ACCOUNTABILITY IN A TIME OF CRISIS

How Supreme Audit Institutions and development partners can learn from previous crises and ensure effective responses to Covid-19 in developing countries
A paper compiling findings and examples from epidemic and disaster related audits, including the Ebola-crisis in Sierra Leone and Liberia.

The paper identifies possible actions for SAIs and development partners respectively to mitigate the risks posed by Covid-19. The focus is on developing countries, with some particular references to the most challenging contexts.

The paper is developed in a partnership comprising:

- the INTOSAI Development Initiative (IDI),
- the Audit Service Sierra Leone (ASSL),
- the General Auditing Commission of Liberia (GAC) and
- the African Organisation of French-speaking Supreme Audit Institutions (CREFIAF).

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EXECUTIVE SUMMARY AND RECOMMENDATIONS FOR SAIS AND DEVELOPMENT PARTNERS

The Covid-19 crisis is global and has massive impact on all countries in areas such as public health, employment, economic growth and social protection. The crisis requires urgent actions by governments, and it can sometimes be difficult to balance this carefully with accountability, transparency and integrity.

We know from previous pandemics and disasters that emergency situations can lead to basic control systems being suspended or bypassed, combined with weakening of accountability systems and oversight. This can cause increased levels of waste, mismanagement and corruption at a time when government resources are under pressure.

In particularly challenging contexts the coronavirus-crisis will potentially have greater negative effects than in other countries, as the health systems and government resources to deal with the crisis are severely limited. There is a higher risk of delayed responses and misuse of funds, as well as negative social effects.

SUPREME AUDIT INSTITUTIONS CAN PLAY AN IMPORTANT ROLE DURING THE CRISIS

Previous audits of epidemics, disasters, emergency aid and health systems in developing countries show how Supreme Audit Institutions (SAIs) can play an important role during and after the current crisis.

The Ebola-related audits of Sierra Leone and Liberia documented substantial waste and abuse of funds, and points to key lessons learned for the Covid-19 crisis. One such lesson is that if governments and donors are not clear on the role SAIs should play in auditing emergency funds, it creates space for misunderstandings and reduced accountability. The audits also demonstrate the importance of clear emergency procurement procedures and strong national crisis management. The latter is also confirmed by audits of disaster management in various countries, which have shown that national crisis management often suffers from lack of preparedness, overall plans and coordination.

There are several important ways SAIs can contribute to the current crisis response:

- **Being a “critical friend” and remind key actors about basic rules and regulations that must be adhered to even during an emergency.** This can be done through direct communications with government and other implementing agencies as well as through public statements.

- **Maintain dialogue with stakeholders in and outside of government on the potential role of the SAI.** An active dialogue with stakeholders such as the government, development partners and civil society organisations is required for the SAI to understand the overall response to the Covid-19 crisis, the main risks, and how the SAI can add most value through its audit work. As the crisis unfolds, the SAI needs to continuously assess what type of audit actions are most useful, and to balance various stakeholders’ needs and expectations. The SAI has a responsibility to ensure audit and assurance activities do not impede the government’s response. SAIs also have a role in highlighting and explaining to Parliament how swift government actions increase risks and have potential long-term consequences, as well as informing on how the SAI seeks to play a constructive role in mitigating these risks.
• **Clarify its role and mandate as needed.** The SAI may not initially have the mandate to audit all funds mobilized for the crisis, for example through multilateral aid channels or for military purposes. Audits of these funds can potentially be critical for the overall national response, and the SAI mandate needs to be clarified and potentially expanded for the SAI to play a meaningful role.

• **Embark on audits that can add value as the crisis unfolds.** Real-time audits\(^1\) may be particularly helpful, for instance looking into payment controls, procurements, payrolls and management of medical stores. This could contribute to quick feedback on how emergency policies and procedures are working and close loopholes for malpractices. The SAI can also consider real-time audits of compliance with new protection measures or the effectiveness of the national crisis management. SAIs should also consider areas of great consequences that may be forgotten during the crisis, for example already entrenched gender disparities and protections for the most vulnerable citizens. After the crisis, the SAIs can contribute to learning and preparedness for new crises, through audits of the effectiveness of the government response to the Covid-19 crisis. See Chapter 3 for lists of possible financial, compliance and performance audit topics in the short, medium and long term.

• **Report on time and taking the situation into account.** The national crisis may require the SAI to analyze and report audit findings in ways that consider the unique situation, while maintaining international audit standards. Aiming for short, special audit reports can enable the SAI to issue timely and relevant reports outside the normal audit cycle.

• **Protect staff and adopt innovative ways of working.** Any audit activities should be designed with SAI staff safety in mind, and include protective measures such as social distancing. To avoid putting auditors at risk of unnecessary exposure, the SAI needs to consider greater use of online and telephone-based data collection. Field audits may only be possible if staff can be issued with personal protection equipment.

**DEVELOPMENT PARTNERS CAN RESPOND THROUGH REINFORCING GOOD GOVERNANCE AND CAREFULLY SELECTING SHORT-TERM SAFEGUARDS**

The immediate response by development partners to Covid-19 is likely to involve increased contributions to global pooled funds, increased country and regional expenditures in health, social security, humanitarian aid and economic sectors. Each sector and funding channel brings with it different risks related to effective use of funds.

As shown by previous audits of crises, emergency situations create environments where executives may try to weaken accountability and oversight systems in general, and specifically in relation to the use of emergency funds. This may be a short-term or longer-term decline in accountability. Development partners need to work together to try to resist such attempts, otherwise there could be very little accountability for the use of emergency funds, allowing misuse and corruption to prosper. Development partners may also usefully encourage establishment of high-level mechanisms to unblock barriers to audit, such as efforts to deny access to accounting records.

**What measures can development partners apply to ensure a rapid response without compromising on accountability?** Effective emergency response requires accountability and transparency to be modified, but not removed. Existing systems should be used and strengthened,

\(^1\) A real-time audit can be defined as an audit conducted during the implementation of government programmes to provide real-time (or close to real-time) assurance.
with increased focus on sound internal controls, rather than developing new systems. Streamlining real-time controls should be balanced by transparency requirements and an increased and credible expectation of subsequent accountability. This should come through audit, oversight, sanctions, investigations and prosecutions.

The following responses may help development partners to better safeguard emergency funds:

- **Immediate messaging to strengthen and reinforce behaviors**: Development partners should encourage key national stakeholders and other implementing agencies to send clear messages setting expectations about the use of and accountability for emergency funds, including
  
  i. Clearly communicated emergency expenditure rules
  
  ii. Proper use of public money including approval authorities and evidence for payments
  
  iii. Primary role of management to ensure key controls are in place
  
  iv. Reinforcing the expectation that emergency funding will be subject to scrutiny and oversight, ensuring audit is visible and mandated, and the rule of law is enforced
  
  v. Focusing audit on real-time verification of the operation of internal controls

- **Short-term safeguards for emergency funding**: Put in place appropriate safeguards relevant for different sector risks and funding modalities, as illustrated in chapter four. Largely these should seek to strengthen internal control systems, transparency, accountability and public participation. In countries with very limited capacity, it may be necessary to mobilize additional support to maintain and strengthen capacity to ensure control systems continue to function effectively.

- **Medium-term safeguards**: Encourage governments to take action on relevant prior audit reports, bringing key findings and recommendations into policy dialogue, and encourage SAIs to stay visible and conduct follow-up audits on implementation of prior recommendations.

- **Ensuring SAIs can audit the use of emergency funds**: Off-budget funding, through parallel systems, project implementation units, NGOs, INGOs and international institutions creates the risk that funds will fall outside the audit mandate of the SAI. Development partners should consider how funds will be audited at the outset rather than after funds have been spent. SAIs may be unable to give a coherent view of the propriety and effectiveness of the national response if they have no mandate to look at a large part of the response. Effective audit may require establishing arrangements for cooperation between different auditors at the outset, which can be a useful mutual learning opportunity. Especially in challenging contexts, development partners should ensure they do no harm, by being aware of the risk that using SAIs with very limited capacity to audit donor funds may divert resources away from the audit of national budgets.

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2 Finance and Planning Ministries, internal and external auditors, anti-corruption agencies, oversight bodies.
1 INTRODUCTION

The advent of Covid-19 has brought about a global health and economic crisis which affects every country in almost every sector. For countries in challenging contexts, it will potentially lead to serious humanitarian and social crises as well. To cope with the pandemic, governments and development partners are re-allocating substantial funds and putting in place new large-scale measures. The Covid-19 crisis requires urgent action by governments and the international community, and it can be challenging to balance the need to react swiftly with due consideration for accountability, transparency and integrity. Experience from previous pandemics and disasters also tells us rapid responses can bring increased levels of waste, mismanagement and corruption at a time when government resources are under critical pressure.

