

“Checking the Receipts” Audits of Emergency Finance — A preliminary analysis of the implementation of the Letter of Intent commitment on audits in 50 countries

**Prepared by Sebastiaan Pompe and Alice French (LEG) Martin Aldcroft and
Camilla Fredriksen (INTOSAI Development Initiative)**

With the assistance of Prof. T.O. Kizyma, Vyacheslav Panasiuk and Jaison Vega Laiton

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ABSTRACT: This paper explores one dimension of the IMF’s COVID response – support for conducting and publishing independent audits of COVID-related spending. The economic impact of COVID was felt across the globe and created stresses on the balance of payments of member countries. Many members turned to the IMF for emergency financing. The member countries were urged to “do what it takes but keep the receipts.” In line with this guidance, the majority of IMF emergency financing included commitments by members to put in place transparency and accountability measures. These measures took shape progressively as the IMF emergency finance was being rolled out with audit commitments being the most prevalent, being used in 80% of the RCF and 75% of the RFI cases. In 56 member countries, Fund financing included commitments for SAIs to audit spending related to the response to COVID. SAI audit reports were ultimately published in 50 member countries. This paper examines how these commitments were implemented, and the broader lessons which can be derived.

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WORKING PAPERS

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Glossary

ACCA	-	Association of Chartered Certified Accountants
BoP	-	Balance of Payments
IMF	-	International Monetary Fund
EBF	-	Extra Budgetary Fund
CD	-	Capacity Development
CSO	-	Civil Society Organization
EM/DE	-	Emerging Markets and Developing Economies
FCS	-	Fragile and Conflict-Affected States
IEO	-	Independent Evaluation Office
INTOSAI	-	the International Organization of Supreme Audit Institutions
KEMSA	-	the Kenya Medical Supplies Authority
LIC	-	Low-Income Countries
LOI	-	Letter of Intent
MDA	-	Ministries, Departments and Agencies
MENA	-	Middle East and North Africa
NACOVERC-	-	National COVID-19 Emergency Response Centre
OSCE	-	the Organization for Security and Co-operation in Europe
PFM	-	Public Financial Management
PPE	-	Personal Protective Equipment
RCF	-	Rapid Credit Facility
RFI	-	Rapid Financing Instrument
SAI	-	Supreme Audit Institution

Executive Summary

As the global COVID pandemic recedes, institutions are reviewing the experience with the aim of responding more effectively to future emergencies. This paper explores one dimension of the IMF’s COVID response – support for the conduction and publication of independent audits of COVID-related spending. This effort substantially increased the Fund’s engagement with Supreme Audit Agencies (SAIs) and the integration of governance and anticorruption work into Fund operations.

While the public health consequences of COVID varied substantially across countries, the economic impact of COVID was felt across the globe and created stresses on the balance of payments of member countries. Many members turned to the IMF for emergency financing. The resultant IMF COVID emergency financing covered 88 countries. The member countries were urged to “do what it takes but keep the receipts.” In line with this guidance, the majority of IMF emergency financing included commitments by members to put in place transparency and accountability measures. In 56 member countries’ Fund financing included commitments for SAIs to audit spending related to the response to COVID. SAI audit reports were ultimately published in 50 member countries.

This paper examines how these commitments were implemented and the broader lessons which can be derived from the reform, as follows.

The first section of the paper covers the broader IMF context. This includes the IMF emergency financing, how it came about and its specific features, and how the SAI audit was part of a package of safeguards to address IMF exposure. This package was progressively rolled out and audits eventually became a standard feature in emergency lending. The topic further explores the engagement of the IMF on audits over the years. It finds that audits have been much used in the history of the institution (773 structural benchmarks on audits covering 72 countries). These audit measures are most often deployed to unpack complicated issues. In not a few cases these involved fraud or corruption, as in fact audits are mentioned in the 1997 Guidance Note on The Role of the IMF in Governance Issues as one of the designate instruments to address corruption challenges.

The second section explores the SAI audit reports on emergency financing as a whole. This includes the following aspects:

- The number of SAI audit reports and their breakdown by region and the country typology (LIC, EM and AE). One finding is the considerable resilience of SAIs notably in LIC countries, with high compliance, often speedy publication and coverage. The section also covers when the reports were issued – on which there is a considerable bandwidth, with some countries publishing very fast (within four months), and others taking much longer.
- The budget covered by the SAI audit reports. In almost all cases this is domestic emergency finance: in nearly all member countries the IMF emergency finance was subsumed in the domestic budget and became untraceable because of fungibility. Consequently also, as the IMF financing became part of the domestic budget, hardly any of the reports parcel out the IMF financing for auditing purposes. In fact, the majority of audit reports do not even mention the IMF. The fact that in a large number of countries the emergency finance was channeled through EBF did not materially impact on the SAI audit process or its findings.
- The coverage and format of the audit reports. Key findings include the fact that the focus of the audits on

emergency finance is on FY 2020, with only few countries conducting targeted audits on emergency finance beyond that FY.

- Finally, the various typologies used by the SAI in member countries to audit emergency finance. These are sometimes used jointly. The typologies do not refer to the form of audit, as indeed almost all audits of emergency finance are performance audits. Rather, the section focuses on the specific ambit thereof. These notably include short term audits (real time audits), which are rapid audits directed to help the authorities set up proper mechanisms early on in large financing projects (examples: Mongolia, Namibia, Sierra Leone, Jamaica and South Africa); narrow focus audits, which allow for focused audits on critical institutions or areas (examples: Pakistan, Solomon Islands and South Sudan); sequenced audits in which the SAI staggered audits on interrelated aspects of the emergency finance in separate reports (examples: Kenya and Madagascar); broad spectrum audits in which a single audit covers a broad range of public institutions through which the emergency finance was channeled and which typically consider the budgetary process (examples: Mali and Sierra Leone) and follow-through audits, in which the SAI follows-through on its own prior report (examples: Jamaica and Madagascar).

The third section of the paper has a closer look at the substantive findings of the SAI audit reports on COVID emergency finance, with a focus on fraud and corruption. This being a comparative paper, it explores typologies in the findings of audit reports as these identify gaps in oversight and control along the expenditure process in different member countries, as follows.

The first is vulnerabilities in the statutory framework for emergency finance. Audit reports typically find four settings: countries lack a statutory framework for emergencies altogether, or they might have a framework but suspend it, or have a framework and abuse it, or have a framework which is inadequate for the COVID emergency. Second, audit reports identify vulnerabilities in core PFM operations, including in the management of emergency finance (by-passing PFM safeguards), internal budget (and cash management), budget planning and oversight and control (e.g. issuing contracts without required approvals). Third, audit reports typically find vulnerabilities in disbursement procedures. This includes misuse of imprest accounts, unlawful disbursement mechanisms and widespread use of (disallowed) cash withdrawals. Finally, the audit reports find vulnerabilities in disbursement mechanisms (distinguishing between the two core channels of social-economic supports programs and purchase of goods and services programs), notably in regard to procurement and Conflict of Interests & Beneficial Ownership (BO) as well as vulnerabilities in delivery and record keeping. The paper illustrates how audit reports can be useful diagnostic tools in identifying weaknesses in member countries directly associated with undermining performance and in shaping measures to address those vulnerabilities.

The fourth section of the paper explores how the SAI audit reports cover fraud and corruption. A broader finding is that almost all SAI audit reports identify budget seepages due to vulnerabilities to fraud and corruption. The audit findings come in broadly three typologies: audit reports which are explicit about fraud or corruption having occurred, using the actual terms, and in some cases even naming individual public officials (examples: Cameroon, Senegal, South Africa); audit reports which do not use these terms but set out fact settings coupled to explicit referrals to the criminal enforcement agencies (examples: Kenya, Malawi and Mali) and finally audit reports which neither use the terms nor include explicit referrals to the enforcement agencies, but set out analyses or fact settings which point in this direction. This includes use of euphemisms or similar wording (e.g. “fake”, “unauthentic”, “manipulation”, “ghost workers”). Examples are the Pakistan and Sierra Leone audit reports. These audit reports, while not using any of the explicit or even implicit terms, still were deemed very explicit within the contexts of these member countries.

This section also explores how the SAI audit reports address budget loss. This is an area for further development. Not all audit reports quantify or pinpoint budget loss, or distinguish clearly between actual loss or potential loss. Some SAI have attempted consolidation of the losses in their reports, which can reach as high as 20-30% of the emergency finance. Importantly however, while quantifying and pinpointing budget losses assuredly is a useful instrument in focusing and prioritizing reforms, budget loss as a general concept is an inadequate proxy to identify the structural weaknesses in the budgetary process which create vulnerabilities to fraud or corruption.

Finally, the paper touches briefly on some closely related other aspects. These include the LOI commitments on third party audits, in which the paper considers country compliance and explores the nature of these audits, which are very different in nature from the SAI audits. (Supporting Note 1) The paper also considers the impact of the audit reports in member countries, including on public accountability as part of the PFM framework (the publication) and the follow-through on the audit report findings by the enforcement agencies. (Supporting Note 2) The paper also briefly looks into how the SAI audit reports influenced public debate in a select number of member countries, which is a different form of accountability. (Supporting Note 3)

Emergencies are recurring events, and the emphasis of this paper is on systems and institutions aiming to draw lessons for the future. Numerous countries covered by this paper have special regimes in their PFM laws providing exactly for extraordinary events which might necessitate rapid budgetary adjustments within the fiscal year. The COVID-19 pandemic and emergency financing in that sense were a stress test of existing budgetary systems and procedures on emergency finance. The structural and institutional vulnerabilities identified in the audit reports, and specifically also the role of the SAI, therefore carry useful lessons for the future.

The COVID-pandemic therefore was a stress test of the statutory regimes on emergency financing in member countries. Most member countries give PFM laws special flexibility to respond to emergencies, which are acknowledged as a rare, but recurring, fact of economic life. The COVID emergency finance put these regimes to the test that some countries struggled to pass. What happened instead is that some countries tried to by-pass PFM rules altogether. This did not stop the SAI from looking into these matters, as best they could, in which their reports often identified significantly increased vulnerabilities to budget loss, notably through fraud and corruption. One of the broader lessons of the COVID emergency finance is to ensure that member countries have an adequate statutory and institutional framework in place to address emergencies.

The experience with audit commitments in the IMF’s emergency financing arrangements related to COVID has been broadly positive. One of the most important effects of the commitments on SAI audit in the letters of intent (LoI) from the authorities has been that these empowered institutions and bolstered existing domestic systems of transparency and accountability. Almost without exception, the SAI embraced the opportunity offered by the LoI commitment – the compliance rate of 90% is revealing. Also, of the 50 countries which published audit reports, 7 countries had not published audit reports in the 3 years prior to the COVID-emergency. Furthermore, as we have seen, the published audit reports are forthright about system and institutional vulnerabilities and are forward leaning on how these should be addressed, through targeted recommendations, enforcement action and through strengthening the public accountability system.

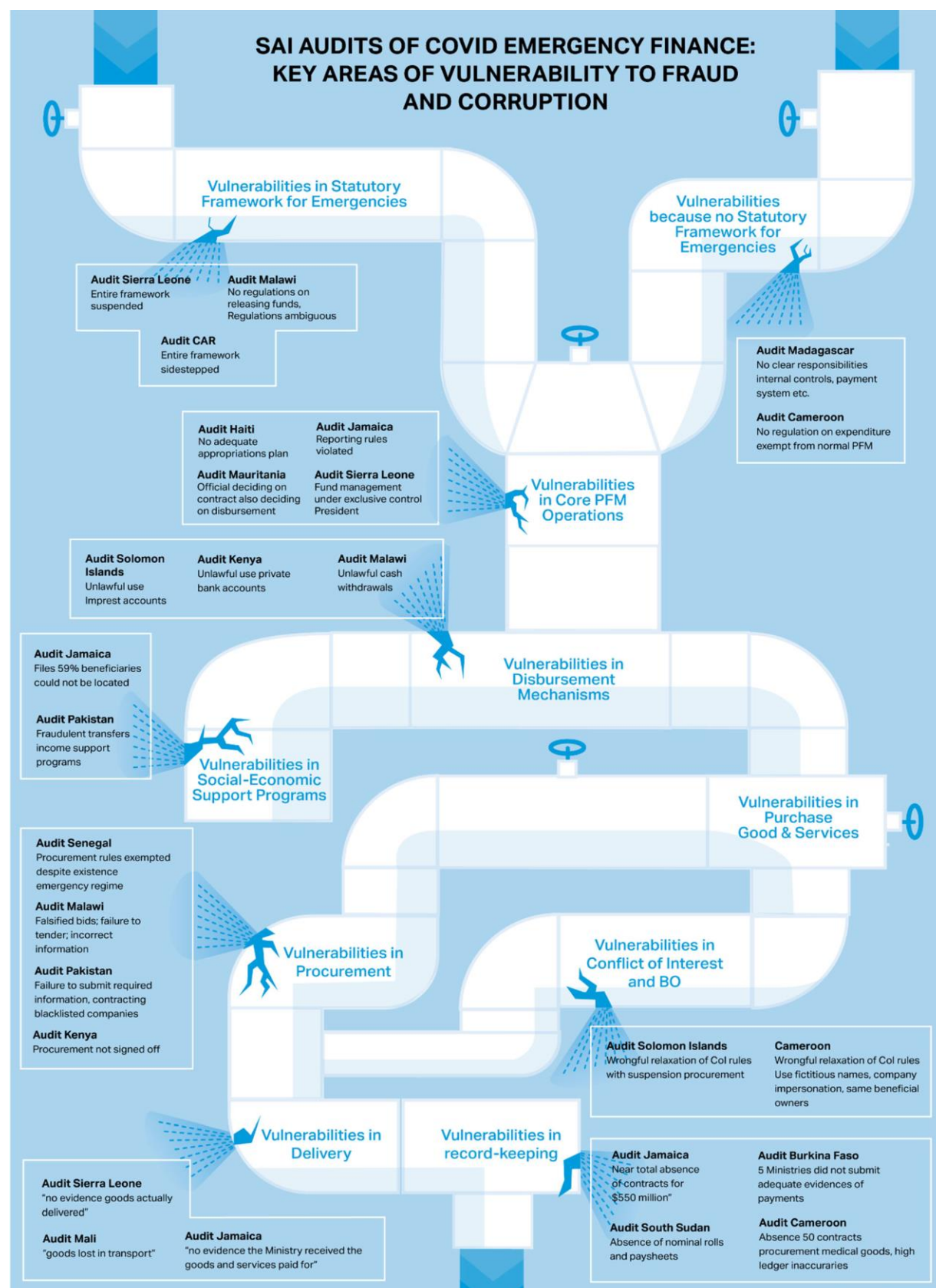
The IMF specifically contributed to strengthening existing governance systems which address the fraud and corruption resulting in budget loss. All budget loss is important. That loss has been nearly universal in emergency finance amongst the membership, and the question must be how to best address it. IMF Legal Department follow up research currently ongoing shows that the budget loss through fraud and

corruption in emergency finance is not the exclusive reserve of the LICs and EM countries covered in this note but occurred equally in Advanced Economies. The research shows that here also, SAI audits and inspection reports have been critical in identifying the vulnerabilities which allowed fraud and corruption to occur, sometimes in massive scale. The broader lesson therefore is that the challenge of budget loss through fraud and corruption in emergency finance is a systemic challenge, which calls for a system approach.

That importance is underscored by developments in this area post-emergency finance. Those developments include a slippage in the publication of audit reports – of the 50 countries which published their audit reports on emergency finance, 14 ceased publication post emergency, weakening transparency and accountability systems. Also, not all governments appreciated the enhanced scrutiny of public finances by the SAI, and in a number of countries there has been push-back, impacting on the mandate of the SAI, their resources or access to information, and in some cases against the Auditors General personally. This push back invariably translates into weakened transparency and accountability systems of public finance and weakened anti-fraud and corruption regimes.

The IMF Managing Director commented that global crises are likely to become more frequent in the future.¹ The universe of vulnerabilities in emergency finance identified in this body of audit reports is a first step to a more systemic approach. Sustained engagement and support of transparency and accountability instruments such as notably SAI audits, is critical.

¹ Statement by the Managing Director on the Independent Evaluation Office Report on The IMF's Emergency Response to the COVID-19 Pandemic Executive Board Meeting March 13, 2023



1. Introduction²

In 2020, shortly after the start of the IMF emergency finance to address balance of payments needs due to the COVID-19 pandemic, IMF management and staff³ urged member countries to “do what it takes but keep the receipts”.⁴ That message became a leading catchphrase of the international and domestic response to the COVID-19 pandemic. Within the IMF, it was cited in the title of IMF reports⁵, blogs⁶, a seminar at the Spring Meetings⁷ and an IMF CD program was named after it. The catchphrase recurs at several points in the Independent Evaluation Office (IEO) 2023 report on the IMF response to the crisis. It took flight outside the IMF: it was circulated by the OSCE⁸, taken on board by the Association of Chartered Certified Accountants (ACCA)⁹ and INTOSAI¹⁰, cited in the titles of academic articles¹¹ and quoted in newspaper reports from the UK and India to Nigeria.¹² Civil society picked up on the message, with CSOs¹³, thinktanks and beyond¹⁴ debating it. They also wondered whether keeping receipts would address “the long game” of fraud and corruption concerns.¹⁵

The IMF Managing Director addressed a concern about IMF exposure in emergency financing. The concern focused on whether the “lack of conditionality” (to cite Ken Rogoff)¹⁶ made the IMF emergency financing “too much and too easy”¹⁷ (as the IEO put it), despite the fact that for emergency financing, the Fund Managing Director may set Prior Actions if critical to achieve the objectives and upfront implementation is critical. Also, the frequent use by recipient countries of the IMF emergency financing for the budget further

² For context see generally World Bank (2020), Role of Supreme Audit Institutions (SAIs) in Governments’ Response to COVID-19: Emergency and Post Emergency Phases; OECD (2022), First lessons from Government Evaluations of the COVID-19 responses: a Synthesis.

³ “So, our message is, spend as much as you can, but keep the receipts”: [Transcript of International Monetary Fund Managing Director Kristalina Georgieva’s Opening Press Conference, 2020 Spring Meetings](#); “Do Whatever It Takes but Keep the Receipts”—the Public Financial Management Challenges.

⁴ IEO (2023), The IMF’s Emergency response to the COVID-19 Pandemic, page 64: The Fund quickly urged countries to “spend but keep the receipts.”

