Figure 2: Future expected disaster areas

When prompted, the respondents indicated that within their jurisdictions, there were separate departments responsible for disaster-related issues, with audit work focused on preparedness.

However, some SAIs (10%) suffered budget cuts due to the COVID-19 pandemic, as funds were reallocated to address urgent needs. This adversely affected the ability of these SAIs to discharge their mandate, which reflects the need for SAI financial independence in those jurisdictions.

### 4.3 SAI Resilience in response to COVID-19

#### **Organisational resilience**

Organisational resilience is a theoretical concept to describe an organisation's ability to respond successfully to crises and thus ensure the survival of the organisation in question<sup>23</sup>. For the purposes of the survey, SAIs were provided with six organisational resilience factors and were expected to rank their perception of their SAIs. These include flexibility in taking decisions, responsiveness to change, speed of effecting change, visibility to stakeholders, disruption of the availability of supplies to SAI, and active collaboration with external stakeholders.

<sup>2</sup> Falkenberg (2021). How network configurations contribute to organisational resilience: A qualitative case study of how organisational resilience operates

<sup>3</sup> Bragatto, Vairo, Milazzo, Fabiano (2021). The impact of the COVID-19 pandemic on the safety management in Italian Seveso industries



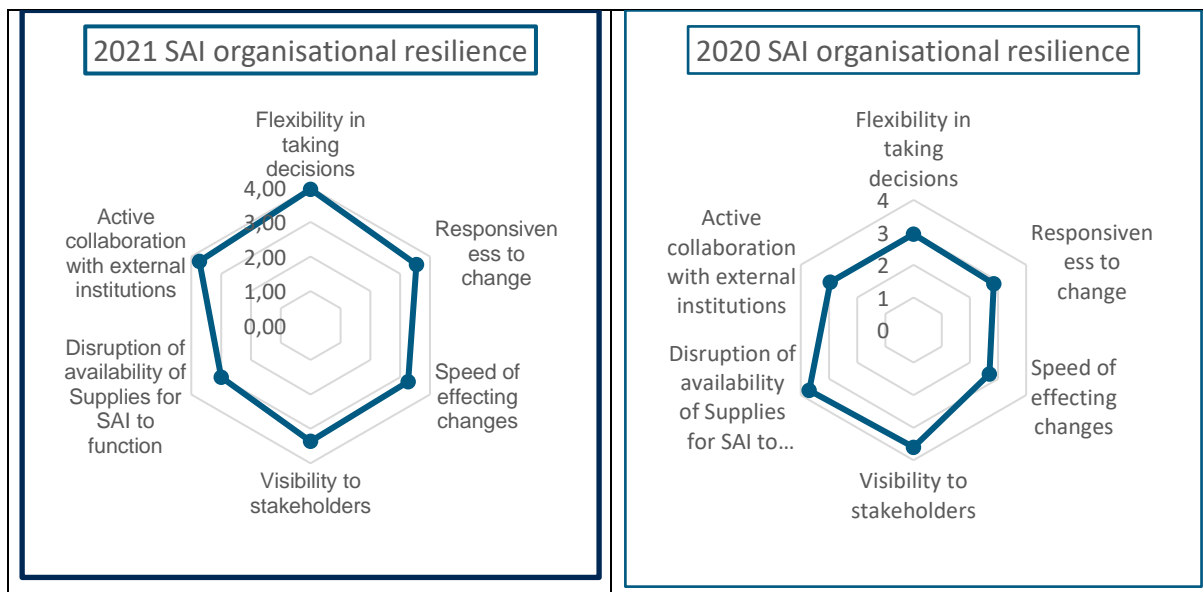


Figure 3: SAI organisational resilience

While the threshold for organisational resilience across the SAIs was at least a '4' ranking, it was observed that collectively, SAIs ranked below 4 across the six factors. However, there is a discernible improvement from 2020, partly due to SAIs having more time to respond to the challenges.

Flexibility in taking decisions had the highest ranking in 2021 at 3.9, showing in part that there is a relative level of independence within the SAIs, with decisions being decentralised to regional or district offices. This was also attributed to management being able to take timeous decisions to protect the welfare of staff through working-from-home arrangements or the provision of PPEs. Most SAIs referred to the absence of hierarchical organisational structures within the SAIs, which enabled decentralised decision-making that was much more responsive and agile. However, the disruption of supply chains due to the pandemic had the most adverse effect on SAI resilience and remained a challenge.

#### **Human Resource policies and procedures**

In response to the pandemic, there were defining changes in HR policies and procedures. Without exception, all SAIs shifted to virtual forms working, as most auditors were working from home. The platform of choice for meetings and training was Zoom, though there were some instances where MS Teams was used.