In challenging contexts, the Covid-19 crisis may have greater negative effects than in more developed countries, as the health systems and government resources to deal with the crisis are severely limited. There is also a higher risk of delayed responses and misuse of funds, leading to infections going undetected, treatment capacity not being scaled-up as required and economic measures being less effective.

SAIs can play a key role in the different stages of a crisis like Covid-19. They can provide advice on critical rules and regulations, and can conduct audits on whether funds are being used for the right purposes. This can have a deterrent effect and contribute to safeguarding government and donor funds. SAIs can also audit the implementation of new regulations and programmes (such as for infection control or economic stimulus), and thereby contribute to effective government actions. In the aftermath of a crisis, the SAI can provide assurance on the use of funds and assess the economy, efficiency and effectiveness of the national responses. Reports can be used both for accountability and for identifying lessons for the future.

The idea for this paper was born out of a discussion between IDI, AFROSAI-E, CREFIAF and development partners on support to SAIs operating in challenging and complex contexts, particularly in Africa. It was recognized that there is a need to document and learn from the previous work of SAIs in auditing disasters and epidemics, which may assist SAIs and development partners in responding to the current pandemic.

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3 Also referred to as “fragile states, situations or contexts”. Various definitions exist. OECD identifies five dimensions of fragility:
   1. Political (weaknesses in political processes leading to a lack of political inclusiveness, transparency, corruption and political oppression);
   2. Societal (a lack of social cohesion arising from inequality amongst different cultural and ethnic groups);
   3. Economic (weak economic foundations leading to exposure to macro-economic shocks and/or high unemployment and limited human capacity);
   4. Environmental (climatic and health risks leading to disasters and pandemics); and
   5. Security (due to both political and social violence).

LESSONS LEARNED FROM AUDITS OF THE EBOLA EPIDEMIC, HEALTH SYSTEMS AND DISASTER MANAGEMENT IN DEVELOPING COUNTRIES

2.1 EBOLA-RELATED AUDITS

During the Ebola outbreak in 2014-15, the SAIs of Liberia and Sierra Leone conducted real-time audits as well as audits in the aftermath of the outbreak.

In total, the SAIs audited funds of about US$ 208 million spent on health-related procurements and economic stimuli for affected areas. The SAIs audited disbursements, procurements, payroll and asset management, in addition to the financial statements of the projects and entities responsible for managing the response to the epidemic.

The primary auditees were their respective health ministries and special government entities responsible for funding and managing the crisis.

Audit of Ebola Funds
Example from Sierra Leone

Period: May to October 2014

Funds audited: US$ 8.6 million, donated by institutions and individuals mostly within Sierra Leone and from tax revenues; audit did not cover donor funds channelled through implementing agencies such as the UN and INGOs.

Auditees: Ministry of Health and Sanitation and the National Ebola Response Centre (NERC)

Audit objectives: Ascertain whether public funds allocated to the Ministry and NERC were utilised for their intended purposes. This included assessing whether:

- Donations received were receipted and banked promptly;
- Correct amount of incentives were paid to the right healthcare workers and on time;
- Expenditures were undertaken with due regard to the law, economy and efficiency, and were supported by sufficient and appropriate documentary evidence;
- Goods and services procured were done in accordance with the law;
- Value for money was obtained in the procurement contracts awarded; and
- Interaction between the Ministry and the National Ebola Emergency Centre was functioning well.

The audit reports of the two countries identified several findings likely to be relevant for the Covid-19 crisis. These include non-adherence to procurement procedures, duplicated payments and inadequate management of medical assets. These weaknesses contributed to substantial monetary losses and an inability to fully use the funds for their intended purposes of strengthening the national health systems and saving lives. The illustration on next page shows the main weaknesses highlighted in the audit reports of both Sierra Leone and Liberia. More detailed audit findings are included in Appendix 1.
The timely audit reports seem to have contributed to improvements. In Sierra Leone, a follow-up audit report showed significant improvement in the internal control of government during the crisis. In Liberia, a recommendation to strengthen coordination through a special unit was implemented. The Ebola-audit reports point to the following lessons learned:

- Public expenditure laws should be clear on the use of public funds during an emergency situation. Unclear laws give room for non-compliance to for instance procurement procedures.
- If governments and donors are not clear on the role SAIs should play in auditing emergency aid, it gives room for misunderstandings and thereby higher risk for money not being controlled and loopholes for fraud and corruption.
- SAIs should be empowered and mandated to audit all funds provided to government in an emergency situation, given their overall responsibility for the national accounts.
- The laws governing functions of a SAI, should be broad enough to enable the SAI carry out any audit it deems necessary when the need arises.

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<th><strong>FINDINGS</strong></th>
<th><strong>IMPACT &amp; RISKS</strong></th>
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| Absent or incomplete documentation to justify fund disbursement and procurement | • Unaccountable payments  
• High risk of fraud |
| Procurement procedures ignored and major lapses identified, particularly in sole-sourced contracts | • Badly drawn up contracts  
• Unanticipated costs  
• Substandard assets  
• High risk of corruption |
| Overpayments, underpayments, pre-delivery and duplicate payments, and failure to withhold due taxes for contracts | • Significant financial loses  
• Potential harm to government-supplier relations |
| Inadequate management of medical stores and fixed assets | • Poor condition of supplies and assets  
• Slow distribution of drugs and equipment  
• Risk of theft |
| Government failure to act on previous audit reports | • Long-known and long-unaddressed problems in financial management and internal controls exacerbating the crisis |
• Strong national leadership is critical during a crisis,\(^5\) and the SAIs can add significant value by checking how operative the crisis management function is, whether there is a robust crisis management plan and relevant communication strategy, and the effectiveness of the systems and strategies.

• Strong crisis-related governance structures are critical to enable sound financial management. The SAI can add value by advising governments on required structures, such as a disaster management unit.

### 2.2 Audits of Health Systems in Challenging Contexts

SAIs regularly conduct audits of health ministries and health-related topics. Though not specific to an emergency scenario, many of the findings are relevant for the Covid-19 crisis. A review of select health-related audits\(^6\) identified the following risks:

• Coordination between key actors may be inadequate, and national medical supply chains may be unclear and/or include harmful bottlenecks and gaps

• Health facilities may struggle to accurately assess needs for essential medicines and medical supplies

• Weak procurement and quality control systems may result in the receipt of poor quality or unsuitable equipment

• The slow release of funding from finance ministries to health ministries, and from health ministries to implementing agencies and facilities may significantly hinder procurement and distribution

• Central and regional warehouses may lack the capacity to receive and deliver orders well, store supplies securely and effectively, and monitor and evaluate distribution

• Distribution of supplies from central warehouses to regional facilities may be slow and ultimately cause harm for remote populations

• Hospitals and clinics may have a very limited number of qualified staff and some frontline workers may lack even basic training

• Healthcare referral systems may be unclear and/or inconsistent and citizens may lack proper understanding of symptoms, care options and available facilities

• Waiting times for serious illnesses may already be too long and result in unnecessary fatalities and higher treatment costs overall

• Essential medicines and equipment may disappear at various points along the supply chain only to reappear for sale elsewhere

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\(^5\) For more general lessons learned of the management Ebola-crisis, see for instance this overview of key success criteria of Liberia’s response in these two articles:

1) [https://www.afro.who.int/news/ebola-outbreak-liberia-over](https://www.afro.who.int/news/ebola-outbreak-liberia-over)


2.3 Emergency Humanitarian Aid Audits and Investigations

Development partner reviews, audits and investigations into several humanitarian aid programmes show the following risks:

- Collusion between networks of suppliers, often with family connections, to artificially inflate bids in response to tenders for emergency humanitarian goods.
- Diversion of goods from their intended users during distribution, especially at border crossings and through conflict areas.
- Perishable humanitarian aid shipments held up at ports and airports due to disagreements about tax and customs regulations.
- Goods deliberately mislabelled, substituting low value items for higher value items with equal weight (so that products can only be verified by opening each and every box).
- Fraudulent and duplicate invoices submitted for goods not provided.
- Price gouging as supplier collude to increase the price of key goods.
- Manipulation of cash and voucher schemes, including diversion of funds from intended recipients.

Source: A donor representative.

8 Especially by military and armed militia.

9 Definition by UNISDR (United Nations Office for Disaster Risk Reduction).

10 This includes the SAIs of Bhutan, Indonesia and Uganda.

2.4 Disaster Management Audits

A disaster is defined as “A serious disruption of the functioning of a community or a society causing widespread human, material, economic, or environmental losses which exceed the ability of the affected community or society to cope using its own resources.” As such, the Covid-19 epidemic can be regarded as a disaster.

During the last decade several SAIs have conducted audits of how disasters were managed, including the handling of disaster related aid. These audits have assessed preparedness as well as management during and after disasters. Common findings across many of the audits are as follows:

- Non-compliance with provisions of the disaster management laws and regulations.
- Lack of preparedness and inadequate institutional mechanisms for dealing with disaster.
- Absence of national disaster management plans.