⁵ V. Gaspar, Lam, and Raissi, (2020), *Fiscal Policies to contain the Damage from COVID-19*. IMF (2020), *Keeping the Receipts: Transparency, Accountability, and Legitimacy in Emergency Responses*

⁶ Manal Fouad, Gerd Schwartz, Claude Wendling, *Do Whatever it Takes but Keep the Receipts* (IMF Blog) <https://blog-pfm.imf.org/en/pfmblog/2020/04/do-whatever-it-takes-but-keep-the-receiptsthe-public-financial-management-challe>

⁷ <https://www.imf.org/en/News/Seminars/Conferences/2021/04/12/beyond-keeping-the-receipts>

⁸ <https://www.osce.org/files/f/documents/4/4/454789.pdf>

⁹ ACCA, *Transparency, Accountability and Inclusiveness of the use of emergency funding for COVID-19. Beyond the receipts.*

¹⁰ M. Aldcroft (2022), Strengthening the Relationship between SAIs and the IMF

¹¹ Rebecca Ray, Kevin P. Gallagher and William Kring (2022), “Keep the Receipts.” *The Political Economy of IMF Austerity During and After the Crisis Years of 2009 and 2020*

¹² The Guardian April 15, 2020 *Spend what you can to fight Covid-19, IMF tells member states*: “...Spend what you can but keep the receipts,” Georgieva said, in a clear warning to countries that there was a risk that a chunk of the \$8tn already committed would vanish as a result of corruption. “We don’t want accountability and transparency to take a back seat.” Also, <https://www.barrons.com/news/spend-more-keep-receipts-imf-s-georgieva-01592238305>

¹³ Arab Watch Coalition (2022) *Missing Receipts: What Happened to the Billions of Dollars Provided by International Finance Institutions for the COVID-19 Response?* <https://arabwatchcoalition.org/2022/01/31/missing-receipts-what-happened-to-the-billions-of-dollars-provided-by-international-finance-institutions-for-the-covid-19-response/>

¹⁴ The Business Standard (India), *Checking the receipts from pandemic-related spending - Addressing corruption is a long game* <https://www.tbsnews.net/world/global-economy/checking-receipts-pandemic-related-spending-248536>

¹⁵ Transparency International, *COVID-19 receipts - The week in corruption*, 17 April 2020 <https://voices.transparency.org/covid-19-receipts-57a3e643f3df>

¹⁶ Ken Rogoff (2022), “Why is the IMF Trying to be an Aid Agency?,” Project Syndicate, January 3, 2023

¹⁷ IEO (2023), Chapter 1, page 9.

increased concerns about potential misuse.¹⁸ The pressing message of the Managing Director to “keep the receipts” consequently translated into a progressive ramping up of governance transparency measures and safeguards as the RCF/RFI resources were being rolled out.¹⁹ The IMF IEO Report mentions that one of the lessons must be that in a next crisis, such safeguards should be put in at the onset.

One of the safeguards relates directly to “keeping the receipts” – and verifying those. This is the commitment in the Letter of Intent of most member countries which received IMF emergency financing to conduct an audit thereof, mostly by Supreme Audit Institutions (SAI). After all, the core business of SAI audits is to check receipts, even if, as this paper will show, audits do much more than that. The SAI audits give insight into whether the receipts were in fact kept, and what these tell us.

This paper therefore explores the implementation of the Letters of Intent (LoI) commitment by member countries to conduct audits of COVID-19 emergency finance by SAIs.²⁰ These SAI audit reports were published in 50 member countries which received IMF emergency financing.²¹ The paper focus is on the vulnerabilities in emergency finance identified in these reports, with particular attention to fraud and corruption. The paper follows the trail of the audit reports as these identify vulnerabilities along the expenditure process in member countries. This covers vulnerabilities in the statutory framework, vulnerabilities in core PFM operations, vulnerabilities in disbursement mechanisms (distinguishing between the two core channels of social-economic supports programs and purchase of goods and services programs), with a closer look at procurement and Conflict of Interests & Beneficial Ownership (BO), and ends with vulnerabilities in delivery and record keeping (See generally Figure page 5). The paper illustrates how audit reports can be useful diagnostic tools in identifying actual vulnerabilities in member countries and to inform measures to address those vulnerabilities.

The SAI audits cover the broad universe of emergency finance and are a window in how emergency finance was designed, organized and implemented. The COVID-19 emergency finance was a necessary response to an exogenous shock on the economies of member countries. The finance has had a positive

¹⁸ As long as the BoP-related conditions set forth in the Fund’s Articles and related policies are met, Fund resources may be used within a member’s domestic economy to finance the budget and such use would be consistent with the Fund’s legal framework. This is the case for both direct budget support via the Treasury and indirect budget support via the central bank. See IMF 2010, [Staff Guidance Note on the Use of Fund Resources for Budget Support; IMF Policy Paper, March 23, 2010](#).

¹⁹ IEO (2023) Chapter 3, page 34-5.

²⁰ Under the Fund’s Guidelines on Conditionality, the authorities’ policy intentions will normally be described in documents such as a Letter of Intent (LOI), or a Memorandum on Economic and Financial Policies (MEFP) that may be accompanied by a Technical Memorandum of Understanding (TMU). These documents will be prepared by the authorities, with the cooperation and assistance of the Fund staff, and will be submitted to the Managing Director for circulation to the Executive Board. The documents should reflect the authorities’ policy goals and strategies. In all their program documents, the authorities should clearly distinguish between the conditions on which the Fund’s financial support depends (such as performance criteria, prior actions or structural benchmarks which are conditionality) and other elements of the program (such as commitments). Emergency financing does not involve a Fund supported program and therefore no ex-post conditionality. As required under the relevant Fund policies the Letters of Intent under the RCF and RFI from the authorities should cover (i) the general policies that they plan to pursue to address their BOP needs; (ii) a commitment not to introduce or intensify exchange and trade restrictions; (iii) a willingness to undergo a safeguards assessment by Fund staff; (iv) a commitment to provide Fund staff with access to its central bank’s most recently completed external audit reports; and (v) an authorization for the central bank’s external auditors to hold discussions with Fund staff. Consistent with the Fund’s Guidelines on Conditionality, a member may be expected to adopt prior actions before the Fund’s approval of an RFI or an RCF when it is critical for the successful implementation of the policies that such actions be taken to underpin the upfront implementation of important measures. See e.g. IEO (2023), The IMF’s Emergency response to the COVID-19 Pandemic.

²¹ This paper focuses on the audit reports and does not express itself on whether these reports complied with the LoI commitments.

impact on the economies of member countries, as discussed in IMF papers.²² Audits, often using a risk-based approach, aim to identify where this public financing falls short, such as by failing to comply with regulations (compliance), or by not achieving the intended policy objectives efficiently and effectively, which is also called value-for-money (performance).²³ The audits also typically will explore the reasons why these challenges occurred, and how these translate into loss to the budget and the taxpayer. In looking at these causes, the audit reports pay frequent attention to budget losses arising out of fraud or corruption, which will be a particular focus of this paper.

The paper is limited to what the audit reports tell us and does not extend to other issues, even if these may be closely related. Notably, the paper does not cover the institutional aspects of the SAI which effected the audits, such as mandate, capacity, and SAI access to information related to COVID spending. These aspects obviously will impact on the audit reports. However, these exceed the ambit of this paper and are already covered by other reports.²⁴ Also, the paper does not focus on any country in particular but seeks to draw out common themes from the reports. This means that the paper cannot claim to do justice to the riches and comprehensiveness of reports from member countries individually. Further, and with some exceptions, the paper does not cover the accountability framework, which is the follow-up of the SAI audit report by Parliament and the enforcement agencies.

The paper also does not explore budget loss identified in the audit reports as an outcome of above vulnerabilities to fraud and corruption. These budget losses occurred in nearly all 50 countries covered in this paper, and almost invariably are significant. This reality points at broader challenges in public financial management in times of emergency. The fact that these losses have been no less significant in some Advanced Economies (AE), with fraud similarly playing an important role, supports that view. However, budget loss is a fungible concept, notably in the absence of a clear distinction between actual loss and funds at risk and does not allow for straightforward comparison.²⁵ Also, the nature of the losses remains highly dependent on specific country regulatory and actual contexts.²⁶ The main objective of this paper therefore is to explore the vulnerabilities to fraud and corruption in systems and institutions which led to the losses, with an aim to support structural reform.²⁷

²² S. Chun ; K. Naidoo ; N. Sobrinho, *The Impact of the IMF's COVID-19 Support to Developing and Emerging Economies* (IMF Working Paper 2022)

²³ The third type of audits (financial audits) tend to be less effective to uncover fraud and corruption.

²⁴ See e.g. IDI Global SAI Stocktaking Report 2023 (gsr.idi.no) and the World Bank, Supreme Audit Institutions Independence Index 2021 Global Synthesis Report.

²⁵ Notably compliance and performance audits often do not distinguish between actual and potential budget losses. (Forensic audits might make that distinction.) Such audits will use the term “losses” to include “funds at risk”, which arises in a setting where the SAI either determines an expenditure unlawful or cannot make a determination on the expenditure, because of lack of access, absence of records, or other information gaps.

²⁶ See footnote 34 on the different meanings of “fraud” e.g. as an underlying vulnerability to budget losses.

²⁷ This does not deny the spillover effects of the budget losses through fraud and corruption in member countries, and the need to address these through legal enforcement, for broadly two reasons. The first is economic: the losses in emergency finance translate into increased burdens to the taxpayer and delay recovery. Legal enforcement and recovery should aim to reduce that burden. This is largely a cost-benefit analysis of enforcement costs as against recovered funds. The second is to align market incentives through effective sanctions to prevent similar abuse in future similar occurrences. That is driven by broader considerations, including state legitimacy as well as transparent and efficient markets. These considerations help explain why the US authorities e.g. invest heavily in the legal process to recover COVID funds siphoned off through fraud, and sanction perpetrators, even if the actual recovery is predicted to remain marginal, and likely will not off-set legal enforcement costs. The US exemplifies the need to address the more structural mid-term effects of the significant fraud which emergency finance can generate.

Emergencies are recurring events, and the emphasis of this paper is on systems and institutions aims to draw lessons for the future. Numerous countries covered by this paper have special regimes in their PFM laws providing exactly for extraordinary events which might necessitate rapid budgetary adjustments within the fiscal year. The COVID-19 pandemic and emergency finance in that sense were a stress test of existing budgetary systems and procedures on emergency finance. The structural and institutional vulnerabilities identified in the audit reports, and specifically also the role of the SAI, therefore carry useful lessons for the future.

The paper is divided into two parts, being the form and substance of the audit reports. The first considers audit reports in terms of overall numbers, budget coverage, format and audit approach. This seeks out commonalities and particular features of the audit reports. It recognizes that audit reports themselves may have their specific angles and approaches, as well as inherent limitations and challenges. The second part covers the substance of the audit reports. The paper identifies the most common vulnerabilities identified by the audit reports along the expenditure process.

As a comparative study, the paper explores common themes and issues identified in the audit reports. Therefore, while this paper identifies the vulnerabilities to fraud and corruption which did actually occur in member countries according to the audit reports, this obviously does not mean that all such vulnerabilities occurred in all countries. Instead, the paper gives a spectrum of vulnerabilities which have arisen in emergency finance, based on country experiences, and pinpoints the places where such vulnerabilities have arisen, and the causes thereof. How these vulnerabilities actually play out will depend on each country context. In that regard also, as all comparative studies, this review inevitably has limitations. The audit reports almost invariably are rich and voluminous reports, sometimes numbering hundreds of pages. This paper cannot do justice to the detail and depth of each individual report.

2. Background

The COVID pandemic generated extraordinary stresses on the balance of payments of member countries. The financial fallout of strengthening public health measures, the economic downturn resulting from national containment measures and global supply chain disruptions was significant. Many members turned to the IMF and other international financial institutions (IFIs) for emergency financing support.

The IMF provided financial support to its members to solve an urgent BoP problem at an unprecedented scale. The IMF COVID emergency financing covered 88 countries totaling US\$170 billion.²⁸ This included new concessional lending to 53 of the 69 eligible Low-Income Countries (LICs) from the Poverty Reduction and Growth Trust (PRGT), which exceeded the pre-pandemic annual average five-fold. Also, IMF support to Emerging Market Economies (EMs) covered 35 countries out of 80 EMs.²⁹

The IMF emergency financing was principally provided through two financing instruments specifically designed to address urgent BoP problems in an emergency setting. These are the Rapid Credit Facility (RCF), which provides concessional finance (a loan) and the Rapid Financing Instrument (RFI), which provides for a swap of currencies. Both instruments provided limited access through an outright disbursement/purchase outside an IMF arrangement.³⁰ This also means that the financing comes without *ex post* conditionality.³¹ Furthermore, if requested and addressing the balance of payments problem, the IMF emergency financing may be used for the budget, allowing for it to be used by the authorities. The request in the Lol allowing for such transfer to the budget was included in all recipients of IMF COVID emergency financing.

Since under its Articles, the IMF can only lend under ‘adequate safeguards,’ the IMF may ask members to commit to certain measures to address the BoP problem which notably included a safeguards assessment of the central bank. The Lol also included additional *ex post* transparency and accountability measures, notably the publication of procurement contracts, collect and publish information on beneficial ownership of contracting parties, and a report on COVID related spending. Also, the Lol called for the emergency financing to be audited – in which context the IMF Managing Director encouraged member countries to “keep the receipts.”³² This paper follows up on that commitment.³³

²⁸ IEO (2023), Chapter 3 p.28 notes that the Fund approved 128 COVID19-related financial commitments by end-2021, of which 88 were Emergency Financing, which are the focus of this paper.

²⁹ S. Chun; K. Naidoo; N. Sobrinho, op.cit. (IMF Working Paper 2022)

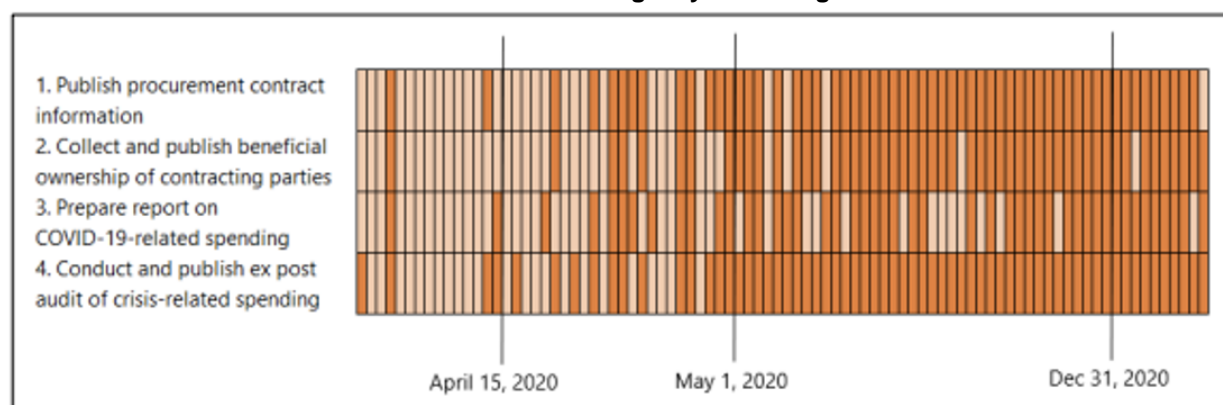
³⁰ IEO (2023), Chapter 3, p.27. In 2010-2011 the IMF consolidated two emergency finance instruments to address any urgent BOP assistance including related to commodity price shocks, natural disasters, and post-conflict states — the so-called Rapid Credit Facility (RCF - 2010), which provides concessional (PRGT) resources for LICs, and the Rapid Financing Instrument (RFI - 2011), which provides GRA resources to the entire membership. This emergency financing is directed to address an urgent balance of payments need, including from exogenous shocks, which would result in an immediate and severe economic disruption if not immediately addressed. The need to act quickly in combination with the fact that the emergency may be the outcome of exogenous shock (and hence not past policy mistakes), such Fund emergency financing consists of an outright disbursement/purchase with no *ex-post* conditionality.

³¹ Emergency financing is different from Upper Credit Tranche (UCT) financing through a Fund arrangement as it entails single, outright disbursements rather than tranching delivery of financial support subject to completion of milestones. A Fund supported program is designed to solve the member’s balance of payments problem and restore it to medium term external viability.

³² IEO (2023), The IMF’s Emergency response to the COVID-19 Pandemic, page 64: The Fund quickly urged countries to “spend but keep the receipts.”

³³ The progress on these measures is tracked by the IMF. See *Implementation of Governance Measures in Pandemic related spending* (May 2022). [Implementation of Governance Measures in Pandemic-Related Spending, May 2022](#) and *Implementation of Governance Measures in Pandemic related spending* (July 2023) <https://www.imf.org/-/media/Files/Topics/governance-and-anti-corruption/implementation-of-governance-measures-in-pandemic-related-spending-july-2023.ashx>

Governance Commitments in Emergency Financing Letters of Intent³⁴



These transparency and accountability measures took shape progressively as the IMF emergency finance was being rolled out. This explains the gap between the total number of member countries which received emergency finance and these measures, such as the number of audit commitments, as we shall see later. The IMF Evaluation Report³⁵ flags that there were few such measures in the early stages of the emergency finance program (March-April 2020), but nearly all Letters of Intent carried these measures by December 2020, with the audit commitments being the most prevalent, being used in 80% of the RCF and 75% of the RFI cases.³⁶ The report also notes a broader shift from “macro” measures to “governance” Prior Actions to address emerging concerns of possible “misuse” of IMF financing (IEO 2023, p.30).

The SAI audit commitment stands out in this group in that it did not propose anything which did not already exist in the laws of most, if not all, member countries. Member countries typically have Supreme Audit Institutions in their institutional set-up, and SAI audits are almost universally embedded in the PFM domestic accountability process. The domestic law of member countries makes it mandatory for parliament and often the enforcement agencies to review and process the SAI audit reports (in which SAI audits are much unlike third party audits – see Appendix 3). This also means that the 50 member countries reviewed in this paper did not commit to anything new in the IMF Letters of Intent (LOI) on the COVID-19 emergency finance. Even the commitment to publish the report is reflected in most domestic laws. The LOI commitments therefore broadly affirmed an institutional set up and process which already existed in the domestic law of member countries. This is confirmed by the recent IDI Global Stocktaking Report, which shows that 87% of the SAI out of 166 surveyed countries undertook audits on the use of COVID-19 emergency funding.³⁷

³⁴ IEO (2023), chapter 3, p.34.

³⁵ IEO (2023), notably chapter 3.

³⁶ IEO (2023), The IMF’s Emergency response to the COVID-19 Pandemic (p.74). The IEO report also notes that the Prior Actions (PA) in the RCF/RFI shifted from macro to governance in that same period to address the risk of misuse of the emergency finance. This was due to staff guidance recommending specific governance measures that were approved by the Board only after the initial emergency arrangements. The RFI and RCF decisions allow for the possibility that PAs (upfront measures) be sought by the MD before recommending that the Board approve a request for RCF/RFI (p.31).

³⁷ INTOSAI Development Initiative (2024), Global SAI Stocktaking Report 2023.