A few respondents, about 13%, referred to challenges with ICT, either regarding procurement or distribution of the same and network constraints, which negated the ability to work virtually. Further, there were changes to working hours and a heightened focus on health and safety as offices were sanitised regularly and employees were encouraged to be vaccinated. In some instances, vaccination facilities were provided within the SAI premises for the convenience of employees. These operational enhancements were found to have a favourable impact on productivity levels and employee wellness.

Implementing such policies is necessary to ensure business continuity during a pandemic and anticipate the future of work by enabling management and employees to navigate working from the office and remotely while ensuring productivity, connectivity, collaboration, and access to resources.

## **5. RECOMMENDATIONS AND CONCLUSIONS**

### **5.1 Types of audits performed – performance, financial, compliance and information technology**

Across the spectrum, SAIs conducted variations of financial and/or compliance audits in response to the COVID-19 pandemic. The methodologies for these are straightforward, given the nature of the pandemic and the need to provide some level of oversight. However, consideration should be given to the efficacy of performance and/or real-time audits during a disaster. In some instances, there were efforts to conduct real-time audits. Real-time auditing, with its focus on frequent interim reporting, can provide a way for audits to become faster and more responsive in providing real-time assurance. This type of auditing allows audit plans to pivot quickly and adapt engagements to changing circumstances, particularly in a disaster.

Capacitation of SAIs on real-time audits is critical. It enables decision-makers to use timely insights and information to assess how programmes are being implemented so that they can monitor effectively, support and act when required.

### **5.2 Timing of audits**

In times of crisis or emergency, SAIs are still expected to conduct audits in full compliance with audit standards, despite challenging working conditions. Balance is needed between ensuring flexibility in working arrangements while minimising risks to audit quality. Limited access to audit evidence may lead to scope limitations, in which case SAIs may need to consider modified opinions or other engagement terms. Auditing remotely may affect the timeliness of obtaining audit evidence, not only from the auditee but also from third parties. SAIs may need to adjust their audit approach and develop alternative procedures, particularly with auditees to which access is restricted.

### **5.3 Risk areas being addressed by the audits**

In times of disruption – such as during the COVID-19 pandemic – SAIs should frequently reconsider risk identification and assessment during the audit. Similarly, SAIs should also reassess judgements

made during earlier phases of an audit concerning risks, materiality and the use of experts. This suggests the need for greater collaboration between SAIs and other government sectors to ensure that relevant skills and resources are deployed timeously.

#### **5.4 Advocacy areas for SAIs to other state organs**

Joint audits among the SAIs of countries which are party to international agreements in areas exposed to the risk of disasters may contribute towards good governance and accountability in disaster risk reduction.

Many bodies may be responsible for auditing different aspects or phases of disaster management. Examples of other audit bodies include public or private sector internal or external auditors of central, state, regional or local government or auditors of specific agencies. SAIs should be clear on who audits what and the nature of the relationship between themselves and these auditors. Constructive cooperation at all levels should be fostered between SAIs and other auditors.

Another area of scope is SAIs leveraging the memorandums of agreement between AFROSAI-E and bodies such as the Global fund and GAVI. These agreements must be operationalised to ensure that the SAIs perform value-adding audits in the health sector.

#### **5.5 SAI resilience**

The pandemic has highlighted the importance for SAIs to equip themselves with new technologies for working remotely to ensure connectivity and continuity of operations. The pandemic also highlighted a need for increased collaboration with relevant stakeholders in reviewing operating modes and reflecting on strategies to improve resilience to crises and disasters. Further, SAI independence remains a vital component in strengthening effectiveness and resilience. Strong legal mandates and sufficient resources and capacities further enable SAIs to enhance good governance—locally, regionally, nationally, and internationally.

## 6. APPENDIX 1: LIST OF RESOURCES FOR SAIs

RESOURCE	DESCRIPTION
Research on SAI resilience during disaster situations	This research was performed to establish the extent of SAI resilience to disaster during the COVID-19 pandemic. The research was published in July 2020 and had several policy-level and strategy recommendations for SAIs to improve their resilience.
Crisis, Emergency and Risk Communication for SAIs	This paper gives an overview of the differences between disasters, crises, emergencies and risks and the recommended communication response types for each. It then includes key communication considerations for SAIs to create or incorporate into disaster preparedness plans.
Financial, Compliance, Performance & Information Technology Audit Manuals	These audit manuals give a step-by-step approach to performing diverse types of audits as per INTOSAI standards on auditing.
Human Resources Handbook	The handbook is designed to assist SAI HR practitioners on managing human capital in a sustainable way within the SAI.
PFM-RF Version 2.0	The PFM Reporting Framework is an excel based tool designed to assist SAIs in verifying the national PFM system's readiness to support the Sustainable Development Goals and ensure disaster preparedness.