Source: Reuters, March 23, 2020

2020

Ebola Fraud
Democratic Republic of Congo

“A former health minister in the Democratic Republic of Congo and his financial advisor were sentenced on Monday to five years of forced labour for embezzling more than $400,000 from the country’s Ebola response funds, a court order showed.

The court convicted Ilunga and his financial advisor of forging receipts worth $391,332 from a fake company, referred to as New Sarah pharmaceutical depot, to justify purchases of products already paid for by international donors. The pair diverted a further $13,000 intended to pay for transport of life-saving goods to Ebola hotspots, the court found.”

Source: Reuters, March 23, 2020
• Ineligible expenditures from disaster management funds as well as wasteful expenditures.
• Poor coordination amongst agencies responsible for disaster management, leading to overlap and duplication of efforts.
• Lack of effective information dissemination.
• Lack of a central database system on disaster management.
• No emergency operation centres.
• Inadequate prioritisation of intervention areas.
• Slow and inadequate response.

**Ebola Aid Fraud**

*The Red Cross identified more than $5m of aid money lost to fraud and corruption during the Ebola epidemic in West Africa.*

Auditors found overpriced supplies, salaries for non-existent aid workers and fake customs bills. As Ebola spread across Liberia, Sierra Leone and Guinea, the Red Cross Federation in Geneva was dispersing cash donations to the national Red Cross societies in each of those countries - altogether a sum of about $100m.

An investigation by Red Cross auditors has revealed that in Liberia $2.7m disappeared in fraudulently overpriced supplies, or in salaries for non-existent aid workers. In Sierra Leone, Red Cross staff apparently colluded with local bank workers to skim off over $2m while in Guinea, where investigations are ongoing, around $1m disappeared in fake customs bills”.


From the audits of disasters and development support, the reports have brought up the following lessons learned:11

• There needs to be a national emergency plan as a minimum. This can serve as a starting point to guide officials in a disaster management situation.
• It is useful to have a central body responsible for the coordination of the emergency efforts. Actors in disaster management need to coordinate their activities well for crisis management to be effective. Disjointed activities could end up doing more harm than good.
• Communication to the general public and to parliamentarians needs to be regular, consistent and fact based. Sensitisation needs to be ongoing and all efforts should be made to counter the spread of false information. Communities should be consulted and must participate in disaster management to the extent possible.
• Time is of the essence, therefore wherever action is to be taken, it needs to be swift, but follow applicable laws and regulations (which may be emergency spending laws and regulations). This is particularly important for the release of funds and the purchase of vital supplies.

11 See also “Audit of disaster related aid” [https://www.environmental-auditing.org/media/5768/issai-5520-e.pdf](https://www.environmental-auditing.org/media/5768/issai-5520-e.pdf).
3 **How can SAIs add value in relation to COVID-19?**

This chapter presents options for what SAIs can do to add value and be relevant in relation to the Covid-19 crisis. The options presented are drawn from lessons learned in chapter 2, as well as international standards and guidance in the INTOSAI Framework of Professional Pronouncements (IFPP). The chapter focuses on approaches during the crisis.

Each SAI needs to consider these roles in their own national context. SAIs need to remain mindful of the pressures Covid-19 is placing on governments and carefully consider the work they take on to not compromise the emergency responses to the crisis.

### 3.1 Remind government entities about basic rules and regulations

From its respected position, the Head of SAI can communicate directly to government, or in public, concerns about the current situation and remind key stakeholders about risks and minimum safeguards that need to be followed also in time of crisis. This can contribute to keeping good governance on the radar, when designing the response, and as such have a preventive effect. This can contribute to a form of the “Hawthorne Effect”, whereby individuals adjust their behaviour in response to their awareness of being observed.

Especially for SAIs with limited ability to operate during the crisis, the issuing of a statement reminding budget holders and other senior staff of their responsibilities to maintain probity and accountability can be helpful. The textboxes below show examples of such messages, from the Auditor Generals of New Zealand and Sierra Leone. In the context of a Court of Accounts, direct messages might be difficult to share because procedures don’t usually provide for that. However, the SAI can have direct access to public accountants in entities directly in charge of responding to the crisis and the Ministry of Finance. The SAI then needs to find a nationally suitable way of communicating to these entities, for instance as a letter explaining the special situation.

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12 See [www.issai.org](http://www.issai.org).

Examples of SAI communication concerning Covid-19

Message from the Controller and Auditor-General of New Zealand

In April 2020 the Controller and Auditor-General of New Zealand wrote a message to the chief executives of several public agencies about important governance matters to consider during the response to the pandemic. The contents of this letter contain useful matters for all chief executives and senior managers to consider.

Key issues raised included the importance of:

- maintaining strong governance and effective systems and controls, both in terms of response activity and in the rest of your business;
- getting the authority and approvals (including delegations) clear, documented and communicated especially in situations where emergency expenditure is being incurred or emergency powers exercised. Audit New Zealand has put out a reminder about our expectations when organisations are using emergency procurement procedures;
- tracking spending and reporting on it accurately, including appropriations and anything authorised under the Public Finance Act’s emergency provisions;
- being aware of increased risk of fraud if controls are compromised while the pandemic takes priority. Ensuring management teams keep a close eye on the usual controls based on oversight, sign-off, separation of duties, and evidence of delivery;
- staying mindful of the increased risk of cyber fraud. This might include phishing attempts, attempts to hack home computers or work computers on home networks, and fake requests for approvals;
- being mindful of sensitive expenditure, particularly for items not usually part of normal spending – you need to be clear about what is (and is not) an appropriate use of public money;
- managing risks to normal service delivery while your organisation’s attention is focused on the Covid-19 response, especially key projects and initiatives that may already have significant risk in delivery;
- accessing the expertise in your audit and risk committee for advice and support and increasing the focus on risk management generally; and
- having a back-up plan for senior staff (including yourself) and all those in critical roles, to protect your ability to continue to operate if anyone senior or in a critical role falls ill and in recognition of the extended period of disruption that is ahead of us.

See the original message here

John Ryan
Controller and Auditor-General
of New Zealand
Examples of SAI communication concerning Covid-19

**Message from the Auditor General of Sierra Leone**  
**April 8, 2020**

“As part of its public education and information drive, the Audit Service Sierra Leone (ASSL) wishes to inform the general public about the procedures in the use of public funds under a national emergency situation including the manner in which imprest funds should be accessed and retired.

In order to ensure a prudent use of public funds under a national emergency situation, users of public funds are required to be mindful of public financial management and procurement rules and regulations when carrying out activities using public monies:

1. There should be clearly communicated and, documented authority and approvals for all transactions.
2. All funds spent must be properly tracked and accurately reported including appropriations and all other sources of public funds for managing the emergency situation.
3. For Items not usually part of normal public spending, MDAs need to be clear on whether or not such spending is an appropriate use of public money
4. Section 40 of the 2006 Procurement regulations spells out the procedures to be followed under an emergency procurement, and section 117 highlights the approval arrangements to be followed for emergency procurement.
5. Part 10 of the Public Financial Management Regulations, 2018 deals exclusively with the establishment, utilization and retirement of imprests.
6. Section 117(1) of the Public Financial Management Regulations 2018 states that an imprest fund shall be established for making payments of petty expenditure that cannot be made through the ordinary payment Process required under the Act and these Regulations without undue inconvenience.”

See the full message on the ASSL webpage [here](#).

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**3.2 ENSURE DIALOGUE WITH STAKEHOLDERS ON THE SITUATION AND EXPECTATIONS**

An active dialogue with stakeholders as the government, development partners and civil society organisations is required for the SAI to understand the overall response to the Covid-19 crisis, the main risks, and how the SAI can add most value through its audit work.

**Government dialogue and advice**

In a dialogue with government, the SAI needs to keep abreast of the modifications done to the public financial management system, such as new emergency approvals and procurement rules. This can be a basis for identifying potential risk areas.

The SAI could also take an advisory role, and prompt government to introduce Covid-19 specific budgeting and accounting codes in the financial management systems.14 It could also have an opinion on simplified public procurement and expenditure arrangements that could facilitate rapid

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response to the current crisis without compromising the accountability framework in place. In many challenged countries, there are no or inadequate procedures provided for public spending in times of crisis. The SAI could as such add value by recommending the swift introduction of such procedures and regulations.

The principle of “audit-based advice” should still be underlined. When giving advice to the Executive, the SAI must ensure it does not stray into the executive’s territory and nullify their ability to audit the results of their advice.

During ordinary times SAIs in challenging contexts may struggle to get access to government records, and this may be even more challenging during the crisis. The SAI may experience crisis-related delays or restrictions in accessing data, and will need to find an effective way to raise audit issues with the appropriate authorities overseeing the crisis response. In addition to the regular dialogue with auditees, the SAI may need a high-level forum to ensure such issues are addressed properly. Such a forum may also be important for the SAI to understand how to do “no harm” through its audit work. The SAI needs to consider how much data it should request from government agencies in a time of crisis, especially if it does not have electronic access to government data.