3. Context: the IMF and audits

The IMF is not new to audits. Audits are much used in IMF engagement with member countries, often as a troubleshooting instrument. Audits are specifically mentioned in the 1997 Guidance Note on the Role of the IMF in Governance Issues as an instrument to address corruption.³⁸ Also, over the past two decades, conditionality on audits often found its way into IMF supported programs, often as an instrument to address a complicated issue. Thus, IMF supported programs over the past two decades carried 773 conditionality measures on audits (including 532 Structural Benchmarks), covering 72 program countries in all regions, ranging from advanced economies to fragile states, and from G20 members to small island economies. These audit measures covered such topics as complicated budgetary issues and unpacking intricate processes (e.g. measures calling for audits in arrears, SOEs, tax processes, the distribution of vaccines or the allocation of subsidized business loans) and notably also to address fraud or corruption cases (e.g. audits on ghost workers, off-budget purchases).

The COVID IMF emergency finance expanded this existing IMF engagement, with increased emphasis on the role of SAIs in effecting the audits. IMF engagement until 2019 had been almost exclusively directed towards having an audit realized. Program measures generally did not specify the party or agency responsible for conducting the audit, for instance. Nor, importantly, did IMF program measures focus on the follow-up of audit reports through the institutional accountability framework in member countries. The COVID Emergency Finance changed that: 56 member countries in their Lols committed to having their respective SAI conduct an audit of the emergency finance.

This commitment makes sense in the context of emergency finance, which in most countries is a broad budget stream covering numerous sectors and Ministries, Departments and Agencies (MDAs).³⁹ (Also, under its Articles of Agreement, IMF financing is normally provided to solve a member's BoP problem and is not earmarked for specific purposes.) SAI audits are uniquely positioned to cover the entirety of emergency finance (not just one element of it, as typically do third party audits, or other transparency measures). SAI audits can cover broad budget streams, extending to numerous government departments and public sectors. Also, these audits typically will cover the expenditure process in its entirety, and not just at the transaction point (of procurement e.g.). Audits in that sense can be useful diagnostic tools which actively seek out and identify broader system vulnerabilities and how these translate into budget losses. Further, SAI audits are part of an institutionalized accountability process, in which country systems require that the audit reports are processed by state institutions. This institutional accountability process through the SAI is ubiquitous in the laws of member countries. The increased role of the SAI in openly addressing fraud and corruption in public finance further bolstered their relevance.⁴⁰ Critically, the identification of structural and implementational vulnerabilities in audit reports (weaknesses in regulatory frameworks and institutions) allows for follow up by the authorities, with IMF support if called for.

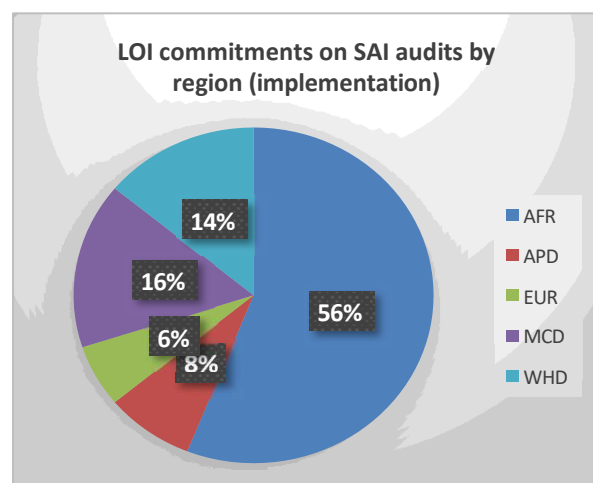
³⁸ IMF (1997), The role of the Fund in governance issues – Guidance Note (Para 19). The justification is when there is reason to believe poor governance could have significant macroeconomic implications that threaten the successful implementation of the program, or if it puts in doubt the purpose of the use of Fund resources

³⁹ See generally M. Aldcroft & S. Pompe, The Role of Supreme Audit Institutions in Auditing the Domestic Budget Support of IMF Emergency Financing (IDI 2021).

⁴⁰ See generally M. Aldcroft & S. Pompe (2021). The Kenya Auditor General in Special Audit Report of the Auditor-General on Utilization of COVID-19 Funds by National Government Entities for the Period 13 March-31 July 2020 (para 1.1.2. underscores that general mandate: “Section 37 of the Public Audit Act, 2015 provides that, the Auditor-General may, upon request by Parliament, conduct forensic audits to establish fraud, corruption, or other financial improprieties.”

4. The SAI audit reports – overall data

This paper focuses on the SAI audit reports on the COVID emergency finance published by the 50 RCF/RFI recipient countries. (December 2023 figures). Out of the 88 member countries which received IMF COVID emergency financing, 75 signed LoIs carrying commitments on audits. Of this number, 56 member countries committed to audits of the emergency finance to be conducted by the SAI. Two of these countries did not take up the IMF emergency financing. Of the remaining group of countries, 50 countries published the audit reports (a 92.5% of the countries with SAI audit commitments in their LoI and which took up IMF financing), and 4 countries have yet to do so (January 2024).⁴¹ (See Appendix 1) For 13 countries in this group, the LoI commitments were then set by the IMF as Structural Benchmarks in a subsequent IMF supported program. (Appendix 2) An additional 3 member countries which received IMF emergency finance without LoI commitments conducted SAI audits.⁴²



The 50 member countries which published SAI audits based on their LoI commitments are spread amongst the membership and the different regions of the IMF. While there is a heavy focus on countries in the African region (28), all other regions are represented (Asia-Pacific region 4 countries, European region 3 countries, Middle East and Central Asia Region 8 countries and Western Hemisphere region 7 countries). Also, these include 35 Low Income Countries (LICs) and 15 countries as Emerging Markets and Developing Economies (EM/DE).⁴³

The completion and publication of reports does not seem to be much affected by the developmental condition of member countries.

Two examples illustrate the point. The first is that practically all Fragile and Conflict Affected States (FCS) with a SAI commitment in the LoI completed a SAI audit of emergency finance—despite the evident governance challenges in these countries. Within the group of countries which committed to publish SAI audits, 15 countries are classified as FCS. All countries published the audits, excepting one.⁴⁴ The countries which committed to publish a SAI audit and did not do so, are nearly all EMs. Also, these LIC audits generally are clear, transparent and forthright. In some FCS the SAI performance was particularly notable: thus, Sierra Leone published several audits of the emergency finance (including a

⁴¹ The IEO Report of the COVID response (March 2023) shows that the LoI transparency framework on emergency finance took shape progressively – notably the measures on publication of procurement contracts, the register of beneficial ownership and audits. Early in the emergency finance program (April 2020) there were few such measures, by December 2020 all Letters of Intent carried these measures. By April 2020 40% of the emergency finance programs had been agreed. This explains why some letters of intent did not carry audit commitments.

⁴² Kosovo, Mali and Mongolia. These reports are included for analytical purposes in this paper, but do not figure in the compliance data, as one might expect. Also, at the time of writing new program conditionality on SAI audits of emergency finance was included for another 2 member countries which were not recipients of IMF emergency finance IMF (Argentina and Togo). These are not covered in this paper. One country committed to doing a SAI audit but conducted a third-party audit instead (Nicaragua). That country is not covered in this paper.

⁴³ IMF World Economic Outlook 2022 and the IMF Economic Groupings IMF Fiscal Monitor 2023 p.63.

⁴⁴ Djibouti. The country was classified as fragile in 2020 but as of 2023 is no longer so classified.

real-time audit – see later). Clearly therefore, FCS can have functioning institutions despite facing pervasive governance weaknesses.

This does not deny that SAIs in FCS have struggled with access, with the institutional and legal accountability follow-through (see after) and with the response from the authorities to an assertive SAIs. The second example is that the audit reports from member countries in the MENA region (with LOI commitments on SAI audits) are weak, despite the fact that these are middle-income countries. These SAI audits mostly consist of summaries of financial statements, not full audit reports, let alone compliance or performance reports. This does not occur in any of the other regions. These limited reports severely reduce the value of the audit process and weakens accountability. Also, this region has the lowest levels of SAI independence and the highest statutory restrictions on the publication of audit reports.⁴⁵

The SAI audits in these 50 countries almost invariably cover domestic finance, not the IMF emergency finance. The LOI commitments do not call for auditing IMF financing: the commitments refer to “COVID spending” or “COVID expenses,” without specifying whether this refers to the IMF emergency finance or extends to the domestic finance generally.⁴⁶ In nearly all countries the IMF RCF/RFI emergency finance was used for the budget and became subsumed therein. In such cases, it was not separately administered and became untraceable because of fungibility.⁴⁷ With only five exceptions,⁴⁸ the SAI audit reports issued to date cover the domestic emergency finance, therefore. Also, the IMF, while contributing to the domestic budget through its emergency finance instruments, is not even mentioned in the majority of SAI audits on emergency finance.

The domestic emergency finance in many member countries was managed through special purpose vehicles (extra budgetary funds – EBF). The audit reports show that some governments used EBFs operating outside the normal public financial management processes used in central budgetary government. However, in none of these countries did this exclude oversight by the SAI. Oversight of such vehicles was explicitly confirmed in the emergency regime of PFM systems in countries.⁴⁹ The SAI audit reports generally

⁴⁵ Intosai Development Initiative, Global Stocktaking Report 2022 (forthcoming).

⁴⁶ The term “emergency finance” while commonly used, including in the IMF official tracker e.g. does not occur in the LOI commitments and is not defined in IMF documents. [Implementation of Governance Measures in Pandemic-Related Spending, May 2022 \(imf.org\)](https://www.imf.org/-/media/Files/Topics/governance-and-anti-corruption/implementation-of-governance-measures-in-pandemic-related-spending-july-2023.ashx) and *Implementation of Governance Measures in Pandemic related spending* (July 2023) <https://www.imf.org/-/media/Files/Topics/governance-and-anti-corruption/implementation-of-governance-measures-in-pandemic-related-spending-july-2023.ashx>

⁴⁷ The Fund does not require its financing to be earmarked for any specific use by a purchasing or borrowing member. Under Article V, Section 3(a) of the Fund’s Articles of Agreement, the Fund may only make its general resources available to members to assist them in solving their balance of payments problems in a manner that establishes adequate safeguards for their temporary use. The Fund’s conditionality and lending policies are designed to implement these requirements under Article V, Section 3(a). While the Fund may require a member to use a part or all of Fund financing for a specific purpose, e.g., making a specific payment, (so called “earmarking”) as long as such earmarking is consistent Article V, Section 3(a) requirements, the Fund has generally not done so partly due to the impracticality in tracing the use of Fund resources. The earmarking of Fund resources to finance only DDSROs under the 1989-2000 DDSR policy was an exception from this general practice and earmarking under the DDSR policy had been designed in compliance with the BoP support and safeguards requirements under Article V, Section 3(a). See: IMF 2021, Fund Support for Debt- and Debt-Service-Reduction Operations at <https://www.imf.org/-/media/Files/Publications/PP/2021/English/PPEA2021018.ashx>.

⁴⁸ Bahamas, Dominican Republic, Malawi, South Sudan and Tanzania.

⁴⁹ F. Rahim, R. Allen, H. Barroy, L. Gores, J. Kutzin, *COVID-19 Funds in response to the Pandemic* (Working Paper 2020), flag that more than 40 countries established extrabudgetary funds (EBF). The audit reports generally confirm the paper finding that the EBF weaken budgetary safeguards. However, and while some SAI struggled with access (e.g. the Sierra Leone presidential fund), in no case do the audits report that SAI oversight was formally denied. An example of a country where SAI audit oversight over the EBF was explicitly confirmed is Cameroon.

confirm that these EBF are not exempt from audit oversight or core PFM rules.⁵⁰ In some countries, the audits found that authorities had suspended PFM rules on grounds of the pandemic emergency, when in fact the PFM rules created a special regime to address emergencies. This did not stop the SAI in such countries from looking at such constructs, with audit reports generally finding these to be unlawful, and flagging vulnerabilities to transparency and accountability, and to fraud and corruption.

The COVID-pandemic therefore was a stress test of the statutory regimes on emergency financing in member countries. Most member countries give PFM laws flexibility to respond to emergencies, which are acknowledged as a rare, but recurring, fact of economic life. The COVID emergency finance put these regimes to the test that some countries struggled to pass.

Some countries tried to by-pass PFM rules altogether notwithstanding these emergency regimes. This did not stop the SAI from looking into these matters, as best they could, in which their reports often identified significantly increased vulnerabilities to budget loss, notably through fraud and corruption. One of the broader lessons of the COVID emergency finance is to ensure that member countries have an adequate statutory and institutional framework in place to address emergencies, and to ensure compliance with those in emergencies.

⁵⁰ Insofar as could be determined from the audit reports, in none of the 50 countries covered in this Paper was the SAI formally denied jurisdiction, even if in some countries SAI struggled with access. In none of the countries was emergency finance managed through a ring-fenced program with its own distinct budgetary rules and oversight mechanisms. The core PFM rules continued to apply to the emergency finance, even if there were attempts in some countries to suspend or circumvent these as this paper notes. Also, none of the countries put in place its own inspectors or auditors to the exclusion of the SAI. It serves to note that the CARES Act in the United States created its own oversight mechanisms, being the Office of the Special Inspector General for Pandemic Recovery (SIGPR); the Pandemic Response Accountability Committee (PRAC) and the Congressional Oversight Commission. Yet even in the US ring-fenced emergency finance program, the oversight mechanisms of the CARES Act did not deny oversight by the state auditor, the GAO. The CARES Act affirms the Government Accountability Office mandate to conduct oversight and audits of federal stimulus-related activity generally, and to report annually to Congress on that work.

5. The audit reports – general features

Almost all audits are distinct reports specifically targeting emergency finance. Only in four member countries (out of 50) was the emergency finance covered as part of the annual audit.⁵¹ Even in those countries, the emergency finance was covered in an extensive and clearly distinct section. In the other member countries, the SAI published a distinct and targeted audit reports on the emergency finance.

The Loi commitments do not spell out the specifics of the SAI audit, beyond that it should cover COVID emergency finance and (for most countries) be published. Consequently, the audit reports vary considerably. This includes differences in the period covered, the sector/topic of emergency finance addressed, when the report was issued and published and the nature of the audit (financial, compliance, performance, forensic). Thus, some reports cover the entire fiscal year, others only several months thereof. Some cover the entirety of emergency finance, others just focus on certain sectors or institutions. Some were published rapidly, others after a lengthy period of time. A few reports consist of just summary statements, others are extensive. Given the general wording of the LOI commitment, all these reports fall within its ambit, regardless of these differences. These issues are explored in greater detail in the following paragraphs.

Almost all SAI audit reports focus on the fiscal year 2020, or parts thereof. Almost all countries reviewed in this paper issued a targeted audit report of COVID emergency finance for the fiscal year 2020.⁵² Some SAIs cover the entire fiscal year in a single report (such as the DRC audit), others stagger the fiscal year with several consecutive reports (Sierra Leone e.g.), while yet others again are limited to shorter periods within the fiscal year.⁵³ The latter typically happens when the audit focuses on narrowly defined issues – such as the Kenyan audit of the Medical Supplies Authority (KEMSA) or South Sudan which only looked at the IMF financing.

Kenya, Cameroon, and Jamaica are rare examples where targeted COVID audits went beyond the fiscal year 2020. Focusing on the first country, the Kenya SAI (Office of the Auditor General – OAG) in addition to the 2020 audits, conducted a nationwide audit of the vaccine roll-out over 2021-2022, resulting in 48 county audits and a consolidated report in 2022.⁵⁴ The Kenya audit points at the reality that in some countries at least COVID-related expenditure programs spilled over into the next fiscal years. This is supported by the experience in Advanced Economies, whose SAI audits continue to track COVID expenditures and program implementation until the present, and in which continued challenges continue to be identified after 2020.⁵⁵

⁵¹ Eswatini, Kyrgyz Republic, Lesotho and Rwanda.

⁵² This does not deny that audits can find spillovers into the next fiscal year. Thus, the second Sierra Leone audit of the COVID agency NaCOVERC for July-December 2020, which audit is undated but must have been completed in late 2021, found as follows: “Our review of documents and discussions with officials of NaCOVERC revealed that, the agency has huge outstanding commitments and debts relating to 2020. As at 30th September 2021, the total estimated debt amount was Le148 billion.”

⁵³ The audits can have narrow time coverages within the fiscal year - see e.g. Haiti March 2020-January 2021; Honduras February-June 2020; Kenya March 13-July 31, 2020, Sierra Leone first real time audit March-June 2020; South Sudan June-July 2020.

⁵⁴ Office of the Auditor General (OAG), *Consolidated Audit Report on the Vaccine Roll-out* covering the period from March 2021 until 31 March 2022. One of the findings of the audit was that central and local governments could not account for 2.8 million Covid vaccine doses valued at Sh1.7 billion.

⁵⁵ Thus, the US GAO issued a very large number of reports on COVID relief, including sectoral audits, with reports identifying fraud reaching well into 2024. See generally, <https://www.gao.gov/coronavirus-oversight-all-covid-19-reports> - for a recent report (November 2024) see <https://www.gao.gov/products/gao-25-106199>. Similarly, the French Cour des Comptes audits on covid relief run well into the present, see generally https://www.ccomptes.fr/fr/recherche?items_per_page=10&search=covid&sort_by=search_api_relevance&f%5B0%5D=type_de_document%3ARapports – as well as the British NAO – see <https://www.nao.org.uk/topics/covid-19/>.

The reasons why most other countries issued audits of emergency finance only for FY 2020 goes beyond the ambit of this paper. It may be that the pandemic initially was viewed to be of a shorter duration, as is also reflected in the wording of some LOI commitments.⁵⁶ Also, and while the COVID pandemic as a public health emergency may have lasted three years, it is possible that in some countries the COVID financing had become integrated in the normal budget process by 2021, and hence had become subject to the normal budget procedures (including the annual audit). Even so, in some countries the EBFs and distinct coordinating mechanisms to address the pandemic continued to operate after the fiscal year 2020, pointing at persistent distinct budgetary arrangements.⁵⁷ The nature of EBFs beyond the first fiscal year of an emergency and the attendant impact on accountability systems, including audits, is a matter calling for closer attention in the future.

The audit reports are different in coverage, format and presentation. Some countries issued a single audit report on emergency finance, and other countries a larger number. If the individual published audit reports were to be itemized, the 50 member countries generated hundreds of audit reports on COVID emergency finance. These figures are distorted by some Latin American countries in particular, which typically generate a large number of distinct reports. The findings of these reports rarely are consolidated, making them hard to process for purposes of system accountability – and difficult to digest for purposes of this paper.⁵⁸

These audit reports can differ significantly between countries. Some reports number 15 pages and others 250 pages, some being highly technical (with extensive appendices), some being more formulaic (standardized and administrative), and others being much more openly drafted. This reflects in part on the specific traditions between countries, with the more discursive Westminster model standing in contrast to the more juridical and hence formulaic French or Lusitanian model.

In that regard also, some SAI spent considerable effort in making the reports easily accessible to broader sections of the population and to parliament (as the audits mention). This includes the well designed and highly accessible South Africa real-time audit, which additionally comes with a press release and the well-designed Nigeria audit (Summary Report). The Gambia audit report consists of an outstanding infographics summary (21 pages)⁵⁹ of an extensive technical report (156 pages).⁶⁰ This investment in the messaging by the SAI aims to make often highly technical and versatile reports being easily understood by

⁵⁶ Some LOI commitments refer to an audit having to be published “after the crisis” (e.g. Malawi, Sao Tome & Principe), or comparable terms e.g. “after the crisis abates” (e.g. Central African Republic) or “ex post” (e.g. Haiti). These commitments would appear to not have anticipated the duration of the pandemic nor recognized the potential of audits to strengthen financial programs during roll out stage (such as through real time audits).

⁵⁷ The nature of these arrangements reaches beyond the ambit of this paper. See generally F. Rahim, R. Allen, H. Barroy, L. Gores, J. Kutzin, COVID-19 Funds in response to the Pandemic (Working Paper 2020) and Bruno Imbert, Hoda Selim, Gwénaëlle Suc, and Qing Zhao, Unorthodox Expenditure Procedures in CEMAC and WAEMU Countries (IMF Working Paper 2022)

⁵⁸ Ecuador issued well over 300 distinct audit reports on emergency finance, with a distinct report issued for each hospital, each local government and each central government department. The latter category alone covers 21 distinct audit reports. This large volume of distinct and standardized reports is hard to digest. El Salvador issued 35 distinct audit reports for local governments, similarly with no attempt to consolidate. Kenya and South Africa stand in contrast to this approach. The Kenya SAI issued 47 distinct audit reports of the various local governments – but then summarized the main findings in a consolidated report on local government. Similarly, the South Africa SAI conducted 43 audits of selected municipalities, and then consolidated the findings in a single report. The SAI of the Solomon Islands issued distinct reports for three government departments and then an audit report consolidating the findings. On some comparative data for a select pool of countries, see M. Denly, *Measuring Corruption Using Governmental Audits: A New Framework and Dataset* (2023) <https://mikedenly.com/files/audit-measurement.pdf>

⁵⁹ National Audit Office, Phase-1 Audit of The Gambia’s Response: Procurement and Distribution of Food and Medical Items in the Greater Banjul Area (A Summarized Report).

⁶⁰ National Audit Office, Audit Report on the Government COVID-19 Response - Procurement and Distribution of Medical and Food Items.

broader sections of society and the authorities. Also, bringing out a clear set of core messages may enhance the authority and traction of these audit reports.

While there is no standard format or approach between the audit reports therefore, broadly five formats can be distinguished. These notably relate to the scope of the report (which can be narrow or broad) and the timing of the report (which can be short term, broad spectrum, sequenced). While other factors weigh in, not least the SAI capacity, there would appear to be a soft rapport between scope and timing: faster reports will tend to have a narrow focus and invite follow-up audits in turn (sequenced audits). Examples are Sierra Leone and Kenya. Also, these formats are not mutually exclusive, and in some countries were applied in parallel, depending on the nature of the risks.

- (i) **Short term audits (real-time audits).** In some member countries, the SAI published an audit at an early stage of the emergency finance programs, with subsequent audits being published later. These short-term audits illustrate how audits can be agile instruments, which can have a fast turn-around. Audits do not always have to wait until the end of the fiscal year to be effected, as generally required in the budget laws on member countries. Furthermore, audits do not solely have backward looking effect, but can assist in shaping the architecture of large expenditure programs going forward. Examples are Mongolia, Namibia, Sierra Leone, Jamaica and South Africa. Note e.g. that Sierra Leone issued its first audit of emergency finance within six months of the commencement of the emergency finance. These so-called "real time audits" at the very early stages of the emergency finance often serve to ensure that proper accountability systems are put in place from the onset of large expenditure programs. After all, it serves little to ask for receipts after a year or so has passed.
- (ii) **Narrow focus audits.** In some member countries, the audits focus on a single agency, a narrow program or a limited set of transactions. This can be a deliberate choice of the SAI, with the objective to enable a more timely response and faster remedial action, reinforcing the need for sound public financial management during an emergency, as may have been the case in Mongolia e.g. Also, in some countries the emergency finance was of a limited nature and narrowly focused. As an example, the audits on emergency finance of the Solomon Islands⁶¹ or The Gambia⁶² focus exclusively on procurement and do not extend to other topics. Similarly, the South Sudan audit⁶³, while covering a large number of MDAs and states, only extends to the payment of salary arrears.
- (iii) **Sequenced audits.** In a number of countries, the SAI issued several sequenced audits which cover different interrelated aspects of emergency finance. These audits should be read in conjunction with each other. The Cameroon SAI issued three audit reports covering the special

⁶¹ Office of the Auditor General (OAG), *Thematic Audit Report on COVID-19 Related Procurement in a State of Public Emergency by Three Ministries*. The audit pulls together findings from three distinct audit reports of different departments.

⁶² National Audit Office (November 2021), *Phase 1 Audit about The Gambia Covid-19 response: Procurement and Distribution of Food and Medical Items in the Greater Banjul Area*. This is an outstanding report but limited in focus. The NAO announced that it is conducting a complementary audit on payments and allowances to front line worker in underway.

⁶³ National Audit Chamber, *Consolidated Compliance Audit Report of the Auditor General on the First Tranche of the Rapid Credit Facility (RCF 1) from the International Monetary Fund (IMF) Disbursed for Payments of Government Employees' Salaries for the Months of June and July 2020*. The South Sudan audit also is rare amongst its peers in focusing solely on the IMF emergency finance.

appropriations account⁶⁴, the expenditure of 20 MDAs⁶⁵, and it then revisited the special appropriations account for the next year.⁶⁶ The Madagascar SAI issued four sequenced audits, covering the management of the emergency finance, the financial flows, the social-economic measures and procurement.⁶⁷ It then issued an audit which verified on the follow-up of the audit findings and recommendations of these four reports by the authorities, as part of IMF new program conditionality.⁶⁸ The Mongolian real time audit focuses on one sub-program of the emergency finance (the one door-one test campaign), but should be read in conjunction with its subsequent broader audit on emergency finance generally (See Appendix 1).⁶⁹ The Kenyan SAI in three audits looked at the utilization of emergency finance by KEMSA (the Kenya Medical Supplies Authority), by national government departments and by the county governments. The South African SAI in three audits covered the administration of emergency finance generally (through the real time audit referred to above), which was then followed by a deep dive audit in procurement and contract management processes (and value-for-money performance) as well as a deep-dive audit into emergency finance for municipal government.

- (iv) **Broad spectrum audits.** These are audits which cover a broader range of government departments which benefited from the emergency finance. Depending on country contexts, the audits may start by looking at one or a limited set of specific Extra Budgetary Funds vehicles (e.g. the Sierra Leone audit focusing on NACOVERC or the Pakistan audit focusing notably on the National Disaster Management Authority and the Benazir Income Support Program), notably in regard to budget management issues. But the audits will then pursue the financing down to the beneficiaries of those funds, which may cover multiple departments and agencies. Thus, the Sierra Leone audit covers at least 10 government agencies, Madagascar 7 agencies and Mali 125 government entities.
- (v) **Follow-through audits.** These are audits of COVID emergency finance proper which engage with the government on the follow-through of prior audit reports. This includes country cases where the SAI, through a distinct report, responds to push-back by the government in which its findings were questioned (Jamaica), or where the SAI audited compliance of the authorities to its own recommendations in prior COVID audits (Madagascar). As regards Jamaica, the SAI three consecutive audits explored different aspects of the allocation of support financing to employees. It then followed up by a compliance audit of the Ministries of Health and Wellness and the Ministry

⁶⁴ Audit Bench of the Supreme Court of Cameroon, Audit Report on the use of the COVID-19 Fund.

⁶⁵ Audit Bench of the Supreme Court of Cameroon, *Audit of the Special National Solidarity Fund to fight against Coronavirus*

⁶⁶ Audit Bench of the Supreme Court of Cameroon, *Audit of the Special National Solidarity Fund to fight against Coronavirus and its economic and social impacts*.

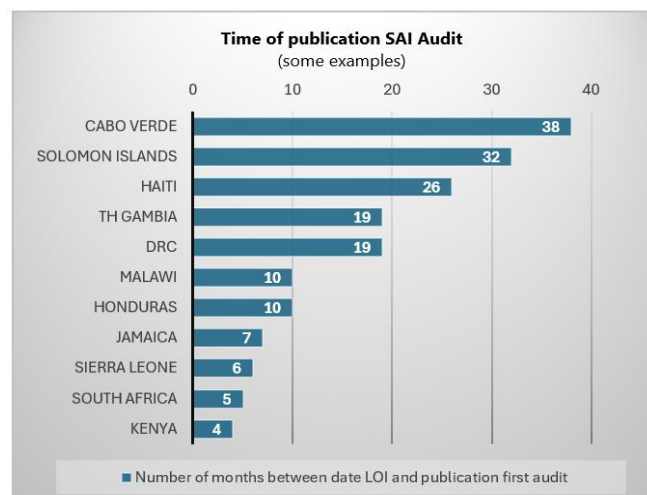
⁶⁷ Cours des Comptes, *Rapport No.4/22-ADM/Audit/ROD/Org COVID-19 sur l'Audit Organisationnel (Approche Systématique) de la gestion de la crise sanitaire liée à la COVID-19 pour l'Année 2020 ; Rapport sur l'Audit des Flux Financiers Liés à la Lutte contre la COVID-19 Gestion 2020 ; Rapport Définitif No.02/22-ADM/Audit/ROD/MUS COVID sur l'Audit de Performance des Mesures d'Urgences Sociales dans le Cadre de la Lutte contre la COVID-19 ; Rapport N°03/22-ADM/CG/ROD/MP COVID19 du 15 février 2022 Contrôle des marchés publics passés dans le cadre de la riposte à la pandémie Covid-19 Gestion 2020*.

⁶⁸ Cour des Comptes, *Rapport No.1/23-ADM/SR/COVID-19 sur le suivi des recommandations de la Cour des Comptes lors des Audits Réalisés dans le cadre de la Lutte contre la COVID-19 à Madagascar*. The report came about as a result of a Structural Benchmark in the 2021 ECF.

⁶⁹ G. Jambaldori, *Conducting audit during COVID-19 Pandemic* (2021)

https://www.intosai.org/fileadmin/downloads/news_centre/events/un_int_symposia/2021_25_symposia/Top_05_Mongolia_EN.pdf

of Labour and Social Security. This second audit generated push-back from the authorities, to which the SAI responded with an addendum (which confirmed its prior findings).⁷⁰



While all SAI audit reports cover the FY 2020, this does not mean that these were all published in a timely manner. Speedy

publication is critical to address possible vulnerabilities in budgetary procedures, and for purposes of accountability, including in individual cases of fraud and corruption.

Legislation of member countries typically will have statutory deadlines for Annual Audits, (often 6 months after the end of the fiscal year) but not for special audit reports. To be sure, in some countries the publication is not in the hands of SAI, and may require clearance from other institutions, notably Parliament. For the group of 50 countries reviewed here, some SAIs issued reports very fast (and early in the program roll-

out), but others were slower, sometimes significantly so.

Notably real time audits were issued and published very fast and early in the process, since after their objective is to generate results in the short term, as we have seen. Examples are the Kenya (four months lag), South Africa (five months) and Sierra Leone (six months) real time audits, which were issued early in the Pandemic when the emergency finance was still in full roll-out process.

Conversely, the time lag for regular audits can be significantly longer, such as The Gambia (19 months), Haiti (26 months) the Solomon Islands (32 months) or Cabo Verde (38 months). The slow publication of these audits assuredly impacts on public transparency and accountability, which underpins the audit process broadly speaking.

⁷⁰ The authorities took the view that the evidence in the fourth report did not support the audit findings on lack of transparency on certain payments, in which up to \$500 million were reported to lack documentary evidence (contracts). The pushback triggered an Addendum to the Compliance Report (dated January 9, 2023). The Addendum is a sober recitation of the significant information gaps in the transactions, with evidence attached.

Box 1**The publication of SAI audit reports**

The near-universal feature in all 56 LOI commitments on SAI audits of emergency finance is the commitment to publish of the audit report.⁷¹ This commitment aligns with best practices, the thrust of international standards⁷² and with domestic law of most member countries.⁷³

This LOI commitment on publication has had a measurable impact in the immediacy. Of the 50 member countries at the time of writing of this paper whose SAIs published audits of emergency finance, 15 countries (30%) did not until then routinely published audit reports, or did not publish any audit report at all (Appendix 3). For these countries, the IMF arrangements strengthened the domestic transparency and accountability of the pandemic related emergency finance.

This emphasis on transparency and accountability in the Lols has not enjoyed fulsome support in member countries. Thus, for 13 countries of the group (26%), the publication of the SAI reports was secured not on the basis of their LOI commitments, but through conditionality in new IMF-supported programs (See Appendix 2). Also, publication remains a key challenge going forward: by the time of the writing of this paper, the publication of audit reports was discontinued altogether by 14 countries of the group (28%).

The structural impact of the publication commitment in the IMF Lols therefore remains an open question. In member countries resistant to publication of audit reports, the Lol commitments did not translate into a more systematic approach to publication of audit reports. This also is an indication that the publication of audit reports matters in the domestic context of these countries.⁷⁴

These audit reports mostly are compliance or performance audits. SAIs have a broad pallet of different audit instruments at their disposal, including audits which verify financial statements (financial audits), audits which verify institutional compliance to regulations (compliance audits) and the efficiency and effectiveness of government programs (performance audits – also called “value- for-money” audits). Compliance and performance audits are particularly effective in identifying fraud and corruption. Only the Bahamas, Jordan and Egypt audits would appear to be financial audits.

⁷¹ Only for two countries does the LOI not call for publication: Ethiopia and Nicaragua. Both countries published their audit reports regardless. The Nicaraguan commitment was for a SAI audit, but the country effected a third-party audit instead.

⁷² While international standards defer to national law, these are weighted towards publication of the audit reports. Thus, ISSAI 1 makes publication an expectation where it is consistent with national laws. ISSAI 10 says the SAI should have the right to publish (“once they have been formally tabled or delivered to the appropriate authority – as required by law”). ISSAI 12 identifies publication as the instruments which gives the SAI added value.

⁷³ The law in some countries does restrict the publication of audit reports, for example by making such publication dependent on some ulterior authority (e.g. the report being tabled with Parliament and requiring Parliamentary clearance for publication).

⁷⁴ The IMF during the Covid years pursued its approach of the past decades of having program conditionality on audits – 93 conditionality measures from 2020-2023. However, the Fund in these measures did not consistently push for publication.

6. The SAI audit reports – substantive findings⁷⁵

This section focuses on the findings which identify vulnerabilities to budget losses, particularly through fraud and corruption. These findings are universal in, and sit at the core of, all audit reports (except the few financial audits mentioned above). This section identifies where in the expenditure process the audit reports from member countries identify vulnerabilities to fraud and corruption to have occurred.⁷⁶

The structure of the section therefore is to follow the findings of the audit reports and position those along the expenditure process. This starts with vulnerabilities in the statutory framework, to be followed by vulnerabilities in core PFM operations, disbursement mechanisms, the specific disbursement programs (notably social economic support programs and purchase of goods and services), with the latter then findings distinct vulnerabilities in procurement and on conflict of interest and beneficial ownership, and finally vulnerabilities in delivery and in record keeping.

A. Vulnerabilities in the statutory framework

The audit reports flag vulnerabilities in the statutory framework of emergency finance as having a far-reaching effect on the downstream budget losses arising from fraud and corruption. Structural vulnerabilities are statutory gaps or deficiencies which often sit at the root of the implementation vulnerabilities discussed after, and the budget seepages through fraud and corruption. The specifics of these structural vulnerabilities differ between countries, but can be broadly grouped into five typologies as follows:⁷⁷

- (i) **No legal framework on emergency finance.** Audit reports for some countries note the complete absence of a legal framework for budget procedures to address emergencies. These countries put in place a task force to address the exigencies of the pandemic, without an adequate regulatory framework for how that task force was supposed to function. Cameroon exemplifies this setting. Its audit identifies the absence of an adequate regulation

⁷⁵ This paper uses terms used in the audit reports, such as fraud, corruption, losses. This does not mean that such terms carry the same meaning between countries. Comparisons should be approached cautiously, therefore. It can even happen that these critical terms carry different meanings within a single country. To illustrate, a recent GAO report found that the term “fraud” carries different meanings between US government agencies, because of statutes being tailored to apply to specific types of fraud in different sectors. Consequently, while for the US the GAO uses one definition of fraud (i.e. *the act of obtaining something of value through willful misrepresentation, which is determined through a court or other adjudicative system*), other US government entities use broader definitions that may include settlements, suspected fraud, or prevented fraud. The GAO notes that these varying definitions result in different reported fraud amounts, prevent comparison and summary across agencies. See GAO (2023), *Fraud in the Federal Government – Challenges Determining the Extent of Federal Fraud* (GAO-23- 106110)

⁷⁶ This approach builds on the IMF 2019 article on the cost of corruption – see P. Mauro, P. Medas and J.M. Fournier, *The cost of corruption* (Finance and Development 2020). That article includes a useful scheme on budget leakages arising from corruption which can occur in the budgetary process, from revenue to expenditure. The audit reports covered in this paper give a more granular view of the budget leakages which actually occurred in member countries at the expenditure side, as illustrated in Figure 1.

⁷⁷ This paragraph does not consider the legal mechanisms for emergency circumstances when unforeseen spending and other types of government support (e.g., guarantees) are needed, such as supplementary budgets, virement rules, and the use of contingency reserves. (See e.g. Ozlem Aydin, Alessandro Gullo, Karla Vasquez, *PFM Legal Responses to the Pandemic – Be Fast, but Wise* (IMF blog 2020) [PFM Legal Responses to the Pandemic – Be Fast, but Wise \(imf.org\)](https://www.imf.org/en/Blogs/Articles/2020/04/20/pfm-legal-responses-to-the-pandemic-be-fast-but-wise)). This paragraph instead focuses on where audit reports identify deviations or violations from existing legal regimes, creating vulnerabilities to fraud and corruption.

on the disbursement of emergency funds: the Cameroon regulations failed to specify which types of expenditure (i.e. budget execution) should be carried out under normal PFM rules and which were exempted because of the emergency. The audit notes that this allows for a broad interpretation and “involves significant risks of misappropriation of public funds”. The Madagascar audit⁷⁸ raises fundamental weaknesses in the statutory framework applied by the government, including that it might be unconstitutional (the law used predated the current constitution and referred to outdated laws), and that its implementing regulations could not be traced, even by the auditors, and that it consequently operated effectively by executive decree. The audit flags significant vulnerabilities, including a possible unlawful monopolization of functions and powers. It generally finds an absence of clear responsibilities, internal controls, authorized payments system, delegation rules etc. Audit reports in other countries (such as Malawi) carry similar findings. These reports flag significantly increased vulnerability to misuse of the funds managed by the authorities, which in turn had the effect of restricting efficient disbursement, and serious underspend at a time of great need, as the Treasury was reluctant to release funds for fear of misuse.