Parliament dialogue
SAIs also have a role in highlighting and explaining to Parliament how swift government actions increase risks and have potential long-term consequences. The SAI needs to inform Parliament how it through audits assess the actions taken and seeks to play a constructive role in mitigating these risks.

Donor dialogue
In challenging contexts where a culture of accountability is weak, the SAI may be requested to contribute to various audits of donor-funded projects. When considering such requests, the SAI needs to make sure such audits do not compromise its capacity to conduct core audits of government funds and its own independent priorities of risks to audit. The SAI has to take into account limits in capacity both in the government and the SAI. An approach could be to include audits of donor-funded projects in the general audit assignment of a government entity. Development partners may also provide extra audit resources for the SAI, for instance as privately hired short term experts for specific assignments and under the management of the SAI (see also chapter 4.3).

3.3 Clarify the mandate
The mandate of the SAI may need to be confirmed or temporary adjusted. In some countries the SAI may not automatically have the mandate to audit funds through multilateral channels (such as the UN) or other donor funds, as experienced in Sierra Leone and Liberia during the Ebola-crisis. Another challenge is that emergency laws in some countries may restrict the SAI’s mandate to audit – e.g. that a lot of the spending through some government accounts, for example the military. Audits of these funds can potentially be critical for the overall national response, and the SAI mandate needs to be clarified and potentially expanded for the SAI to play a meaningful role.

The development partners can contribute to a sufficient mandate for the SAI through dialogue with governments about funding. A possible solution is to provide the SAI with a temporary mandate to audit all development funds during the crises with a view to longer term legal enhancements that ensures such rights on a regular basis (see more in chapter 4.3).

3.4 **Consider audits that can add value as the crisis unfolds**

The 2020 audit plan will have to be revised for all SAIs in light of the Covid-19 crisis. For some it may entail a refocus on the planned audits, while it for others may entail a slow down or halt to audits until the situation has normalized. While the prioritization of audit entities and topics need to be based on materiality and risk, the Covid-19 also requires SAIs to take into account considerations such as:

- Which audits can have the greatest added value in the short term, enabling government to more effectively deal with the crisis,
- What audits are possible to execute given data availability, the skills of SAI audit staff, the health risk for auditors and movement restrictions, and
- What audits should be done taking into account the limited capacity of government agencies to serve auditors with the needed information and not impairing emergency operations.

Several audits can be done during the crisis. An audit of financial transactions before the financial statement is a type of real-time audit. A real-time audit can be defined as an audit conducted during the implementation of government programmes to provide real-time (or close to real-time) assurance. Examples of such an audit would be review of disbursement and procurement documentation, physical verification of fixed assets and medical stores, and audit of payroll related to new staff or extra salaries. The SAI can also audit compliance of new measures and crisis management during the crisis. Timeliness will be critical, and the audit scope may have to be narrow to enable a quick reporting.

There are also audits that can add much value after the crisis, to learn, prevent and enhance preparedness for new crises. The table summarize some potential audit topics in the short, medium and long term.

<table>
<thead>
<tr>
<th>Audit type</th>
<th>Real-time audits - short term</th>
<th>Medium and long term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>Audit of financial transactions that will eventually form part of the financial statements - internal controls, records, assets, cash and bank, payroll related party transactions.</td>
<td>Financial statements audit, especially of key agencies and projects.</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td>Compliance of critical rules in procurements processes.</td>
<td>Assess if actual procurement is in line with contracts.</td>
</tr>
<tr>
<td></td>
<td>Compliance of crisis related laws and regulations.</td>
<td>Compliance of crisis related laws and regulations.</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>Crisis management; strategy, monitoring, coordination and efficiency in use of human and financial resources at national and entity level. Implementation and effectiveness, of high-priority emergency measures.</td>
<td>Assess effectiveness of measures, in health and economic sector.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assess preparedness for this and future crises.</td>
</tr>
<tr>
<td>Audit type</td>
<td>Real-time audits - short term</td>
<td>Medium and long term</td>
</tr>
<tr>
<td>------------</td>
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</tr>
<tr>
<td></td>
<td>Preparedness for receiving extra donor funds and managing procurements.</td>
<td>Assess effects on marginalized groups and on gender equality.</td>
</tr>
<tr>
<td></td>
<td>Health system performance, such as efficiency in handling patients, utilizing equipment and protection of health workers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Effectiveness of purchase and provision of food.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Efficiency of allocating grants, tax reliefs and other supports to businesses.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Effectiveness and efficiency of cash transfer programmes to individuals who have lost livelihoods, older people, and those most affected by the crisis.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extent to which education provision is being made for at risk children and young people.</td>
<td></td>
</tr>
</tbody>
</table>

### 3.5 Revise the Audit Plan in Light of the National Situation and Potential Impact of Covid-19

A starting point for revising the audit plan is to map out the current and anticipated impacts of the Covid-19 in the specific country, and the government measures established to address these challenges. The societal effects of Covid-19 are likely to vary in degree across countries and regions, as well as over time. In general, it can be assumed that the crisis will lead to:

- Health risks for the wider population, due to Covid-19, and potential difficulties for those with other health issues to access a health system which prioritizes. There are also multiple public health risks associated with long quarantines and lockdowns, including social unrest, mental illness and domestic or gender-based violence.
- Significantly reduced government capacity, with many staff themselves sick or locked down, and greater risks for sound public financial management
- Economic recession, possible austerity measures and reduced tax revenue, and increased public debt.
- Losses of livelihoods for many people who do not have regular or secure income.
- Negative social effects, especially for marginalised groups. Based on evidence from other crises like Ebola and ZIKA, the crisis can exacerbate also social and gender related challenges, ranging from increased care burden on women, increased gender-based violence and higher exposure to virus for women. Older people are particularly vulnerable to the virus, but also face substantial risks of isolation and difficulties in accessing markets, water, sanitation and socio-psychological support.

Government measures to map out include:

- National crisis management and coordination
- Emergency regulations and financial management procedures
- Infection control measures
- Health system capacity strengthening, including procurements
- Economic stimulus packages
• Social protection packages
• New loans or grants

3.6 **FINANCIAL AUDIT RISKS AND TOPICS TO CONSIDER**

The following risks related to financial transactions and statements can be relevant in the light of Covid-19:16

- By-passing the requirements of the applicable accounting standards in the light of the circumstances (emergency procedures, large volumes of public expenditure during or after the emergency)
- Weakening of internal control systems and routines, such as approval procedures
- Audit trails not kept
- Material misstatement due to uncertainty and unpredictability
- Fraud and corruption in emergency activities, such as non-existent assets, payments to non-existing workers ("ghost-workers")
- Hacking and phishing increasing due to weakened cyber security
- Weaker banking systems and controls
- Inappropriate reporting of use of emergency provisions
- Lack of budgeting, oversight and accounting of epidemic-related funding provided by international development agencies aid
- Gaps and/or duplications in funding between executive units engaged in similar activities
- Not reconciled donors’ and recipients’ records and reports
- Non reporting of in-kind donation, such as masks and ventilators related party transactions

3.7 **COMPLIANCE AUDIT RISKS AND TOPICS TO CONSIDER**

In general, there will be an increased risks of non-compliance with laws, regulations and government procedures as a consequence of limited government capacities and possible relaxation of rules and procedures.17 It may not be possible to comply with all laws and regulations in emergency situations and auditors should take into account the need to circumvent some rules in exceptional circumstances to prioritize the saving of lives and the alleviation of human suffering. However, auditors should expect that, where it is reasonable, the deviations from rules should be documented and explained.

Some specific compliance related risks to consider:

- Procurements using emergency procedures not following basic procedures expected
- Non-adherence to procedures set for preventing infection, such as for hospitals and key government entities

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16 See also the ISSAI 5520 “Audit of Disaster-related aid”. The risks assumed to be most relevant for the Covid-19 situation are listed below.

**Procurement audit example**

*Audit objective:* To provide assurance that procurements of medical supplies were done in accordance with the set policies, procedures and regulations.