- (ii) **A legal framework on emergency finance but suspending it.** Some countries did in fact have a legal framework for special budget procedures to address emergencies, but suspended that framework when the Pandemic emergency hit, and at least for some time did not replace it with anything else. This created an effective legal vacuum, inviting vulnerabilities to misallocation, fraud and corruption. Thus, the authorities of Senegal issued an exemption of procurement rules on grounds of the COVID emergency. The audit found such exemption lacking grounds because the budget laws of that country did in fact carry a special regime for procurement in emergencies. While the audit flagged this as a major concern in its own right, it further noted that emergencies do not justify the suspension in full of the procurement framework, since such framework also carries general provisions on timelines, compliance, reporting etc. of more general application.⁷⁹ Somewhat related is the case of, Sierra Leone, whose SAI audit⁸⁰ (para 29) notes that the legal framework for emergency expenditure was totally absent because the PFM and procurements acts were suspended by the authorities, without an applicable alternative. The numerous vulnerabilities flagged in the audit, such as opaque single sourcing (para 51), unexplained use of middlemen (para 33), price inflation (paras 33, 35, 36, 39 etc.), unjustified payment (para 54), overpayments (para 47, 50), most draw back to this basic structural flaw.
- (iii) **A legal framework on emergency finance but misusing it.** Some countries had legal frameworks for special budget procedures to address emergencies but violated these during the Pandemic emergency finance. Typically, budget rules for an emergency setting will allow for flexibility on expenditure (e.g. by relaxing rules of procurement) and the management of emergency finance (e.g. mandatory approvals and clearances), but will then also cap appropriations to such funds to manage exposure and fiduciary risks.

⁷⁸ Cours des Comptes, *Rapport No.4/22-ADM/Audit/ROD/Org COVID-19 sur l'Audit Organisationnel (Approche Systématique) de la gestion de la crise sanitaire liée à la COVID-19 pour l'Année 2020*.

⁷⁹ Cour des Comptes (Sénégal), *Rapport Définitif Contrôle de la Gestion du Fonds de Riposte et de Solidarité contre les Effets de la Covid 19 (Force Covid) Gestions 2020-2021*, (p.13)

⁸⁰ ASSL (Sierra Leone), *Report on the Audit of Funds managed by the National COVID-19 Emergency Response Centre and other Ministries Departments*. (n.d.)

Appropriations exceeding the cap sit outside the regulatory framework for emergency finance and must be governed by the regular budgetary laws. The audits in some countries found that the budget cap for emergency finance had been significantly exceeded. This meant that such expenditures were unauthorized and technically unlawful. Furthermore, since a significantly larger budget was expended under the relaxed expenditure rules, fiduciary risks increased accordingly.

The audit reports therefore show how two ostensibly very different elements of the PFM framework (appropriation and budget execution) in fact serve the common purpose of bypassing safeguards at both ends of the budgetary process: at appropriation the statutory cap for the emergency finance was exceeded and at expenditure statutory safeguards were sidestepped.

As an example, the audit report of the Central African Republic (CAR)⁸¹ finds that the laws of that country carry specific provisions to address emergencies, further enhanced by an interministerial decree. It notes that such provisions should only be invoked for the procurement of goods and services which are immediately pertinent for the emergency, such as medicines or PPE. However, the audit found that the pandemic emergency was used to sidestep regular procurement procedures for all contracts, including those which had nothing to do with the medical emergency, such as road construction. The audit flags this specifically as a vulnerability to possible corruption and made targeted recommendations, the timely implementation of which could have mitigated the resultant challenges. The Mauritania audit identifies another form of misuse.⁸² It noted that the emergency financing was in part channeled through a special fund sourced from outside the budget. This is permitted under the Public Finance Law, which also allows for flexibility, such as in disbursement and management, but caps the state budget contribution to such special funds to 10% of their total value to manage exposure and fiduciary risks. The audit found that the state budget contribution to the special fund in Mauritania was 32%, significantly exceeding the cap. The audit flagged significant vulnerabilities, including frequent violations of budget and expenditure rules (such as on procurement), a total absence of coordination between departments and basic violations of mandate rules.

- (iv) **An inadequate legal framework on emergency finance.** Some countries had legal frameworks for special budget procedures to address emergencies, but these lacked internal coherence and consistency, increasing vulnerabilities to misuse, fraud and corruption.

⁸¹ Cour des Comptes (République Centra Africaine), *Rapport d'Audit Définitif des dépenses budgétaires engagées pour la lutte contre la Pandémie du Covid-19 dans le cadre des Crédit Alloués par le Collectif Budgétaire 2020*.

⁸² Cour des Comptes (Mauritanie) (n.d.), *Fonds Spécial de Solidarité Sociale et de Lutte Contre le Coronavirus (F3SL2C)*. The government response to the audit finding was that because of the higher contribution from the state budget, this special fund was governed by a different clause of the Public Finance Law, and the 10% cap therefore did not apply. What this meant however, was that the emergency finance fund was subject to the normal budget process. The government argument therefore tightened budget rules on expenditure (following regular procurement e.g.), coordination and fund management. This informed the significant vulnerabilities identified in the audit.

As an example, the audit report⁸³ for Malawi found that the regulatory framework for emergency finance did not have provisions on how the funds were to be released. It also found that while implementing circulars were issued, these were in mutual conflict with each other ("ambiguity"). It further found that some of the implementing regulations breached superior laws. The overall result was a general lack of regulatory clarity, which the audit report flags underpinned the "massive abuse" which occurred in the emergency finance in that country.

B. Vulnerabilities in core PFM operations

Audit reports identify vulnerabilities in core PFM operations as one of the principal areas where budget losses arose from fraud and corruption. The audit reports show up significant vulnerabilities relating to the management of the emergency financing within the administration, including internal processes, devolved budget allocation and management, as well as oversight and controls. The general image projected by audit reports focusing on this issue is that the handling of public moneys often was not transparent and unaccountable, as established procedures are side-stepped. While these vulnerabilities in core PFM operations in part translate in downstream vulnerabilities and losses (e.g. social-economic programs and procurement), the audits are clear that these also translate in significant fraud and corruption risks within the core PFM system itself, notably in transactions within agencies and between agencies.

- (i) **Core PFM processes.** The audit reports raise a number of issues relating to the management of emergency funds, and notably the extent to which this can by-pass the established institutional PFM safeguards. Thus, the Jamaica audit found internal transfers which by-passed mandatory approvals and were in part channeled to an NGO, and on non-pandemic related matters. A comparable setting is DRC, whose audit found that more than 60% of the emergency finance was released by-passing the PFM controls, without clearance and controls, and handled by officers without authority or mandate. Similarly, the Sierra Leone real time audit notes that in the start-up phase the emergency finance was managed by a team operating under direct executive control, effecting significant expenditures, both intra-agency and on the market, without clear legal mandate or controls.⁸⁴ The audits all flag absence of adequate documentations and records, and note the significantly increased risks of these arrangements.
- (ii) **Internal budget and cash management.** Audit reports identify challenges in the internal budget and cash management between MDAs tasked with addressing the COVID pandemic, as well as between central and regional levels. The audits for a number of countries report significant budget loss within the government in both domains. These can be varied transactions, but all come down to how budget (and cash management) is managed and effected within government.

⁸³ National Audit Office (March 2021), *Investigative audit on the usage and accountability of the K6.2 billion COVID-19 disbursement*.

⁸⁴ The Sierra Leone audit notes that Le92.1 billion (US\$ 4.6 billion) of public funds are expended by the NaCOVERC and other MDAs in that period – which is an inordinate sum. The audit says that while the core PFM rules may have been suspended, it deems procurement rules still applicable. However, as the audits show, emergency finance expenditures majorly do not run through procurement.

- **Budget (and cash) management.** This example relates to the management of budget (or cash) within the government, as the emergency finance is mobilized through different sources. The first Cameroon audit finds that such financing transfers within the government failed to use the single treasury account, instead using various accounts, which obscured the intra-governmental money flows. The auditor undertook a reconciliation exercise in which it found that “an abnormally negative balance” between the funds which exited the various accounts and those deposited within the emergency finance account.
 - **Budget planning.** Another example is challenges in budget planning, which can translate in downstream vulnerabilities to fraud and corruption. In some countries, audit reports flag deficiencies in plans submitted by the MDAs’, making both budget allocation and implementation an open-ended process, including an absence of benchmarks to verify implementation. A case in point is the Haiti audit, which finds that the social support program, which was one of the most sizable programs in the emergency finance (2.3 billion Gourdes) of the country, consisted of just five pages, of which two were graphs. (p.32). The audit notes wide-ranging weaknesses in the MDA planning documents generally⁸⁵, and notes that the MDAs “broke all basic rules” of public finance. Given that general absence of a framework, the audit questions how the Ministry of Finance can ensure “that the management of disbursed public funds is protected from eventual abuse”.
 - **PFM weaknesses in subnational government.** Equally problematic has been the budget allocation from the central government to local governments or public entities, such as hospitals. Audits report major vulnerabilities in this domain. (viz. Mali, South Africa). The South Africa audit of local government finds that “*fraud risks are prevalent at municipalities and control environments are not strong enough to prevent them from materializing*” (p.18). The Mali audit identifies systematic misuse of emergency finance by at least 20 hospitals and their management. The Kenya audit found that more than twenty counties had neither approved budgets nor work & procurement plans, and flags increased risks.
- (iii) **Oversight and control.** The audit reports identify significant vulnerabilities in the area of oversight and control. This includes settings in which contracts were issued without the required approvals, or disbursements were approved by officials who lacked the mandate to do so, sometimes with clear conflict of interest settings. An example of the former is Jamaica SAI, which found that contracts were not reported to the National Contracts Commission as required, and of the latter the Mauritania audit that the same officer deciding on awarding contracts was tasked with disbursement. The Madagascar audit sets out a near complete collapse of internal controls, with patent violation of domestic PFM laws and

⁸⁵ Cour Supérieure des Comptes et du Contentieux Administratif, *Rapport d’Audit sur la Gestion de la Réponse Gouvernementale à la Pandémie de COVID-19 Période Mars 2020-Janvier 2021*. The audit reports finds that MDA proposals do not articulate a coherent strategy or intended objectives, do not assign responsibilities (and attendant accountability), do not cover how the plan is to be implemented, assign responsibilities therefore or include an implementation schedule, do not set out how programs are to be rolled out down to local levels, do not include a risk assessment, do not explore coordination and synergies, do not do a cost analysis, etc. (p.32).

notably rules on conflicts of interest ("fonctions incompatibles"), in which the same person put out the contract, received the bids, awarded the contract, and signed off on payment.⁸⁶ As an outflow of that setting, in combination with the statutory challenges flagged earlier, the audit finds a gamut of statutory violations resulting in immediate vulnerabilities to fraud and corruption, including unlawful payment in kind, payment without legal mandate, exchange rate violations, absence of receipts, unjustified payments etc.

C. Vulnerabilities in disbursement procedures

The audit reports identify significant vulnerabilities to fraud in the disbursement process of funds. These vulnerabilities typically revolve around how accounts are used and how withdrawals are effected. While audit reports identify a variety of challenges, the following modalities can be distinguished.

- (iv) **Misuse of imprest accounts.** Imprest accounts are designated accounts for "small, frequent payments" (Solomon Islands p.15) generally with a time expiry. In numerous countries these were instead used for large transactions, exceeding the statutory cap, and without expiry. In the Solomon Islands almost 15% of the entire emergency finance was channeled through these petty cash accounts, violating basic budget rules, and significantly reducing transparency and accountability. In Sierra Leone, the audit finds widespread use of imprest accounts through the administration, with the Imprest account at the Presidency being raised as an area of particular concern. The Gambia audit finds that it cannot determine whether the Imprest accounts are utilized for the intended purpose.
- (v) **Unlawful disbursement mechanisms.** An example is the Kenya SAI audit⁸⁷ which found that part of the emergency finance was channeled through a private bank. The account did not have a (Treasury) administrator, and there was no evidence of the Treasury having approved the opening of the bank account. Also, the audit establishes that the board which established the bank account had no authority to do so. The arrangement of channeling part of the emergency finance through a private bank account violated the budgetary laws of the country and the emergency legislation enacted to address the pandemic situation (and which called for the central management of funds). It also meant that as regards expenditures, budget rules could be side-stepped, increasing vulnerabilities to fraud and corruption. The audit called on the Ethics and Anti-Corruption Commission and the Directorate of Criminal Investigations to conduct investigations to establish acts of criminality in the irregularities identified by the audit.
- (vi) **Cash withdrawals.** Cash withdrawals is a highly prevalent challenge identified in audit reports. Such cash withdrawals themselves generally are disallowed under PFM systems and controls. Moreover, such cash withdrawals often lack documentation. Consequently also, audits find these withdrawals hard to trace, e.g. the Malawi audit: "went missing without a trace"), or were shared amongst officials without justification.

⁸⁶ Cours des Comptes, *Rapport sur l'Audit des Flux Financiers Lies a la Lutte contre la COVID-19 Gestion 2020* (p.35 ff.)

⁸⁷ Office of the Auditor General of Kenya (April 2021), *Utilization of COVID-19 funds by National Government Entities for the period 13 March-31 July 2020*.

D. Vulnerabilities in economic-social support programs

Some of the main budget losses arising from fraud and corruption arose in the economic-social support programs. These almost invariably are very sizeable programs in support of vulnerable households, employees or small businesses to address the negative effects of the economic downturn. The large number of beneficiaries of such programs and the difficulties of administration and verification create special challenges, and the budget exposure to seepages in this modality is amongst the most significant, as it is in advanced economies such as the US and the UK.⁸⁸

As examples, the Kenya audit found that the social support program (which targeted 97,000 persons) did not track the IDs of recipients. Selected deep dives found strong indications of fraud. Similarly, the South Africa audit identified more than 67,000 social grant recipients who were not eligible for grants as they were employed in government and an additional double dipping of more than 35,000. The Pakistani audit notes generally that the subsidy system lacked a financial infrastructure for transparent expenditure – and that while the system predated the COVID crisis, nothing had been done to address this, such as by cross-referencing databanks. Consequently, the audit finds that 1.32 million registered beneficiaries of the support programs did not receive the payments, and significant numbers of others who should not qualify, did receive such payments. The audit flags suspicious withdrawal patterns and raises the possibility of fraud perpetrated by the beneficiaries and the officials charged with the disbursement of the funds. The audit further finds evidence of fake biometrics used to secure fraudulent disbursements.

E. Vulnerabilities in the purchase of goods and services.⁸⁹

This sector of vulnerability covers a broad set of challenges and vulnerabilities which relate to the expenditure of public money for the purchase of goods and services. This is a nuanced terrain in the audit reports, involving a broader set of distinct issues centered around procurement. Procurement is a recurrent area of vulnerability in the audit reports. Procurement (by the state) refers to the legal regime which governs the purchase of goods, works, or services by the state from the market. This includes the way government contracts are tendered and applied for (such as the competitive bidding process), but in addition covers a wider range of contractual

⁸⁸ See e.g. Autor, D. et al., *The \$800 Billion Paycheck Protection Program: Where did the money go and why did it go there?* (NBER 2022).

⁸⁹ Various studies have focused on procurement of medical equipment in emergency finance as an important area of fraud and corruption. See e.g. ISS (19 May 2022) *Corruption in Africa deepens the wounds of COVID-19* <https://issafrica.org/iss-today/corruption-in-africa-deepens-the-wounds-of-covid-19> ADF (10 August 2022) *Continent Still Struggles With COVID-19 Corruption* <https://adf-magazine.com/2022/08/continent-still-struggles-with-covid-19-corruption/> D.C Cuadrado (U4 2022), *Corruption during Covid-19 Trends, drivers, and lessons learned for reducing corruption in health emergencies* <https://www.u4.no/publications/corruption-during-covid-19.pdf> Also, procurement did generate significant challenges, depending on country contexts. Emergency finance is a broader concept however, including on its management, the broad variety of expenditures (including internal within the public sector, social and economic support programs etc.) In many countries the larger share of emergency finance did not go (and did not have to go) to procurement – e.g. in the UK the procurement of medical equipment was 5% of the explicit earmarking of the emergency finance. (UKP13.8 out of UKP 260 per September 2020). Even if procurement may have occurred in other sectors (e.g. test and trace programme), the health and care sector overall was only 21% of the emergency finance in the UK, with the significantly larger budget allocations being the job retention schemes etc. which were administered by the government itself. It subsequently became clear that the main budget seepages were in those subsidy schemes. J. Appleby, *The public finance cost of COVID-19* (BMJ 2022;376) Similarly, the US post-pandemic shows that while procurement was a component in the emergency finance and generated challenges, that certainly is not where the principal budget seepages occurred.

issues, such as performance and payment terms, conflict of interest rules etc. The audit reports broadly find vulnerabilities into two sets of issues: the first relates to the procurement process itself. The other is triggered by settings where the procurement regime is restricted or suspended altogether by countries. These issues are covered separately in this sub-section.

- (v) **Vulnerabilities within the procurement process.** A first challenge identified in many audit reports sits within the procurement process itself. This covers settings in which member countries deemed the procurement process applicable, but implemented it improperly, resulting in significant vulnerabilities to fraud and corruption.

As one might expect, there is pervasive reporting of basic violations of tender procedures, including going for direct tender rather than open bidding as legally required, failure to submit required information as part of the bid (Pakistan), falsified bids (Malawi), failure to show evaluations of tender procedure and procurements not signed off (Kenya) etc.

Another area of major weakness within the procurement framework is the absence of proper contracting form. Some audits (DRC e.g.) flag a total absence of contracts: public moneys have been processed through the procurement process, but there are no contracts to evidence those. Similarly, the Jamaica audit found that the Ministry of Health issued financing to the value of \$337 million to seven hotels for quarantine accommodations but had a written contract with only one. In the absence of terms and conditions, the Ministry was exposed to additional claims and payments arrangements (such as for utility costs). The audit also finds a complete absence of contracts for eight suppliers of infrastructure works (to the value of \$124 million).⁹⁰ The Kenya audit identifies settings where the contracted services are completely disconnected from the procurement process, even as that procurement process is still nominally applied. This includes settings where goods are provided, and services delivered even before the tender process is opened and the decision to award is made – the procurement process is just a cover for a *fait accompli*: the contracts are issued after completion of the performance under the contract.

- (vi) **Vulnerabilities in suspended procurement settings.** The second setting is one in which the procurement process is formally suspended or broadly side-stepped for all or most public contracts. The first question this gives rise to is whether this is allowed. Thus, the Madagascar audit deemed the suspension to be unlawful, and as result called in question the legality of the contracts issued under that regime. This also raised the question what should replace such regime.⁹¹

The broader and more pervasive issue identified in the audit reports is that, if procurement is suspended or restricted, how far that then reaches. It is here that some of the most significant concerns and vulnerabilities come up in the audit reports in many countries. The

⁹⁰ Auditor General's Department of Jamaica, *COVID-19 Expenditure audit. Compliance Audit Compendium Report Ministry of Health and Wellness. Ministry of Labour and Social Security*. (November 2022).

⁹¹ *Rapport Definitif No.2/22-ADM/Audit/ROD/MUS_ COVID sur l'Audit de Performance des Mesures d'Urgence Sociales dans le Cadre de la Lutte contre la COVID-19*. The audit report finds that the suspension of the procurement laws by administrative measure, as occurred in Madagascar, is unlawful.

issue is whether the suspension of the procurement regime only covers the tender procedure or extends to the more general rules which governs government contracts with the private sector and which typically are part of the broader procurement regime in countries. Audit reports in numerous countries find that public officials took the broader view of suspension, effectively suspending the entirety of public contracting, such as standard performance terms, payment terms etc. The audit reports find that this creates immense vulnerabilities to fraud and corruption, reaching far beyond procurement proper. Examples reach from the Solomon Islands and The Gambia to Senegal. Taking the last audit report as an example, the Senegal audit notes that as the legal procurement regime in that country was suspended, and even if the clear intent was to temporarily restrict only the tender process (open competitive bidding), state officials suspended the entirety of public contracting, including payment terms, performance terms, reporting duties. This opened the door to arbitrariness and with it, massive room for abuse.

- (vii) **Conflict of interest settings and the provision/publication of information on Beneficial Ownership (BO).** One area where the failure of member countries when suspending the procurement regime to distinguish between the tender process and the broader contractual regime of public contracting related to conflict of interests and BO, which are much referred to the audit reports. Here again, the high risks when failing to de-link procurement from conflict of interests and BO is brought out repeatedly in the audit reports. The audit from the Solomon Islands is a typical example. The audit found that all three departments it audited took the position that conflict of interest rules were part and parcel of procurement rules. Consequently, when the government relaxed procurement rules because of the emergency, officials took the view that the conflict-of-interest rules were relaxed also, and as a result, in none of the significant COVID related contracts issued was a conflict-of-interest declaration required. The audits found that much of the abuse which did eventually occur can be traced back to this issue. The audits argue that it is precisely in contexts when procurement rules are relaxed vulnerabilities to fraud and corruption will increase, which makes it all the more important for conflict of interest rules to then be firmly upheld, and even tightened.⁹²

The same argument applies to Beneficial Ownership. The significant vulnerabilities to fraud noted in the Solomon Islands audits were not simply because the procurement rules were side-stepped, but because with it, a much broader array of transparency measures which might have off-set the attendant risks arising from that suspension, were sidestepped as well. This included the statutory provision on information on beneficial ownership. The audits find increased vulnerability and suspicious transactions, including contracts issued to unregistered or newly established businesses, the channeling of funds through unauthorized accounts and absence of documentation. The Cameroon audit report illustrates the enormous vulnerabilities to which this deliberate vacuum can give rise. The report identifies possible criminal liability from conflict of interest arising out of the relation between ultimate

⁹² See e.g. Office of the Auditor General, *Audit Report on Procurement Relating to COVID-19 Disaster Relief Fund by the National Disaster Management Office* (Finding & Recommendation 5 and Para 7.25 ff), and generally Office of the Auditor General (OAG), *Thematic Audit Report on COVID-19 Related Procurement in a State of Public Emergency by Three Ministries* (throughout). The audit findings gave fuel to allegations in the media that "contracts were given to family members and friends and those closely associated with those working in positions of power in NDMA", and resulted in chronic overpayment and underperformance. (see e.g. Solomon Star, Febr. 26, 2023, *Why National Disaster Management Officials must be investigated*).

beneficial owners of the companies with state officials in key positions. It flags the use of fictitious names, identifies numerous different companies with the same beneficial owners, companies impersonating other companies, all of which the audit classified as potential criminal offenses.⁹³

The audit reports on procurement obviously are useful in identifying the vulnerabilities of procurement regimes even when these are applied. The reports find chronic overpayment, price gouging, underperformance etc. Also, the sums involved are significant: the failure to sign off on contracts was to the amount of USD 2 million (Kenya), the Mali violations of procurement rules were to the value of CFA 9.2 billion, the Pakistan procurement violations run into billions of Rupiahs.

The broader importance of these audit reports is to bring out how procurement consists of different elements, each of which carry their own vulnerability. These different elements should be de-linked, in which the suspension of one element should not extend to the other elements, and on the contrary calls for the other elements to be enhanced, if possible. The failure to recognize this in member countries, significantly contributed to obscuring corporate ownership and network relationships, and increased the vulnerabilities to fraud and corruption in emergency finance.

F. Vulnerabilities in delivery of goods and services

A key issue raised in many audit reports irrespective of the challenges of the procurement process is what happened to the goods and services which were actually procured. The audit reports indicate that the vulnerabilities in procurement and BO/Conflicts of Interest are elements in a broader complex of contracting, payment and implementation challenges in the process of delivering goods and services. The reports note that the vulnerabilities are not limited to overpayment and underperformance typically associated with procurement deficiencies, but extend to getting the goods and services to where these are needed once that procurement process, such as it is, is completed.

This is best illustrated by the recurrent challenges in actual delivery identified as worded by the audit reports: “we have no evidence the goods were actually delivered” (Sierra Leone); or 97% of the COVID related procured goods remain stuck in the warehouse (Kenya); they got “lost in transport” (Mali), that “the authorities cannot provide information on stocks of procured medicines or the whereabouts of those stocks” (Cameroon); we find that “storage, storage administration and ledger system on procured goods are absent” (Mali), we find “significant differences between what the Government paid for and what was reported to have reached medical

⁹³ Audit Bench of the Supreme Court (n.d.), *Audit of the Special National Solidarity Fund to fight the Coronavirus and its economic and social impacts*. The audit lists inter alia conflicts of interests (Ministry of Health, questionable contracts to the value of CFA 1.9 billion), use of fictitious names (Ministry of Health questionable contracts to the value of CFA 199 million), numerous companies with the same ultimate beneficial owners (Ministry of Health, 9 contracts issued to 4 companies with the same UBO contract value CFA 3 billion; 14 contracts issued to three companies with the same UBO contract value CFA 3.7 billion); companies impersonating other companies (Ministry of Health 19 contracts effected by another company contract value CFA 674 million, which other company also effected 20 other contracts contract value CFA 2.2 billion.) It classifies these transactions as potentially criminal offenses.

facilities and vulnerable households “(the Gambia), “we found no evidence that the Ministry [...] received the actual goods and services paid for” (Jamaica).

Box 2

Interlinkages of vulnerabilities: the Solomon Islands.

This section in the paper sets out how the audit reports identify different challenges in the expenditure process of emergency finance which increase vulnerabilities to fraud and corruption. In some countries these challenges and vulnerabilities stand on their own. In other countries, the audit reports show that multiple vulnerabilities exist next to each other, may be interlinked and can be mutually reinforcing.

The overall effect is to generate a broader opacity in public finance and significantly enhancing the overall system vulnerability to fraud and corruption, as these audits acknowledge.

An example are the audit reports of the Solomon Islands. These point at vulnerabilities at different points of the expenditure process of emergency finance, with one vulnerability feeding into and reinforcing the next, as follows.

- (v) A significant share of the emergency finance was channeled through Imprest accounts (which violated financial safeguards and the budget cap);
- (vi) To then be used for public contracts which were directly awarded (violating procurement rules);
- (vii) Disregarding additional transparency safeguards (such as on conflicts of interest declarations);
- (viii) And without adequate documentation.

The audit reports point at interlinked implementational challenges, all of which violated domestic budget rules, with the overall effect of a blanket opacity. The audits note the increased vulnerabilities to fraud.

G. Vulnerabilities in information management and record keeping.

Most audit reports flag major deficiencies in information management, record-keeping and proper accounting, including ledger management and stock management (“keep the receipts”). This includes budgeting processes within the public sector. Thus, the South Sudan audit of emergency finance focused on paying salary arrears finds a pervasive absence of nominal rolls, absence of pay sheets (as evidence of salary payments), absence of accounting for unpaid budget, etc. creating a general setting highly exposed to “*diversions and fraud*”. Similarly, the Jamaica audit on the social program found that the files for 59% of the beneficiaries could not be located, and consequently it could not be determined whether these were eligible.⁹⁴ The subsequent audit report of that country finds a near-total absence of contracts for expenditures in excess of \$550 million and could not find basic records of stock inventory.⁹⁵ It further found that 98% of the care packages issued were without formal requisition and must have been based on “verbal communications”. The absence of contracts and weak stock management is a recurrent pattern in the audit reports. The Mali audit finds absent registration of stock flow and unavailability of stock data, the Cameroon audit finds that for absent documentation for 50 contracts on the procurement of medical goods and services, the Kenya audit flags various unaccounted expenditures (including to local hospitals), the DRC audit finds that out of US\$ 8 million expended by the Ministry of Health US\$ 4.7 million is undocumented; the Burkina Faso audit notes that 5 Ministries failed to submit adequate evidences of payment for expenditures; the Madagascar audit finds a wide array of undocumented payments, impossibility to document eligibility of recipients, payments to medical staff without documentation with indications of fraud etc.. All audits flag high vulnerabilities to fraud in these settings.⁹⁶ The main problem flagged in the reports is the absence of adequate record-keeping, including on receipts. However, it is also possible in some cases that the SAI was not given access to records.

⁹⁴ Auditor General's Department of Jamaica, *Audit of the COVID-19 Allocation of Resources for Employees (CARE) Programme. Review of the CARE Programme with specific emphasis on the COVID-19 Path Grants, General Grants & BEST Cash Grants* (December 3, 2020).

⁹⁵ Auditor General's Department of Jamaica, *COVID-19 Expenditure audit. Compliance Audit Compendium Report Ministry of Health and Wellness. Ministry of Labour and Social Security*. (November 2022).

⁹⁶ Auditors General have noted that while these challenges are typical of emergency finance settings, it is one of the objectives of the short term audits (real time audits), which typically are conducted at early stages of financial programs, to assist in setting up adequate documentation and record keeping systems.

Box 3**Vulnerabilities in accounting:
Excerpts from The Gambia Audit Report⁹⁷**

"In many cases the institutions responsible for the different sectors of the COVID response failed to provide valid, accurate and verified documents to us; other times no documents were provided at all. This indicates poor internal control measures, underreporting of quantities purchased, poor record keeping of public expenditure, and risk of fraud because there is no document trail for us to verify the information provided to us." (Summarized Report p.9)

"The Ministry of Health bought hand sanitizers and plastic buckets costing over D3.2 million to supply to the National Assembly for Hygiene mechanisms. We could not confirm that the items from MoH were received by the NA or Constituents, and there were no delivery notes to show that they were supplied by the MoH." (p.122-123)

"A cash payment of more than D2 million was made to the supplier of just 3 boxes of the unproven COVID-19 organic medicine. This method of payment is highly irregular for an international supplier. We could not verify that they had received the payment, which was delivered to the President of Guinea Bissau at the Banjul Airport, without evidence that they had been authorized as an agent of the supplier." (p.99-103)

⁹⁷ National Audit Office (November 2021), *Phase 1 Audit about The Gambia Covid-19 response: Procurement and Distribution of Food and Medical Items in the Greater Banjul Area*.

7. Fraud and corruption

Almost all SAI audit reports identify vulnerabilities to fraud and corruption. The reports reveal the increasingly important role of SAI as part of the domestic institutional ecosystem on anti-corruption, with a specific added value in identifying systemic vulnerabilities to fraud and corruption in public finance. This section explores how the SAI addressed that topic in the audit reports.

A. Fraud and corruption

The SAI audits almost without exception find fraud and corruption in emergency finance. These approach this issue in different ways. “Fraud” and “corruption” are legal qualifications, and the SAIs have taken different positions on the legal qualification of audit findings.⁹⁸ Some SAIs are direct and open in qualifying certain transactions as constituting “fraud” or “corruption” (or similar legal qualifications). In other cases, the SAIs have not used these terms, but articulate settings or cases which they refer to the legal enforcement agencies. This creates the presumption of unlawful behavior, without the audit report actually saying so. A third group of SAI takes the route of building up a compelling audit case that fraud and corruption have occurred, without using the legal qualifications and without referrals. What caused SAI to opt for one approach rather than the other seems to have been mainly influenced by country conditions.⁹⁹

Whether or not a SAI has been willing to use the terms fraud or corruption seems to have had little impact on how the audit reports were received in member countries. The response from the public and the government to the audit reports generally was not determined by whether or not the audit reports used the terms fraud and corruption. Notably, some of the SAI audit reports on emergency finance which received most exposure in member countries and generated the strongest push back by the government, did not use the critical terms fraud and corruption (or equivalent legal qualifications) at all, with Sierra Leone and Pakistan being notable examples. These examples show that the audit reports can be more than what they seem when exploring the vulnerabilities of in the expenditure process of emergency finance.

The three modalities in which SAI have approached fraud and corruption in their audit reports can be illustrated as follows. It’s worth noting that according to INTOSAI only 53% of SAIs have the mandate to investigate fraud and corruption, while the majority of SAIs (86%) can refer results to other legal power for follow-up.¹⁰⁰ There is likely to be different variations of approaches in individual institutions.

- (i) **The explicit model.** The audit reports in this modality use terms “fraud” and “corruption” explicitly and freely (or comparable legal qualifications such as “crime”, “theft”, “criminal offenses”). These

⁹⁸ SAI may be constrained by their mandate to give legal qualifications to audit findings. The INTOSAI Global Stocktaking Report (2020) p.61-62 finds that 60% of the SAI have a mandate to specifically address fraud and corruption issues. Interestingly, the Stocktaking Report finds that the mandate of SAI to autonomously investigate fraud and corruption, share information with anti-corruption agencies and refer cases to the enforcement agencies tends to be stronger in countries with weak governance settings (“authoritarian” and “hybrid” regimes) than in advanced economies (“full democracies”).

⁹⁹ The court-based French or Lusitanian model arguably allows for the legal qualification of audit findings more easily than the Westminster model. As regards the audit reports on emergency finance covered in this paper however, the use of legal qualifications is balanced between these models.

¹⁰⁰ IDI Global SAI Stocktaking Report 2023. IDI 2024. (gsr.idi.no).

qualifications are used both to describe broader settings (e.g. Third South Africa audit p.71: *“Municipalities did not always follow SCM processes, which resulted in non-compliance with legislation as well as possible fraud and corruption”*) or to identify specific transactions, sometimes identifying individual public officials (e.g. Cameroon audit referring to a specific transaction p. 100: *“This situation is likely to be classified as a criminal offense.”*) The explicit model aims to raise red flags for the legal enforcement agencies – it is then incumbent on such agencies to follow-through.

Examples of member countries in this group are South Africa, Senegal and Cameroon. The South African audits are all very open in the use of legal qualifications of audit findings, particularly as constituting fraud, or an increasing fraud risk. Equally so, the Senegal audit report does not shrink from using legal qualifications (notably “infractions pénales”, which covers a wide range of criminal acts). The audit specifically requests the law enforcement agencies to commence criminal investigations against public officials (or groups of public officials) in at least 12 broader settings discussed in the report. Also, the first Cameroon audit report uses the legal qualification of “criminal offenses” for some of its findings, such as companies operating under fictitious names, or companies impersonating other companies, the building of the health posts etc.¹⁰¹

In all these country examples, the criminal enforcement agencies followed up on the audits. While speculative and beyond the scope of this paper, it may be that the open use of legal qualification in the audit reports eased the transition from the audit to the legal enforcement process. In South Africa, following the issuance of the audit report, the Special Investigating Unit (SIU) commenced investigations, with senior officials being suspended, including the entire board of the Unemployment Insurance Fund. Similarly in Senegal, the enforcement agencies started criminal investigations following the publication of the audit. These might extend to ten senior public officials, including two Ministers. In Cameroon, some of the most senior state officials have been summoned by investigators following the audit – even if this has not yet resulted in legal action being brought.

¹⁰¹ Cameroon: Public Anger As Officials Misappropriate Part Of \$382 Million IMF Covid-19 Loan (Zenger June 4, 2021) <https://www.zenger.news/2021/06/04/cameroon-public-anger-as-officials-misappropriate-part-of-382-million-imf-covid-19-loan/> - CovidGate : L'Etat perd plus de 14 milliards dans l'achat des tests de dépistage (Data Cameroon May 24, 2021) CovidGate : L'Etat perd plus de 14 milliards dans l'achat des tests de dépistage - DATA CAMEROON -CovidGate : Le MINRESI engloutit plus de 4 milliards FCFA dans la production fictive des médicaments (Data Cameroon May 21, 2021) Covid-19 : Le MINRESI engloutit plus de 4 milliards F Cfa dans la production fictive des médicaments - DATA CAMEROON

Box 4

Word Search Audit Reports

Some country examples

Burkina Faso	Fraude (2), Risque (17), Perte (2)
The Gambia	Corruption (2), Fraud (4), Risk (76), Loss (14)
Haiti	Corruption (3), Risque (17), Perte (8)
Jamaica	Fraud (2), Risk (12), Loss (2)
Madagascar	Corruption (6), Fraude (2), Risque (23), Perte (27), Nepotisme (3)
Sierra Leone	Corruption (3), Fraud (2), Theft (1), Risk (52) (1 st report) Corruption (14), Fraud (16), Theft (7), Risk (82), Loss (104), Crime (9) (2 nd report)
South Africa	Corruption (5), Fraud (106), Abuse (15), Risk (212), Manipulation (5), Loss (25) (1 st report) Corruption (3), Fraud (72), Abuse (13), Risk (157), Loss (41), Crime (5) (2 nd report) Corruption (5), Fraud (129), Abuse (7), Loss (15), (3 rd report)
Ukraine	Corruption (1), Fraud (1), Abuse (2), Crime/Criminal (55)

- (ii) **The referral model.** Some audit reports do not use the terms “fraud” or “corruption” (or similar terms) but refer audit findings to the anti-corruption or legal enforcement agencies. These referrals can involve individual transactions (e.g. the Mali audit), but can also include broad referrals to the legal enforcement authorities. This points at an approach where the SAI recognize that the audit process and legal enforcement process are closely connected, each with their own responsibilities.