*Scope:* Procurement and distribution of medical supplies to various hospitals

*Criteria:* Procurement act and Disaster Management Regulations

*Data:* Source documents, tender documents, receipts, payment vouchers, record receipts of items, interviews and observations.
• Compliance with the requirements of international agreements covering recovery, relief, rehabilitation and reconstruction measures and activities. For example, governments are required by United General Assembly Resolutions 46/182 of 1991 and 58/114 of 2004 to adhere to the humanitarian principles of humanity, neutrality, impartiality and operational independence

3.8 PERFORMANCE AUDIT RISKS AND TOPICS TO CONSIDER

The national crisis management is of overall importance, and there are several performance related risks that can be considered addressed through short performance audits (may be in combination with compliance and financial audit):

• Lack of coordination of actions and clarity of roles and responsibilities, avoiding overlaps and confusion
• Poor strategies and follow-up of these at different levels, ensuring a lack of coherent approaches and efficiency
• Lack of systematic information gathering and data handling, leading to weak basis for strategies and priorities
• Poor communication by government entities to and the public that is clear, relevant and targeted
• Insufficient government structures for crisis management, leading in general to an ineffective response, including poor financial management

The health system may be overwhelmed and potential compliance and performance audit related topics to consider are:

• Implementation and effectiveness of infection prevention measures nationally, and in critical health institutions in particular.
• Distribution and utilization of new equipment, medicines and tests for the virus.
• Staffing levels in hospitals, and the management of staff who are themselves unwell.
• Implementation of new protocols for treatment and procedures for prioritization.
• Coordination of government efforts and private and non-governmental organisations’ health services.

Various economic stimulus and social benefit packages may be designed in short time and thereby involve a number of risks. Audit topics to consider are:

• Implementation, timeliness and how well packages are reaching the target groups.
• Effect of packages in terms of stimulating the economy, protecting vulnerable groups and ensuring gender equality and inclusion.
• Management of roll-out of new measures ensuring clarity, fairness and low risks for misuse. There can be risks related to both the whole-of-government approach as in specific entities.

3.9 EPIDEMIC-RELATED DONOR SUPPORT AND RISKS TO CONSIDER

Donor support for the epidemic may be audited through both financial, compliance and performance audit methodology. The list here shows risks SAIs may consider related to epidemic
related aid in particular. See also chapter 4.1 for various forms of development support expected in relation to the crisis.

1) **Delays**: Development partner support is intended to be given promptly in a crisis in order to save lives and meet victims’ needs. Delays may occur, for instance, in the distribution of materials, and can be caused by poor coordination, infrastructure challenges or unsuitable human and organisational resources.

2) **Unintended recipients**: Unintended recipients are organisations and people who are not entitled to receive aid. Inadequate demographic data may result in misleading information on victims and ultimately cause aid to be channelled away from needy individuals/communities.

3) **Undistributed funds and materials**: Inappropriate human or organisational resources, lack of information on the procedure for requesting and distributing aid and damaged infrastructure can all cause aid to remain in storage. Another reason for non-distribution might be an inappropriate needs assessment, resulting in the delivery of aid or materials that are unnecessary or unsuitable for the culture or circumstances of the affected population.

4) **Insufficient fiduciary controls**: Rapid response to the epidemic is critical in efforts to minimise damage. To deliver services and goods swiftly, the procurement processes and flow of funds must be well-defined and include sufficient flexibility to accommodate unexpected events. These processes should have built-in mechanisms to detect delivery bottlenecks and make adjustments to processes during implementation.

5) **Fraud and corruption**: When substantial flows of aid arrive quickly, it provides an opportunity for cyber-attacks, hacking of bank accounts, fraud and corruption in the form of overstated needs and data manipulation, demands for kickbacks from suppliers and those applying to receive aid, as well as mark-ups and embezzlement or asset theft.

6) **Unrecorded aid**: Unrecorded aid is when funding is received but not recorded in the government or recipient’s books. This could be due to collection agencies being unidentified, the existence of multiple accounts, a failure by the authorities to make available information on aid management mechanisms, and poor coordination among agencies.

7) **Damaged equipment**: During transportation, items can become damaged or obsolete and no longer meet required standards, making it difficult to distribute and manage them.

8) **Unequal distribution of aid**: When agencies or groups are favoured in aid distribution at the expense of others, there is inequality. This may result in epidemic-related aid not reaching the population most acutely affected by the epidemic. For example, a particular region may receive more support than another as a political favour.

9) **Double funding**: There can be multiple flows of financial aid from development partners to recipients. Lack of transparency in these aid flows engenders the risk that aid organisations may receive aid funds from multiple sources (development partners) for any one given project. There may be a risk of double funding and misuse.

10) **Unspent aid**: Due to multiple significant aid flows, there is an absorption risk, with unspent funds sitting in bank accounts.

11) **Information flows**: In the epidemic situation, the dissemination of clear and objective information to the public and stakeholders is critically important to avoid misinterpretation or speculation. The timely receipt of feedback from the public and epidemic relief agents on

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18 The list is based on the ISSAI 5520 “Audit of Disaster-related aid”.
the ground to the government bodies implementing aid is equally important. Two-way communication is essential.

12) **Less donor presence and monitoring**: Donor representatives may only be able to monitor spending to a lesser extent, and be less present in the country, due to travel restrictions and health risks.

3.10 **ENSURE TIMELY REPORTS WITH BALANCED CONCLUSIONS IN A TIME OF CRISIS**

The SAI needs to choose ways of reporting that ensures audit findings are available during the crisis, and so that issues can be addressed by auditees promptly. Aiming for short and special audit reports can enable the SAI to issue audit reports outside the normal audit cycle and with timeliness.

When preparing audit reports, the SAI needs to show understanding of the specific context and needs of the country in crisis. There may be a situation where the SAI lacks audit evidence, due to challenges of data collection or lack of documentation available. The SAI then needs to make a strategic decision about issuing an opinion or delaying until further audit evidence can be gathered. Any audit report produced should be honest about the situation of the audit including standards followed.

Real-time audits can be highly politically sensitive. The SAI needs to consider what will be the best way to present the audit, to lay a good foundation for a public debate based on actual facts arising from the audit. Illustrative and simplified audit products is often useful to communicate audit results.

If the SAI is unable to gather sufficient appropriate audit evidence this should be reflected in any opinion or conclusion given. For financial audits, they should consider a modification of the audit opinion in accordance with the following paragraphs in ISSAI 1705:

- The auditor shall express a qualified opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.
- The auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

Separate audit reports might be prepared for different parts of the epidemic phase (emergency response, rehabilitation or reconstruction activities). These reports may have a similar overall structure, with their content depending on the phase concerned. In all cases, reports should be addressed to the appropriate authority for follow up on the recommendations made.

3.11 **PROTECT AUDITORS AND USE INNOVATIVE METHODS**

To avoid putting auditors at risk of infection, the SAI needs to consider greater use of online and telephone-based data collection. Field audits may only be possible if staff can be issued with personal protection equipment. In many cases, SAI staff are likely to be locked down or working from home so new arrangements will need to be in place for managing and supporting staff at a distance.
SAIs can use the crisis to enhance its use of digital tools and communication in general. In challenging contexts, many auditors do not have sufficient ict-tools or access to internet. SAIs may reprioritize operational funds or seek external funding to cover internet costs as well as new ict-tools needed for staff to be productive in a period of lockdown. Many SAIs already use digital survey tools for collecting data, and this could be further developed to get relevant data on Covid-19 measures.

An innovative method of data collection could be to enhance cooperation with civil society organizations. Several organizations may have information on how well various Covid-19 measures are implemented and working, for instance on whether equipment is delivered or who is reached by economic stimulus measures.

3.12 CONSIDER A PRE-AUDIT ROLE FOR THE SAI

The role of the SAI may need to be adjusted depending on the most emerging needs for audits and controls. If the SAI has the mandate, it could conduct pre-audits or controls before expenditure is implemented. Especially in countries with limited internal control capacity, this can be a necessary function to enable government entities and donors to release funding and implement new measures quickly. At the same time, the SAI needs to consider whether such a role is desirable, taking into account the conflicting role versus post-audit and potential reputational risk. In many cases it would be best to let the internal audit function take this role.

The Swiss Federal Audit Office (SFAO) is an example of such a priority of SAI resources during the Covid-19 crisis. The office suspended a large proportion of its audits in the field and discontinued its publications. It reoriented its audit approach to do rapid spot-checks before expenditure was implemented and monitor the new measures by the federal government.

3.13 COOPERATE AND SHARE RESOURCES WITH OTHER SAIS

It is vital for SAIs to cooperate when facing global challenges. By sharing audit plans, methodologies and reports, SAIs can learn from each other and collectively build knowledge on how to conduct relevant audits related to the crisis. SAIs may also consider cooperative or regional audits related to the Covid-19. This can give a comparative assessment of national efforts, and enhance audit quality and learning of the crisis. For instance a comparative audit of the national crisis management done after the epidemic could be suitable for a cooperative audit. There may also be complex and cross-country risks that are well handled in a cooperative audit where competencies can be shared between SAIs, for instance audits of larger international procurements, illicit money flows and cyber crime.

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4 WHAT SAFEGUARDS COULD BE CONSIDERED BY DEVELOPMENT PARTNERS WHEN FUNDING COVID-19 RESPONSES?

This chapter looks at different sectors and channels through which emergency development funding is likely to be spent. It then suggests potential safeguards that could be put in place to improve the balance between the speed and effectiveness of spending. The chapter ends by looking at how donors can help ensure SAIs retain the rights and access to enable them to audit the use of emergency funds, and the pros and cons of using SAIs to audit off-budget donor funds.

4.1 OVERVIEW OF EXPECTED DEVELOPMENT PARTNER SPENDING

Covid-19 impacts all aspects of development. However, the immediate priority responses – where development partners have indicated they are channelling additional funds through rapid response mechanisms - can be divided into global pooled funds and country level and regional programmes focused on the health sector, social security & humanitarian assistance, and economic support. The table below gives examples of the needs being met and disbursement mechanisms used. This is helpful for identifying appropriate safeguards which balance humanitarian needs with good governance considerations.

<table>
<thead>
<tr>
<th>Health sector</th>
<th>Social security &amp; humanitarian assistance</th>
<th>Economic support</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global pooled Funds</strong></td>
<td>• Support health and sanitation systems &amp; health care provision (incl. equipment, supplies) • Funds through UN, WHO, MDBs, Global Fund</td>
<td>• Social protection systems • Humanitarian relief • Food aid • Funds through UNDP, UNHCR, UNICEF, WFP, INGOs</td>
</tr>
<tr>
<td><strong>Country level and regional programmes</strong></td>
<td>• Emergency healthcare supplies • Support for hospitals, clinics, care centres &amp; preventative health programmes • Multi-donor pooled funding • Funds through Government systems, as programmes &amp; sector budget support</td>
<td>• Social protection for people losing jobs &amp; collapse of informal sector • Humanitarian relief for internally displaced people leaving urban areas for rural family homes • Funds through Government systems or NGOs</td>
</tr>
</tbody>
</table>

4.2 SAFEGUARDS AT DIFFERENT STAGES AND FOR DIFFERENT TYPES OF FUNDING

It is imperative that safeguards are proportional to the value of funds and risk of misuse, and do not disproportionately distract from the speed of response. They should strengthen and reinforce checks and balances within and outside the relevant system to reduce leakage and corruption. They

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20 E.g., where Government capacity or territorial coverage is limited.

21 There is a balance to be struck between the risk of being too slow and the risk that funds are misused and therefore ineffective.
should focus on strengthening existing systems rather than replacing them with temporary systems. Safeguards can be applied at three points in time: (1) immediate messaging to reinforce behaviours and create expectations, (2) short-term safeguards (3) medium-term safeguards.

**Immediate messaging**

“Past health crises in developing countries, including Ebola, SARS, and the Swine Flu, showed that accountability and transparency requirements may need to be modified during emergency situations, but should be not done away with.”  
Further, “wherever ex-ante [pre-expenditure] controls are reduced, these need to be replaced with clear, explicit, and credible expectations of ex-post [after-expenditure] controls”\(^{23}\), including audit by the SAI.

The first and most important safeguard is to **strengthen and reinforce behaviours** of those responsible for delivering the response through the following five actions:

i. Ensure governments and implementing agents are clear if and when emergency expenditure rules (including for procurements) are applicable, and what these are

ii. Remind governments and implementing agents about integrity in the use of public money, the need to be clear about authority to approve contracts and spending, and to keep verifiable evidence of contracts entered into, payments made, fund flows, goods received and goods distributed

iii. Ensure management teams physically check that key controls are actually being applied, such as controls based on oversight, sign-off, separation of duties, and evidence of delivery

iv. Deter against corruption by maintaining an expectation that use of public money during the emergency will be subject to transparency, scrutiny and oversight, and those in authority will be held accountable in due course. This means ensuring that auditors and/or inspectors remain visible and engaged, and are not bypassed - they have the right, responsibility and access to records to audit emergency funding. This will be especially important in fragile and challenging contexts where the culture of accountability is already weak.

v. Focus immediate audit and/or inspection work on real-time verification that internal control systems are being applied\(^{24}\)

A key role for development partners here is to encourage and facilitate this immediate messaging by relevant national stakeholders. These may include finance and planning ministries, internal and external auditors, anti-corruption agencies, inspectors and other oversight bodies. Donors should also build the above actions into the design of their own emergency responses.

**Short-term safeguards**

Additional short-term safeguards will likely focus on enhancing transparency, accountability and participation in the use of funds. They should be relevant to the nature of support being provided and the disbursement mechanisms used. Possible examples, which seek to address common issues identified from previous audits, are provide below.

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\(^{23}\) Ibid.

\(^{24}\) This has the advantages that it strengthens existing systems and can form a basis for later audit work, but does not make the auditors part of the system that they will later audit.
<table>
<thead>
<tr>
<th>Type of support and disbursement mechanism</th>
<th>Possible short-term safeguards</th>
</tr>
</thead>
</table>
| 1. Contributions to Global Pooled Funds   | • Implement regular and timely reporting\(^25\) (by internal audit units or inspectorates\(^26\), to senior management and Governing Boards) on the operation of five basic internal controls across countries & global/thematic areas\(^27\):  
  i. Whether emergency expenditure rules (including for procurement) are in place & followed  
  ii. Whether authorities to approve contracts and spending are clear & followed  
  iii. Whether basic documentation is maintained to record & evidence contracts entered into, payments, fund flows, good received & goods distributed  
  iv. Whether management is checking that internal controls are being applied  
  v. Whether external auditors’ rights, responsibilities & access to records to audit the use of emergency funds have been ensured |
| 2. Direct purchase of health care supplies (by development partners) | • Use Open Contracting or otherwise ensure publication of procurement approvals, decisions and other procurement information as a basis for future accountability and scrutiny  
  • Use existing framework agreements, known/trusted suppliers and established price schedules where single sourcing is imperative – and record approvals for this  
  • Pay particular attention to companies exploiting rising demand for goods such as Personal Protective Equipment (PPE), testing kits, ventilators and drugs to sell sub-standard and falsified products, and increase physical security around such goods to prevent theft for resale  
  • Establish procurement support function (including health sector specialists) to help with bid specification, contract drafting, checking receipt of supplies, checking payments etc.  
  • Set up and document temporary multi-stakeholder decision making structures for the approval of complex procurements above certain thresholds |
| 3. Funding to Government hospitals, clinics, and care centres | • Request regular and timely reporting (by internal audit units or inspectorates, to senior management. & funding providers) on the operation of five basic internal controls across all major health care units:  
  i. Whether emergency expenditure rules (including for procurement) are in place & followed  
  ii. Whether authorities to approve contracts and spending are clear & followed  
  iii. Whether basic documentation is maintained to record & evidence contracts entered into, payments, fund flows, good received & goods distributed  
  iv. Whether management is checking that internal controls are being applied |

\(^25\) E.g. monthly updates  
\(^26\) Such a role could be taken on by external audit, but it is more appropriate for an internal audit or inspection unit to do this  
\(^27\) Depending on resources, this could be comprehensive of all countries and themes, or implemented as a rolling programme
<table>
<thead>
<tr>
<th>Type of support and disbursement mechanism</th>
<th>Possible short-term safeguards</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>v. Whether external auditors’ rights, responsibilities &amp; access to records to audit the use of emergency funds has been ensured</td>
</tr>
<tr>
<td></td>
<td>• Request those receiving funds use Open Contracting or otherwise ensure publication of procurement approvals, decisions and other procurement information as a basis for future accountability and scrutiny</td>
</tr>
<tr>
<td></td>
<td>• Request those receiving funds use existing framework agreements, known/trusted suppliers and established price schedules where single sourcing is imperative – and record approvals for this</td>
</tr>
<tr>
<td></td>
<td>• Require publication (e.g. on government websites and community notice boards) of fund transfers and distribution of goods and services throughout the delivery chain, as a basis for monitoring and accountability</td>
</tr>
<tr>
<td></td>
<td>• Request those receiving funds pay particular attention to companies exploiting rising demand for goods such as Personal Protective Equipment (PPE), testing kits, ventilators and drugs to sell sub-standard and falsified products, and increase physical security around such goods to prevent theft for resale</td>
</tr>
<tr>
<td></td>
<td>• Consider feasibility (as and when lockdowns and social distancing are lifted) of engaging civil society groups in monitoring whether funds, goods and services sent from further up the delivery chain are received at major health care units</td>
</tr>
<tr>
<td></td>
<td>• Consider temporary reallocation of some administrative, finance, procurement, audit and managerial staff from Ministry of Finance and other entities to implement the above and enable additional funding to be spent effectively</td>
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<tr>
<td></td>
<td>• Consider temporary hiring of administrative, finance, procurement, audit and managerial workers laid off in other sectors to support financial administration in the health sector</td>
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<tr>
<td></td>
<td>• Request establishment or strengthening of anti-corruption hotlines and display details in all health care units to allow citizens to report instances of corruption and spread of mis-information</td>
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<td></td>
<td>• Consider user-oriented focus by gathering data based on experiences and health outcomes across health care units, to feed into dialogue on effectiveness of emergency health spending</td>
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</tbody>
</table>

4. Funding for preventative health care programmes

|                                            | • Consider open book arrangements for all spending related to Covid-19 preventative health care programmes as basis for accountability |
|                                            | • Request those receiving funds use Open Contracting or otherwise ensure publication of procurement approvals, decisions and other procurement information as a basis for future accountability and scrutiny |

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28 Open contracting is about following agreed principles for government procurement which enables stakeholders to follow the money across the entire chain of public contracts from their planning to their tendering and award and onto their delivery and implementation. The principles include public right of access to procurement information, and sufficient government publication of procurement information to enable the public, including media and civil society, to understand and monitor as a safeguard against inefficient, ineffective, or corrupt use of public resources. See [https://www.open-contracting.org/what-is-open-contracting/global-principles/](https://www.open-contracting.org/what-is-open-contracting/global-principles/) for further details.