Examples of member countries in this group include Kenya, Mali and Malawi. In none of these countries do the audit reports use legal qualifications (such as “fraud”, “corruption” or comparable terms). This does not deny their coverage of the vulnerabilities to fraud and corruption, which all audits find to be significant. Thus, the Kenya audit report of central government¹⁰² identifies major vulnerabilities all along the expenditure process, including at core PFM operations (e.g. use of private bank accounts), the social support programs (no ID cards of beneficiaries, shared IDs), procurement challenges (contracts issued to newly established companies, chronic overpricing,) etc. Its findings are so serious that media reports in Kenya in their coverage of the audit reports refer to the “plunder of COVID-19 Funds”. Similarly, the Mali audit¹⁰³ raises numerous red flags – without using the legal qualifiers. The Malawi report carries references to significant vulnerabilities to fraud and corruption throughout, including “procurement at exorbitant prices”, “diversion of funds for personal use”, “dubious payments”, “unaccounted cash withdrawals”, funds gone “missing without a trace”, “money shared amongst officers without justification”, and “ghost officers”, which the media understood to show “massive abuse” of the emergency finance.¹⁰⁴

¹⁰² OAG (April 2021), *Special Report of the Auditor-General on Utilization of COVID-19 Funds by National Government Entities for the Period 13 March-31 July 2020*, p.48.

¹⁰³ Vérificateur General du Mali (September 2021), *Gestion des Ressources de l'Etat utilisées dans le cadre de la Lutte contre la COVID-19*. The corruption cases transferred to the enforcement agencies include two former Ministers, the Managers of the Private Sector Guarantee Fund and the Social Support Fund, 10 Directors General, 4 Regional Directors of Hospital, 4 Directors of Central Hospitals, 18 Chief Doctors and 7 Accounting Officer. The Mali audit is included in this study for analytical purposes. Mali in its Lol did not commit to an SAI but to the Third-Party audit.

¹⁰⁴ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8986973/>

Instead of using legal qualifications for their audit findings, the SAI in these member countries refer these findings to the legal enforcement agencies to make that qualification.

The Kenya audit says (p.48) *The Ethics and Anti-Corruption Commission and the Directorate of Criminal Investigations should conduct further investigations to establish acts of criminality in all irregularities identified by this special audit.* The Mali audit report (p.72) transfers to the criminal enforcement authorities more than 50 specific cases for follow up enforcement action, while the Malawi audit recommends that “*malpractices [identified in the audit] that are criminal in nature should be handed over to the law enforcement agencies for further attention and action*” (p.xiii).

- (iii) **The implicit model.** These audit reports neither use the terms (“fraud” or “corruption”), nor refer their findings to the legal enforcement agencies. The approach taken in these reports is to generate the information and evidence which might point at fraud or corruption but to then leave it to the legal enforcement agencies to make that qualification. Sometimes euphemisms are used (“fake”, “unauthentic”, “ghost workers”, “manipulation”), which point at fraud or corruption, but these generally describe fact settings and are not legal qualifications. As previously mentioned, this implicit model has not stopped the general public nor the authorities from understanding the reports as raising issues of fraud or corruption, even if implicitly. Nor has it stopped the anti-corruption agencies in countries to follow-up on the reports.

Examples of member countries in this group include Pakistan and Sierra Leone (real time audit). These countries are notable as their audits have had a major impact in their countries: these are generally view as having identified very major vulnerabilities to fraud and corruption in the emergency finance, without actually using those terms in their reports. To exemplify, the Pakistan audit finds up to Rs.40 billion of irregularities, covering about 21% of the emergency financing according to reports, and leading to allegations of “massive corruption” in the media.¹⁰⁵ The audit report without using any of the critical terms (“fraud” and “corruption”), is hard to misunderstand: it includes such terms as “unauthentic”, “fake”, and explores a range of settings which point towards major vulnerabilities: misprocurement, payments to ineligible beneficiaries, cash withdrawal through fake biometrics and procurements of substandard goods, suspect transactions, payments to ineligible beneficiaries like government servants, pensioners and their spouses, taxpayers, missing cash etc. The audit recommends that matters “be probed at administrative level”, that “the amount shall be recovered from the firm at the earliest”, that the matter “may be probed for fixing the responsibility on the person(s) at fault”, “...immediate recovery of Government money besides fixing of responsibility against the person(s) at fault”. The audit sets out a hard case of significant vulnerability, but does not use any legal qualifications, nor call on enforcement agencies to follow up. The Sierra Leone audit (real time), follows a similar route. While observers claim the audit uncovered “massive corruption” in the management of emergency finance, terms such as “fraud” or “corruption” do not once occur in the audit report.¹⁰⁶

¹⁰⁵ *Embezzlement of Covid Fund. It's time for the PM to take this episode as a test case, and ensure that justice is done.* (The Express Tribune November 30, 2021) <https://tribune.com.pk/story/2331640/embezzlement-of-covid-fund> - Rs40b irregularities detected in PM's Covid package (The Express Tribune November 27, 2021) <https://tribune.com.pk/story/2331287/rs40b-irregularities-detected-in-pms-covid-package> - Imran Khan Govt In Soup As Pakistan's Auditor Detects Massive Irregularities In COVID-19 Expenditure (Youtube, December 1, 2021) (<https://www.youtube.com/watch?v=GHToLp0RJws>)

¹⁰⁶ <https://www.thesierraleonetelegraph.com/sierra-leones-covid-19-response-is-ineffective-but-yet-expensive-operation-says-audit-report/>

Nor is there explicit referrals to the enforcement agencies. The approach taken in the report is set out a number of critical findings, supported by compelling evidence, which point at serious misuse of emergency finance. The high vulnerability to fraud or corruption of these cases goes unstated. This unspoken message of the audit report is how the authorities and the general public read the report and explains why the Anti-Corruption Commission picked up on it with investigations and arrests.¹⁰⁷

B. Budget loss

Nearly all audit reports identify “losses” in the emergency finance, resulting from misallocation, fraud or corruption. A quantification of these losses is not a straightforward exercise: “losses” is a broad concept, which depending on the audit report may cover both the actual or the potential loss to the budget.¹⁰⁸ Also, “losses” while indicative of problems can also be misleading: they are an inadequate proxy for the structural weaknesses which create vulnerabilities to fraud and corruption, set out in Section 6 above. Thus, the suspension of the legal framework on emergency finance as happened in some countries generates broad vulnerabilities to fraud and corruption that cannot be solely captured through actual losses to the budget.

The SAI reports which quantify actual losses show that these can be significant, in some cases up to 20-30% of the emergency finance. These reports typically will not generate consolidated figures but will separate those out by topic or sector. This also reveals where the losses are most significant.

Thus, the Malawi audit finds very significant losses in irregular use and overpayment of allowances (MWK 80 million) and unaccounted cash withdrawals (MWK 83 million), with losses in other functions being more modest (such as PPE procurement - MWK 6 million). The Cameroon audit finds very high losses to the budget in ledger inaccuracies with high risk of diversion to private individuals (CFA 288 billion), overbilling of text purchases (CFA 15.3 billion), with conflict of interest cases being smaller (CFA 700 million). The Pakistan audit finds very high losses to the budget in the incomes support program, notably fraudulent transfers (Rs. 12.8 billion). Losses in other sectors, such as contracting black-listed companies (loss Rs. 77 million), resulting in overcharging for sub-par products (loss 78.2 million), while still significant, are more modest in comparison.

As a general principle legal enforcement matters for the role of the state, and it is important that the authorities maximize efforts to recuperate such losses and minimize costs to the taxpayer, in which legal enforcement has a prominent place. Also, effective enforcement shapes incentives on market behavior for the future. Consequently, legal enforcement is not just a backward-looking engagement and not solely a

¹⁰⁷ Sierra Leone Telegraph (March 30, 2022), *ACC publishes third report on steps taken to address Auditor General's 2019 and 2020 Reports* [ACC publishes third report on steps taken to address Auditor General's 2019 and 2020 Reports – Welcome to the Sierra Leone Telegraph](#) - Sierra Leone Telegraph (April 7, 2022), *ACC takes further actions in response to Auditor General's 2019 report and 2020 covid audit report* [ACC takes further actions in response to Auditor General's 2019 report and 2020 covid audit report – Welcome to the Sierra Leone Telegraph](#) Sierra Leone: Government Stops Audit into Coronavirus Funds (Africanist Press October 24, 2020) <https://africanistpress.com/2020/10/24/sierra-leone-government-stops-audit-into-coronavirus-funds/> The subsequent Sierra Leone audit did identify at least five cases which will be “sent (or forwarded) to the Anti-Corruption Commission”. Audit Service of Sierra Leone (December 2021), *Report on the Accounts of Sierra Leone for the Financial Year ended 31st December, 2020*.

¹⁰⁸ Focusing on losses arising out of fraud or corruption, notably compliance and performance audits will not distinguish between actual and potential budget losses. (Forensic audits might make that distinction.) Such audits will use the term “losses” to include “funds at risk”, which arises in a setting where the SAI either determines an expenditure unlawful or cannot make a determination on the expenditure, because of lack of access, absence of records, or other information gaps.

cost benefit analysis against losses suffered, but also has forward looking effect in shaping behavior in future emergencies, and therefore calls for effective sanctions.¹⁰⁹

Also, the losses in some cases can be so significant as to have a broader impact on public finance. It therefore makes sense to target legal enforcement (and broader reform) engagement to those sectors where losses arising from fraud and corruption are the most significant. Such decisions will be informed by various considerations, not least institutional capacity and the complexity of the specific instances of fraud and corruption. However, if one of the objectives of legal enforcement is to maximize recovery, and it then makes sense to explore where such recovery can be maximized.

Audit reports can be instrumental in mapping the losses to the budget arising from fraud and corruption. Many audit reports disaggregate losses, pinpoint their location in the expenditure process (and sometimes even individual transactions) and quantify those disaggregated losses.¹¹⁰ This approach helps both pinpoint where system vulnerabilities are the most severe in terms of budget loss. This allows for prioritizing reforms, including in legal enforcement, by focusing on critical sectors or even individual cases with the objective to maximize recovery. A legal-institutional approach which generally focuses on statutory or implementation weaknesses is less useful in that regard. In charting its response to the findings of the audit reports, including on legal enforcement, it therefore makes sense for the authorities to have a closer look at the relative budget impact of the fraud and corruption in the various public entities covered by the audit reports.

¹⁰⁹ Effective sanctions are critical and help explain why countries such as the US put significant efforts in the criminal enforcement on emergency finance fraud, despite modest actual recovery. This stands in contrast to countries such as Sierra Leone e.g. where the Anti-Corruption Commission settled all anti-corruption procedures arising out of the emergency finance audit with repayment plans by the perpetrators. Generally, if the sole sanction for theft is for the thief to return stolen goods, this does not disincentivize repeat behavior.

¹¹⁰ A recent comparative study focused on pinpointing corruption vulnerabilities in regional government based on audit reports. That model could be replicated at national level focusing on public entities and government departments. M. Denly, *Measuring Corruption Using Governmental Audits: A New Framework and Dataset* (2023) <https://mikedenly.com/files/audit-measurement.pdf>

8. Conclusions

In 2020 the IMF Managing Director told member countries to keep the receipts of the emergency finance. This translated into commitments in the Letters of Intent which strengthened transparency and accountability given that such measures addressed the urgent BoP need that the IMF's emergency financing addressed, to address budget seepages through fraud and corruption. A key safeguard was audits of emergency finance by Supreme Audit Institutions, whose constitutional mandate it is to verify receipts. This paper explores how that commitment has been implemented.

A. The commitment

The commitment to conduct an audit by the Supreme Audit Institution of the emergency finance sits in the Letters of Intent of 56 countries. (Another 9 countries committed to conduct third party audits.) There is some variety in how these commitments were drafted, which merits attention for the future. Notably, the commitments could recognize the agility of the audits, and how these can step in at very early stages of expenditure programs specifically to ensure that proper administration is put in place at early stages of such programs, as happened in countries such as Sierra Leone and South Africa e.g. Also, the publication and timeliness of audits are critical for accountability, on which there is considerable variety in the wording and implementation of the commitments. **These are fairly straightforward matters on which it is relatively easy for the IMF to develop a common approach for the future.**

The commitment in all member countries covers emergency finance without further specification. As this paper shows, for all but four countries the IMF emergency finance became subsumed into domestic emergency finance, and hence could not be audited separately. That is not a problem in itself. It does however change the nature of the audit from an ad hoc focused accounting for the specific IMF financing to an instrument of public accountability of the domestic emergency finance of member countries. That impacts on the commitment, and how it is assessed. The paper approaches SAI audits in that domestic context in which IMF financing and the LOI are leveraged to strengthen domestic systems of public accountability of public finance. **This context also helps explain why third-party audits, which are well suited for auditing the narrow envelope of IMF financing if it had been separately administered, are less well suited for auditing the broad-based budget streams of domestic emergency finance in most member countries.**

B. The implementation

The overwhelming majority of the group of 56 member countries published SAI audits (92.5%). In many countries (18%) these were multiple audits. All 14 FCS countries (of the 2023 FCS list) published the SAI audit reports. Also, the SAI in some countries engaged in a quasi-dialogue with the authorities on their audit findings, addressing criticisms or verifying follow-up.

Publication in the majority of countries was done as a matter of course as part of the national accountability system. In a sizeable minority of countries however, it was realized through new program conditionality (26%). The push-back from authorities against transparency and accountability on emergency finance also translated in steps being undertaken against the SAI or against auditors in some countries – which

sits outside the ambit of this paper. These developments do show that publication, besides often being required under domestic law, matter for accountability in domestic contexts. This matter should be at the forefront of IMF thinking for the future.

The majority of audits are compliance and performance audits. These focus on whether expenditures have been effected in compliance with regulations and have achieved the intended policy objectives efficiently and effectively. This approach is well suited to identify vulnerabilities to fraud and corruption in public expenditure. Several countries also effected “real time audits” at very early stages in the emergency finance program (Kenya within 4 months and Sierra Leone in 6 months), with the objective of supporting the establishment of proper management and accountability systems at early stages of emergency finance. These different audit instruments therefore showed remarkable agility.

C. Key findings

This paper identifies vulnerabilities to fraud and corruption by typology identified in the audit reports. It does not focus on anyone country specifically. This means that the vulnerabilities identified in this paper need not occur in anyone country all at once. However, in many if not most country cases, the audit reports are emphatic that vulnerabilities do not stand on their own but exist next to each other and are mutually reinforcing. In such country settings, some of which are identified in this paper, a weak statutory framework combined with core PFM vulnerabilities and significant challenges in disbursement and delivery and record-keeping, conspire to create setting of wide-ranging discretion and opacity, opening the door to major misallocations of public funds, fraud and corruption. These settings call for more holistic approaches in reform. Also, some audit reports note that a piecemeal approach by the authorities in addressing these challenges is falling short, and retains the key vulnerabilities.

The paper finds that the SAI audit reports identify vulnerabilities all along the budgetary process, from the statutory framework to implementation and from appropriation to budget execution. Indeed, the audit reports point at an intimate connection between these different steps in the budgetary process, in which the ease of budget execution (through often unlawful processes) invites a particular form of appropriations (which may be unlawful also). The audit reports are useful to showing how these different aspects of the budgetary process in fact are closely connected. The paper consequently follows the audit trail, which focuses on money-flows and hence cross-cutting challenges in the budget process, rather than legal-technical silo's of the PFM process.

Even so, and for purposes of oversight, the following key steps of the process can be distilled from the audit reports. The first is the statutory framework, which may have been suspended because of the emergency, or which carries intrinsic weaknesses, resulting in implementational vulnerabilities to abuse, including excessive discretion or bundling of incompatible functions. The second is vulnerabilities in the core PFM operations, such as the administration of financial streams and disbursements methods. The next are vulnerabilities in the disbursement mechanisms, in which the audits lift out two areas of vulnerability in particular, being social-economic support programs and in the purchase of goods and services (e.g. procurement). Finally, the audits identify vulnerabilities in budget-execution, delivery, administration and record-keeping. Not all receipts were kept.

The SAI audit reports therefore identify structural vulnerabilities in budgetary processes and their implementation which open the door to fraud and corruption. This makes these reports useful platforms for future reform engagement. Also, the SAI audit reports can bolster other IMF transparency and safeguard measures, such as on beneficial ownership and procurement, since the registers are useful input to audit work, and thus the audits give a voice to the other measures and can help operationalize those.

D. Coverage of fraud and corruption

The SAI audits almost without exception identify vulnerabilities to fraud and corruption. This reflects the broader role of the SAI in recent years in addressing fraud and corruption to bridge the expectation gap.¹¹¹ The audit reports show that the large majority of SAI in the recipient countries of the IMF emergency finance have embraced this role wholeheartedly.

Fraud and corruption are addressed in broadly three ways in the audit reports. These are first, through direct identification of fraud or corruption. In some countries the audit reports identify the main perpetrators. Second, audit reports explicitly refer audit findings to the law enforcement agencies. Finally, in the implicit method, audit reports use terms to qualify findings ("fake", "unauthentic", "ghost workers", "manipulation"), but leave it to the enforcement agencies to then pick up the leads. While not within the ambit of this paper, in many countries the enforcement agencies have followed up on these findings. In other countries, there has been reluctance to follow-up and indeed push-back from the authorities, including on audit reports in the last (implicit) category.

E. The structural effect

The measures contained in the Letters of Intent have strengthened the role of the SAI in the transparency and accountability framework on emergency finance. The SAI of the RCF/RFI recipient countries in large majority have embraced the platform offered through the Letters of Intent, with often incisive and deep cutting audits. Also, of the 50 countries which published the SAI audits on emergency finance, 15 did not routinely publish audit reports, or did not publish them at all – often statutory provisions notwithstanding. In that sense the Letters of Intent for IMF financing enhanced the transparency and accountability system in the specific setting of emergency finance.

The structural effect of the Letters of Intent has been limited, however. Of the group of 50 member countries, the SAI in 14 countries have not published an audit report since. This shows that for these countries, the IMF engagement on emergency finance has not carried over into a structural strengthening of the SAI. More consistent IMF support for the SAI, in line with domestic legislation and international standards, would help translate ad hoc engagement with more structural system enhancement.

¹¹¹ On the "expectation gap" see e.g. M. Aldcroft & S. Pompe (2021).

The IMF Managing Director commented that international crises are likely to become more frequent in the future.¹¹² It is clear from the audit reports that not all receipts were kept. The SAI audit reports on emergency finance have been useful and successful instruments to identify why this happened and inform approaches for structural causes for the fraud and corruption which occurred in member countries. They stood a major test of effectiveness, including amongst the most fragile member countries. These are existing institutions and accountability processes in all member countries and going forward, and their continued relevance seems evident, including for IMF engagement. The new climate financing is a case in point.¹¹³

The LoI commitments on SAI audits in IMF emergency finance have been an innovation for the IMF. Never before did the IMF engage with Supreme Audit Institutions on such an extensive scale, in a fairly uniform financing arrangement. That engagement should be seen as a broad based effort to structurally strengthen transparency in public finance, with emergency finance serving as the entry point. It merits drawing broader lessons and building on this experience.¹¹⁴

¹¹² Statement by the Managing Director on the Independent Evaluation Office Report on The IMF’s Emergency Response to the COVID-19 Pandemic Executive Board Meeting March 13, 2023

¹¹³ INTOSAI, Auditing climate finance: research and audit criteria for Supreme Audit Institutions. (2022); T Chan, L. Ford, C. Higham, S. Pouget and J. Setzer, Corruption and integrity risks in climate solution: an emerging global challenge (2023)

¹¹⁴ In 2023 the IMF Board supported building on this experience in working with supreme audit institutions (SAIs) in supporting anti-corruption efforts. IMF, Review of Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance (2023).