30 Arrangements where funding is provided conditional on the funders having full access to the accounting records and systems used to manage the funding.
<table>
<thead>
<tr>
<th>Type of support and disbursement mechanism</th>
<th>Possible short-term safeguards</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>• Request those receiving funds use existing framework agreements, known/trusted suppliers and established price schedules where single sourcing is imperative – and record approvals for this</td>
</tr>
</tbody>
</table>
| 5. Funding for Government social protection systems | • Consider linking emergency disbursements to a proportion of the increase in social protection payments: an estimate of this made upfront, then final amounts calculated and settled in future after audit of payments.  
• Base initial estimates (of the increase in claimants and value of payments) on a range of independent forecasts  
• Consider use of blockchain platforms to transfer cash or vouchers direct to recipients (who may not have photo ID, debit cards or bank accounts) via tap and pay cards, combined with smartphones issued to local vendors  
• Request regular and timely reporting (by internal audit units or inspectorates, to senior management & funding providers) on the following:  
  i. Whether there is evidence of the assessment of eligibility for new claimants  
  ii. Whether a sample of payments have been correctly calculated  
  iii. Whether the funds have been received by the claimant |
| 6. Funding in-country humanitarian relief for displaced persons through Government systems or NGOs | • Request those receiving funds use Open Contracting or otherwise ensure publication of procurement approvals, decisions and other procurement information as a basis for future accountability and scrutiny  
• Request those receiving funds use existing framework agreements, known/trusted suppliers and established price schedules where single sourcing is imperative – and record approvals for this  
• Invite tenders for emergency supplies (food, blankets, tents, jerry cans etc.) from different cities and countries, to limit the chance of price collusion between supplier networks  
• Require publication (e.g. on government websites and community notice boards) of fund transfers and distribution of goods and services throughout the delivery chain  
• Consider feasibility (as and when lockdowns and social distancing is lifted) of engaging civil society groups in monitoring whether funds, goods and services sent from further up the delivery chain are received at major distribution centres and at temporary camps. Include particular focus on extent of completeness of delivery, quality, and whether contents of boxes match to what was paid for.  
• Consider use of blockchain platforms to transfer cash or vouchers direct to recipients (who may not have photo ID, debit cards or bank accounts) via tap and pay cards, combined with smartphones issued to local vendors  
• Invest in logistics networks to increase the proportion of supplies that get through difficult points, such as cross borders and through conflict affected areas. Consider linking payments for logistics services to delivery success rates, as verified by community monitors.  
• Engage early with tax and customs authorities to agree emergency rules to allow humanitarian aid to pass quickly and duty free through customs points |

31 E.g., lentils and salt have the same weight, but salt is cheaper. Suppliers have been known to fill lentil boxes with salt, leading to malnutrition in camps.
<table>
<thead>
<tr>
<th>Type of support and disbursement mechanism</th>
<th>Possible short-term safeguards</th>
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<tbody>
<tr>
<td></td>
<td>• Request regular and timely reporting (by management, internal audit units or inspectorates, to senior management. &amp; funding providers) on:</td>
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<td></td>
<td>i. Average price being paid for a common basket of emergency supplies each month</td>
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<td>ii. Proportion of different goods paid for that are reaching end users in different locations</td>
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<td>iii. Average time taken for shipments to clear customs, and average level of duty being paid</td>
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<td>7. Remote technical assistance on macroeconomic topics</td>
<td>• Use existing framework agreements, known/trusted advisors and previous fee rates where single sourcing is imperative – and record approvals for this</td>
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<td></td>
<td>• Ensure the engagement is agreed with key officials in the relevant Government Ministry, and that they have the capacity and technological tools for meaningful engagement</td>
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<tr>
<td>8. Front-load or top-up sector budget support in relevant sectors</td>
<td>• All points relevant under (3-6) above, plus:</td>
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<tr>
<td></td>
<td>• Consider releasing funds in front-loaded tranches, with the timing and rate of release factoring in need as well as progress and discussions on points under (3-6) above</td>
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<td></td>
<td>• Develop contingency plans for funding and delivery mechanisms in the event that progress on points under (3-6) above raises serious concerns over effectiveness of fund use</td>
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<td></td>
<td>• Intensify development partner dialogue, cooperation and division of labour in relevant sectors</td>
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<td></td>
<td>• Discuss with relevant commissions, inspectors and auditors (including the SAI) their plans to undertake reviews and audits into fund use and effectiveness in the priority sectors during Covid-19 response, as a basis for accountability</td>
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<td></td>
<td>• Request the use of audit reports (where existing) as a source of information for following disbursements and in subsequent political and policy dialogue</td>
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<tr>
<td>9. Front-load or top-up general budget support</td>
<td>• All points relevant under (3-6) above, plus:</td>
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<td>• Agree notional allocations of the additional funding to priority sectors, with commitment to review actual allocations in due course</td>
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<tr>
<td></td>
<td>• Consider releasing funds in front-loaded tranches, with the timing and rate of release factoring in need as well as progress and discussions on points under (3-6) above</td>
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<tr>
<td></td>
<td>• Request the use of audit reports (where existing) as a source of information for the following disbursements and in subsequent political and policy dialogue</td>
</tr>
<tr>
<td>10. Country-level macroeconomic support including bailouts and stimulus packages</td>
<td>• Request transparent and evidence based processes for determining the scope and design of such packages, to minimize collusion and patronage between decision makers and political elites</td>
</tr>
<tr>
<td></td>
<td>• Request the SAI to consider subsequent audit of decision making processes and possibility of conflicts of interest around the design of economic support measures</td>
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</tbody>
</table>
In addition, the following points, based on guidance from the U4 Anti-Corruption Centre, should also be considered in designing joint development partner responses at country levels:

- Include anti-corruption experts in the public health discussion
- Donors can leverage their influence to ensure that strong and capable leaders are appointed to head responses at the country level
- Rather than building new systems to safeguard funding, development partners should identify and reinforce existing systems that have robust anti-corruption procedures.
- The justice system must be allowed to continue to function in order to enforce sanctions and rule on cases of corruption, thereby maintaining systems of accountability during a state of emergency. The relevant anti-corruption and criminal justice agencies should issue strong warnings against fraud and corruption in crisis response measures and prepare to launch investigations against those who are abusing their public positions to profit from the crisis.
- Apply a gender lens to response packages, as pandemics affect men and women differently. Firstly, the majority of healthcare workers are women. Second, social isolation increases women’s household burdens due to the larger role they play in child-care, food preparation, and other household tasks. Added to this is the fact that women are more often responsible for caring for the sick and the elderly, so if family members are infected, they will have to step in.

Medium-Term Safeguards

While the focus will naturally be on short-term challenges and solutions, development partners should also be mindful of the need to help strengthen systems in the medium term. A common finding from audit work, and especially from audits of disaster preparedness and response, is the failure of governments to act on audit findings. Development partners, together with SAIs, should review findings from prior audits, especially related to core finance systems and relevant sectors, and consider the best ways to pressure or facilitate executive agencies to address findings. SAIs can be encouraged to undertake specific follow-up reviews to assess and report on the extent to which previous audit recommendations have been implemented.

Donor engagement around recommendations in audit reports can be transformative in some situations. In Sierra Leone, for example, the Auditor-General noted a significant increase in action on findings when these became a condition for, or part of policy dialogue around, budget support (and a decrease in executive action when it was not). Further evidence from Sierra Leone showed that mismanagement of funds decreased after the first real-time audit, suggesting that SAI visibility and presence reinforces accountability in the medium term.

4.3 Donors can help ensure SAIs can audit the use of emergency funds

Effective audit not only provides a basis for accountability for use of funds and potentially helps strengthen systems, but also acts as a deterrent against fund misuse. However, emergency situations are often used by governments as a cover to prevent the proper audit of emergency fund use, thereby exacerbating the risk of misuse and corruption. Some governments may also use the emergency to abuse their power for private gain, seek powers to make decisions without

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involvement of the executive, and remove checks and balances including weakening oversight agencies including the SAI. This may be for the duration of an emergency but applied to all funds or may even continue after the emergency has ended. In this way, emergencies can lead to a permanent set back in SAI independence, and systems of democratic governance. In such situations, development partner support for the SAI and advocacy activities around SAI independence may be especially important to ensure the SAI remains credible and visible during the crisis.

Where social distancing and lockdown measures are in place, many SAIs are managing to function through home working and accessing audit records in digital format. However, in some countries, especially in challenged situations, SAIs may not have the IT equipment, internet and internal networks to facilitate this. Donors could consider supporting SAIs to obtain the IT equipment necessary to enable them to function through remote working. In the rarer cases where government records are not digitized, lockdown measures may significantly impact on the ability of SAIs to continue their work. SAIs may need to be supported with additional, temporary capacity to enable them to catch up on audit backlogs once lockdown measures end.

Regarding the audit of emergency funds, it is crucial to understand who will audit these. During the Ebola outbreak in Sierra Leone, the audit law was clear that all public funds were to be audited by the SAI. However, the agreements between the government of Sierra Leone and development partners on funds received specifically for the crisis that did not go through the consolidated funds could have been specific on audit arrangements. Significant donor funds were managed through NGOs, INGOs and other non-government channels, even though the funds were for the government’s efforts in dealing with the crisis at the time. This left the SAI with no mandate and access to audit the use of these funds.

Similarly in Liberia during the Ebola outbreak, the SAI was unable to audit emergency funding channeled through international institutions like WHO and UNHCR as the SAI’s mandate did not include such funds used in country outside government systems. A real-time audit on the effectiveness of national response to the outbreak would have required examining the use of all funds received for the benefit of the country.

In other countries, the mandate of the SAI may need to be defined to include the audit of funding from international organisations. To ensure the SAI can audit emergency funds, and thus maintain the deterrent effect of audit, development partners can:

- Establish mechanisms to help unlock barriers the SAI may face to timely access to government records
- Review the mandate of the SAI to ensure that emergency funding and different funding channels fall with the SAI’s mandate, and if not, try to seek emergency rules to bring these into the audit mandate
- Stipulate that audit reports related to funds implemented by international organisation are officially shared with the SAI (or if possible, ensure emergency funding is within the audit mandate of the SAI for country ownership)

Donors should also be aware of the risk that involving the SAI in certifying expenditure in real-time in order to release government funds can compromise the independence of the SAI to later audit those funds. Alternative options may be to rely on internal audit or other independent auditors to do this,

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or to limit the SAI’s role to reviewing internal control systems applied by the executive in managing funds and preparing disbursement requests.

4.4 POTENTIAL ROLE OF SAIs IN AUDITING OFF-BUDGET DEVELOPMENT PARTNER-FUNDS

When additional and/or emergency funds are provided through government systems (including budget support and macroeconomic support), it is natural these will fall under the mandate of the SAI. This makes long-term support for the SAI imperative for effective management of development partner funds. However, funds that are provided outside Government systems (off-budget), through separate Project Implementation Units (or similar) may not naturally fall under the SAI’s audit mandate. It is possible that development partners may consider involving the SAI in auditing such funds. Indeed, some development partners have committed to the maximum use of country systems, including audit systems, where possible. This can provide assurance to development partners around use of funds, and also be used as an opportunity to develop the capacity of the SAI (especially if a joint audit approach is used with on-the-job learning from other auditors). However, donors should also bear in mind the ‘do no harm principle’ and be alert to the following risks:

- Where the SAI is insufficiently resourced to deliver its core audit mandate, using the SAI to audit development partner funds outside government systems can divert limited audit resources away from the audit of national budgets
- Involving the SAI in certifying expenditure in real-time in order to release development partner funds can compromise the independence of the SAI to later audit those funds

In challenged contexts where SAIs are already under resourced, then additional requests for SAI audits may need to be accompanied by additional, temporary funding for the SAI, and most likely short-term measures to bring in immediate support to expand the SAI’s capacity.
5 RESOURCES

5.1 AUDIT REPORT EXAMPLES
For access to audit reports globally, see http://www.saireports.org/

Ebola-related audits
- SAI Sierra Leone, Report on the Audit of the Management of the Ebola Funds, May to October 2014
- SAI Sierra Leone, Report on the Audit of the Management of the Ebola Funds by the National Ebola Response Centre, November 2014 to April 2015
- SAI Liberia, Audit of the National Ebola Trust Fund (NETF) report: August 1 to October 31, 2014
- SAI Liberia, Ebola Emergency Response Project (EERP) management letter: July 1, 2014 to June 30, 2015
- Examination of the UN Mission for Ebola Emergency Response (UNMEER) on p74 of this report: https://undocs.org/en/A/72/5(VOL.I)

Health-related audits
- SAI Tanzania, Performance Audit Report on the Management of Forecasting and Distribution of Essential Medicines and Medical Supplies to Health Facilities in Tanzania, December 2014
- SAI Kenya, Performance Audit Report on Specialized Healthcare Delivery at Kenyatta National Hospital, November 2012

Disaster management audits
- SAI Bhutan, Report on Performance Audit of Disaster Management in Bhutan: May 2016 Royal Audit Authority Bhutan

5.2 AUDIT GUIDANCE
The international audit standards are fundamental for audits also related to the Covid-19. The standards can be downloaded here. ISSAI Implementation handbooks are available here.

For audits of the risks related to the epidemic, the ISSAI 5520 “Audit of Disaster-related aid”\(^{34}\) has guidance and risks listed to consider. The guidance can be downloaded here.

The International Federation for Accountants has collated a range of resources from member organisations, which also can be useful in relation to audits. See here.

\(^{34}\) This guidance is being revised and developed into “Guidance on Audit of Disaster Management” (to be numbered as GUID 5330).
5.3 RELATED RESOURCES
There are many anti-corruption bodies which have published material which can help SAIs identify potential risks which could then be built into the audits.

APPENDIX 1: EBOLA-AUDIT REPORTS FINDINGS

The findings reported hereunder are a summary of observations made in audits conducted on the use of Ebola funds in Sierra Leone and Liberia.

**Missing or insufficient documentation**

It has been noted that documentation justifying transactions is either lacking or incomplete in many instances. This ranged from lack of evidence that purported recipients received payments to lack of information on retirement details, invoices, receipts, and a failure to maintain proper record on the distribution of fuel for example.

**Weak controls over cash**

Due to the emergency it was noted that huge amounts of cash were withdrawn for day to day use. However, it was noted that the controls over the management of cash was weak, leaving those in charge of the cash at risk. Also, in at least one instance, excess cash withdrawn to pay for the compensation of employees was not returned to the bank until the auditors raised the issue.

**Procurement done disregarding laws and regulations**

High value procurements were made in contravention of the procurement rules. Single sourcing of good and services, poorly drafted contracts, and lack of due diligence over fund availability before commitments were all observed.

**Purchase of consumables without evidence of distribution**

Supplies such as fuel were said to be purchased and distributed, without evidence that they were distributed to the intended users, indicating that supplies might have been diverted to personal use.

**Fixed asset management**

The custody and management of fixed assets was weak. It was noted that some assets were not recorded in the fixed assets register, whereas some assets in the register could not be traced.

**Doubtful payment of allowances and death benefits**

Different types of allowances, including hazard allowance, was paid to individuals. It was noted that in some cases there was no authority or guidance on the payment of allowances. Doubts were raised about whether some recipients were entitled to the allowances. Additionally, it was suspected that allowances were paid to fictitious persons in some cases.

**Poorly administered loans**

It was observed that loans were poorly administered with payments to individuals rather than the organisations they represent. Terms and conditions of loans were not documented.

**Related party transactions conducted**

It was noted that officials administering emergency funding have given contracts to their colleagues in the name of expediency and lack of alternatives. It appeared that no safeguards were put in place.
Implications of findings

- Monies that have been set aside for the purpose of combating the Ebola outbreak may have been used for unintended purposes, thereby slowing the government’s response to eradicate the virus.
- In the absence of the relevant repayment terms and conditions, the Ministry might not be able to recover the total amount loaned to non-governmental actors.
- Duplication of effort for the same activity within the same constituency could create the avenue for the misuse of much needed funds. The additional amount could have been utilized to combat the Ebola epidemic in other affected areas.
- Disbursing amounts in the name of an individual rather than the beneficiary organisation creates the leeway for such payments to be converted into personal use.
- Without procurement documentation, it would be difficult to ascertain whether these procurements were competitive and due procedures were followed and value for money obtained.
- The absence of a vital procurement record that gives reasonable assurance of the capability of the supplier may give the leeway for substandard medical supplies and equipment to be supplied. In the event the contractor fails to adequately perform the contract, the government would incur huge losses, and this could lead to possible deaths.
- Poor asset management by special response agencies can expose valuable assets to loss or misuse.
- For not fully paying suppliers, there is a risk that the suppliers/contractors concerned may no longer do business with government institutions. The government could also be sued for breach of contract and this could lead to penalty charges and other compensations.
- Poor management of medical stores mean that drugs and other medical consumables and equipment might not reach everyone.