Appendix 1. IMF EMERGENCY FINANCE COVID-19 LIST ON PUBLISHED SAI AUDITS OF EMERGENCY FINANCE

Current status:

- Number of RCF/RFI recipient countries of the IMF COVID-19 emergency finance: 88, of which
- Number of countries which carry LOI commitments on conducting SAI audits of the emergency finance: 56, of which Number of countries which did not take up the IMF emergency financing: 2 (remaining: 54)
- Number of countries with SAI LOI commitments which issued/published audits of the emergency finance: 50 (92.5%)
- Number of countries with SAI LOI commitments which did not issue/published audits of the emergency finance: 4
- Number of countries without SAI LOI commitments which published SAI audits of the emergency finance: 3

A. Countries with LOI commitments on SAI audits of IMF COVID-19 emergency finance which published audit reports

1.	Afghanistan	Consolidated Covid-19 Expenditure Report
2.	Bahamas	https://www.bahamas.gov.bs/wps/wcm/connect/af78fadd-97a9-40fd-a15c-418578444870/Report+on+IMF+US%24250+Million+RFI+Loan.pdf?MOD=AJPERES
3.	Bangladesh	(1) https://cag.org.bd/storage/app/uploads/public/62b/2e2/5ff/62b2e25ff28c7567423807.pdf (2) https://cag.org.bd/storage/app/uploads/public/642/a87/b45/642a87b45d2e1876870421.pdf (3) https://cag.org.bd/storage/app/uploads/public/636/201/7cc/6362017cc1e14660556748.pdf
4.	Benin	https://finances.bj/wp-content/uploads/2022/07/Rapport-provisoire-COVID-19-bon.pdf
5.	Burkina Faso	https://www.asce-lc.bf/index.php/documentations/rapports-d-audits?task=document.viewdoc&id=226
6.	Burundi	http://www.courdescomptes.bi/assets/images/covid2023.pdf
7.	Cabo Verde	https://tribunalcontas.cv/sites/default/files/tcontas-document/Relatório_Auditoria_Desempenho_Fundos_Covid_19_Final.pdf
8.	Cameroon	(1) www.minfi.gov.cm/wp-content/uploads/2021/11/AUDIT_S_REPORT_ON_THE_USE_OF_THE_COVID_19_FUND.pdf (2) https://www.dgb.cm/en/audit-of-the-special-national-solidarity-fund-to-fight-against-coronavirus/ (3) https://www.dgb.cm/wp-content/uploads/2023/03/Cameroon-THIRD-COVID-19-FINAL-RAPPORT-Deliberation-of-marche-16-2023.pdf

9.	Central African Republic	Rapport Definitive Lutte Contre la pandémie COVID 19 Bon_0.pdf
10.	Dominican Republic	https://www.camaradecuentas.gob.do/index.php/component/k2/item/452-ministerio-de-hacienda-mh-informe-de-auditoria-de-gestion-practicada-a-los-fondos-desembolsados-a-la-republica-dominicana-por-el-fondo-monetario-internacional-fmi-a-traves-del-instrumento-de-financiamiento-rapido-rei-en-mayo-2020
11.	DRC	RAPPORT DE LA COUR DES COMPTES SUR LA VERIFICATION FINANCIERE ET DE CONFORMITE DE LA GESTION DES FONDS ALLOUES A LA RIPOSTE CONTRE LE COVID 19 – Cour des Comptes
12.	Ecuador	https://www.contraloria.gob.ec/EmergenciaSanitaria/Covid19
13.	Egypt	https://assets.mof.gov.eg/files/1025b490-bcae-11eb-8322-c38d176f96b8.pdf
14.	El Salvador	https://www.cortedecuentas.gob.sv/index.php/es/informacion-en-covid19/resultados-de-auditorias-covid19
15.	Eswatini	https://www.gov.sz/index.php/document-auditor/audit-report Part of the Compliance Report 2022 & also a third party audit
16.	Ethiopia	https://www.ofag.gov.et/ofag/?wpfb_dl=973 Commitment does not call for publication
17.	The Gambia	(1) https://nao.gm/wp-content/uploads/2022/04/NAO-COVID_19-Phase-1-Audit-Report_Simplified-Version.pdf (2) Audit Report on the Government COVID-19 Response - Procurement and Distribution of Medical and Food Items (nao.gm)
18.	Guinea	http://www.ccomptes.org.gn/images/docs/ROD_sur_le_fonds_COVID-19_pour_Impression.pdf
19.	Haiti	https://www.cscga.gouv.ht/documents/361.pdf
20.	Honduras (2 reports)	(1) https://www.tsc.gob.hn/web/auditorias/auditorias_especiales/001-2020-CEAC-GAE-COPECO-A.pdf https://www.tsc.gob.hn/web/Auditorias/Auditorias_Especiales/02-2020-CEAI-GAE-INVEST-H-B.pdf
21.	Jamaica (5 reports)	(1) Audit of the COVID-19 Allocation of Resources for Employees (CARE) Programme Review of the CARE Programme with specific emphasis on the COVID-19 Path Grants, General Grants & BEST Cash Grants – Auditor General's Department (2) Compliance Audit Compendium Report – COVID19 Expenditure (MoHW & MLSS) – Auditor General's Department Compliance Audit Compendium Report COVID-19 Expenditure – MoHW (Addendum) – Auditor General's Department
22.	Jordan	PRIME MINISTRY ANNOUNCEMENTS AND CIRCULARS - Minister of Finance Income and Sales Tax Department (mof.gov.jo) 1454_001.pdf (mof.gov.jo)

23.	Kenya (3 reports)	<p>(1) https://www.oagkenya.go.ke/wp-content/uploads/2022/09/CONSOLIDATED-COVID-19-AUDIT-REPORTS-2022.pdf</p> <p>(2) https://www.oagkenya.go.ke/wp-content/uploads/2021/09/UTILIZATION-OF-COVID-19-FUNDS-NATIONAL- GOVERNMENT-2021.pdf</p> <p>(3) https://www.oagkenya.go.ke/wp-content/uploads/2021/09/UTILIZATION-OF-COVID-19-FUNDS-BY-COUNTY-GOVERNMENTS-2020.pdf</p>
24.	Kyrgyz Republic	https://www.esep.kg/images/docs/2021/otchet_byudjet2020_ru.pdf Part of the Annual Audit Report
25.	Lesotho	http://www.finance.gov.ls/documents/Budget%20Formulation/Budget%20Oversight/REPORT%20OF%20THE%20AUDITOR%20GENERAL%20MARCH%202021.pdf Part of the Audit Report on the Consolidated Financial Statements 2020-21
26.	Liberia	https://gac.gov.lr/wp-content/uploads/2021/04/Auditor-Generals-Report-On-the-Financial-Statements-of-the-Incident-Management-System-IMS-COVID-19-Response-For-the-Five-Months-Ended-June-30-2020-Reduced-Size.pdf
27.	Madagascar	<p>(1) http://www.justice.mg/wp-content/uploads/2022/03/covidmarchespupdf.pdf</p> <p>(2) http://www.justice.mg/wp-content/uploads/2022/03/COVID-19rappORG.pdf</p> <p>(3) http://www.justice.mg/wp-content/uploads/2022/03/covidmesuressocialespdf.pdf</p> <p>(4) http://www.mef.gov.mg/assets/vendor/ckeditor/plugins/kcfinder/upload/files/reformes/12%20Rapport%20DEF%20NOTIFIE%20%20suivi%20%20des%20recommandations%20de%20la%20Cour.pdf</p>
28.	Malawi	https://times.mw/wp-content/uploads/2021/04/Part-1.pdf
29.	Mauritania	https://www.cdcmr.mr/wp-content/uploads/2022/03/RAPPORT-AUDIT-FONDS-COVID-2020-2021-CC3.pdf
30.	Moldova	<p>(1) https%3A%2F%2Fwww.ccrm.md%2Fru%2Fotchety-ob-upravlennii-gosudarstvennymi-sredstvami-v-period-pandemii-proverennyi-profilnoy-80_91993.html&data=05%7C01%7Cspompe%40imf.org%7C0ca5ba7e1252401335a608dab1056161%7C8085fa43302e45bdb171a6648c3b6be7%7C0%7C0%7C638016934282792979%7CUnknown%7CTWFpbGZsb3d8eyJWlloiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6Ikl1haWwiLCJXVCi6Mn0%3D%7C2000%7C%7C%7C&sdata=QD2Hc%2B%2FPYQUsjWlVwES7TMoN4ABUn8O%2F4fWAURp11bY%3D&reserved=0 (Audit Report on the compliance of management and use of resources for health preventing and combating the spread of COVID-19 infection and Financial Audit Report of the Supplementary Grant to the Project "Emergency Response to COVID-19 in the Republic of Moldova".)</p> <p>(2) Hotărârea nr.71 din 16 decembrie 2021 pentru aprobarea Raportului auditului performanței „Autoritățile competente au întreprins suficiente măsuri în vederea asigurării cetățenilor cu vaccinuri și atingerii imunității colective pentru combaterea infecției COVID-19?” (ccrm.md) (performance audit on COVID-19 vaccination)</p> <p>(3) Hotărârea nr. 5 din 17 februarie 2022 pentru aprobarea Raportului auditului conformității asupra realizării măsurilor de motivare și</p>

		<p>sustinere financiară a personalului implicat în prevenirea, depistarea și tratamentul infecției COVID-19 și a măsurilor de supraveghere și monitorizare a persoanelor aflate în carantină (ccrm.md) (compliance audit of the financial support to the personnel involved in anti-covid 19 efforts)</p> <p>(4) Hotărârea nr. 36 din 28 iulie 2022 cu privire la Raportul auditului asupra rapoartelor financiare consolidate ale Ministerului Sănătății încheiate la 31 decembrie 2021 (ccrm.md) (financial audit of the Ministry of Health)</p> <p>(5) Hotărârea nr.20 din 26 mai 2022 cu privire la Raportul auditului financiar al Raportului Guvernului privind executarea fondurilor asigurării obligatorii de asistență medicală în anul 2021 (ccrm.md) (audit mandatory health insurance)</p>
31.	Montenegro	http://www.dri.co.me/1/doc/Audit%20report%20Confirmation%20health%20care%20costs%20Covid%2019%20SAI%20Montenegro.pdf
32.	Mozambique	https://www.ta.gov.mz/Pages/default.aspx#/
33.	Myanmar	https://www.mopf.gov.mm/my/node/12218
34.	Namibia	https://oag.gov.na/special-reports/-/document_library/efwAeQ1dHWNe/view_file/2059784?com_liferay_document_library_web_portlet_DLPortlet_INSTANCE_efwAeQ1dHWNe_redirect=https%3A%2F%2Foag.gov.na%2Fspecial-reports%3Fp_id%3Dcom_liferay_document_library_web_portlet_DLPortlet_INSTANCE_efwAeQ1dHWNe%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview
35.	Nepal	https://oag.gov.np/menu-category/940/en
36.	Nigeria	https://oagf.ng/docman/40-interim-report-special-audit-of-the-federal-government-s-response-to-covid19
37.	Pakistan	www.agp.gov.pk/SiteImage/Policy/53.%20Covid-19%20Audit%20Report%2008.06.2021.pdf

38.	Rwanda	https://www.oag.gov.rw/index.php?id=173
39.	Sao Tome & Principe	http://www.tcontas.st/relatorios.php http://www.tcontas.st/relatorio/Relatorio_auditoria.pdf
40.	Senegal	https://www.courdescomptes.sn/publications/rapports/rapports-particuliers/
41.	Seychelles	https://www.oag.sc/reports/report-of-the-auditor-general-2020/download
42.	Sierra Leone	(1) www.audit-service.gov.sl/wp-content/uploads/2020/12/Report-on-the-Audit-of-Funds-managed-by-NaCOVERC-and-other-MDAs-March-June-2020-1.pdf (2) National-COVID-Emergency-Response-Centre-Report-on-the-Financial-Statement-for-the-Period-1st-July-to-31st-December-2020.pdf (audit-service.gov.sl)
43.	Solomon Islands (4 reports)	(1) https://www.oag.gov.sb/audits/performance-audits/338-thematic-audit-report-on-covid-19-related-procurement-in-a-state-of-public-emergency-by-three-ministries/file.html (2) https://www.oag.gov.sb/audits/performance-audits/338-thematic-audit-report-on-covid-19-related-procurement-in-a-state-of-public-emergency-by-three-ministries/file.html (3) https://www.oag.gov.sb/audits/performance-audits/337-audit-report-on-procurement-relating-to-covid-19-disaster-relief-fund-by-the-ministry-of-health-and-medical-services/file.html (4) https://www.oag.gov.sb/documents/audits/performance-audits/340-audit-report-on-procurement-relating-to-covid-19-disaster-relief-fund-by-the-national-disaster-management-office/file.html
44.	South Africa (3 reports)	(1) First-special-report-on-the-financial-management-of-government-covid-19-initiatives-2020.pdf (agsareports.co.za) (2) Second-special-report-on-financial-management-of-government-covid-19-initiatives-2020.pdf (agsareports.co.za) Third-special-report-on-the-financial-management-of-government-covid-19-initiatives-2021.pdf (agsareports.co.za)
45.	South Sudan	Statement-on-RCF1-6.9.21.pdf (mofep-grss.org)
46.	Tajikistan	http://minfin.tj/downloads/khylosaiphjt.pdf

47.	Tanzania	https://www.nao.go.tz/uploads/reports/REPORT_ON_THE_AUDIT_OF_UTILISATION_OF_FUNDS_ISSUED_UNDER_THE_CATASTROPHE_CONTAINMENT_AND_RELIEF_TRUST_FACILITY_FROM_JUNE_2020_TO_APRIL_2022.pdf
48.	Uganda	https://finance.go.ug/sites/default/files/Publications/Thematic%20Audit%20Report%20on%20COVID%20-19%20Pandemic%20Government%20interventions%20February%202021%20%281%29.pdf
49.	Ukraine	https://dasu.gov.ua/attachments/58dbe33f-3148-45ed-8518-cd7bb78e95d1_%D0%97%D0%92%D0%86%D0%A2%20(2).pdf
50.	Uzbekistan	http://ach.gov.uz/uploads/df3ade09-9271-d2c8-760c-68222ca338c3.pdf

B. Countries with LOI commitments on SAI audits of IMF COVID-19 emergency finance which did not complete/issue/publish audit reports

1.	Barbados	No report
2.	Bolivia	Committed to an SAI audit but didn't take the emergency finance.
3.	Djibouti	No report
4.	Guatemala	Committed to an SAI audit but didn't take the emergency finance.
5.	St Vincent	No report
6.	Tonga	No report

C. Countries without LOI commitments on SAI audits of IMF COVID-19 emergency finance which published SAI audit reports

1.	Kosovo	zka-rks.org/cms/uploads/2023/07/RaportiAuditimit_Emergjenca-Covid19_2022_Shqip.pdf No LOI commitment
2.	Mali	www.bvg-mali.org/images/Rapports/individuels/v-financiere/NET_RAPP_FONDS_COVID-19_-_BUDGET_DETAT-RED.pdf LOI commitment Third Party audit
3.	Mongolia (3 reports)	(1) Audit report on Covid-19 emergency response and health system preparedness project.pdf (2) Audit report on One door one test campaign.pdf (3) Performance Audit on Implementation and Impact of the Law on Preventing and Combatting the COVID-19 Pandemic and Mitigating Negative Social and Economic Consequences LOI commitment Third Party audit

D. Countries without LOI commitments on SAI audits of IMF COVID-19 emergency finance which published SAI audit reports

1.	Kosovo	https://zka-rks.org/wp-content/uploads/2022/09/RaportiAuditimit_Emergjenca-Covid19_2021_Eng.pdf No LOI commitment
2.	Mali	www.bvg-mali.org/images/Rapports/individuels/v-financiere/NET_RAPP_FONDS_COVID-19_-_BUDGET_DETAT-RED.pdf LOI commitment Third Party audit
3.	Mongolia (3 reports)	(4) Audit report on Covid-19 emergency response and health system preparedness project.pdf (5) Audit report on One door one test campaign.pdf (6) Performance Audit on Implementation and Impact of the Law on Preventing and Combatting the COVID-19 Pandemic and Mitigating Negative Social and Economic Consequences LOI commitment Third Party audit

E. Countries without LOI commitments on SAI audits of IMF COVID-19 emergency finance which published SAI audit reports

1.	Kosovo	https://zka-rks.org/wp-content/uploads/2022/09/RaportiAuditimit_Emergjenca-Covid19_2021_Eng.pdf No LOI commitment
2.	Mali	www.bvg-mali.org/images/Rapports/individuels/v-financiere/NET_RAPP_FONDS_COVID-19_-_BUDGET_DETAT-RED.pdf LOI commitment Third Party audit
3.	Mongolia (3 reports)	(7) Audit report on Covid-19 emergency response and health system preparedness project.pdf (8) Audit report on One door one test campaign.pdf (9) Performance Audit on Implementation and Impact of the Law on Preventing and Combatting the COVID-19 Pandemic and Mitigating Negative Social and Economic Consequences LOI commitment Third Party audit

Appendix 2. IMF EMERGENCY FINANCE COVID-19 PROGRAM CONDITIONALITY ON SAI AUDITS OF COVID-19 EMERGENCY FINANCE IN RCF/RFI RECIPIENT COUNTRIES 2020-2023

Of the 50 countries which published a SAI audit of emergency finance, for 13 countries program conditionality on the publication of audits was included in new IMF programs (UCT) after the IMF emergency finance for these countries was approved by the IMF Board. For an additional 4 countries such SAI audits were included in new program conditionality, even if their prior LOI did not include commitments on SAI audits.

	Country	Date	Measure	Description
1.	Afghanistan	2020-NOV(ECF)	SB	The Supreme Audit Office to undertake audits of Covid-19 spending in FY2020 (as outlined in the MEFP) and publish its audit reports [Prior LOI commitment]
2.	Argentina	2022-MAR(EFF)	SB	Publication of an external ex-post audit on COVID spending that took place at least during 2020 [New Program conditionality]
3.	Benin	2022- JUL(ECF-EFF)	PA	The Audit Court will undertake an independent audit of COVID 19-related spending and publish the results on an easily accessible government website. [Prior LOI commitment]
4.	Cameroon	2021- JUL(ECF-EFF)	PA	Submission of the audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2020 expenses related to COVID-19 [Prior LOI commitment]
5.	Ecuador	2020-SEP(EFF)	PA	Consolidate COVID-19 audit work in a dedicated webpage within the Comptroller General Office website. The webpage will provide easy access to all the published independent audit reports of COVID-19-related spending with the corresponding links to the reports. The dedicated COVID-19 audit webpage should also inform the public of other COVID-19 related audit reports that cannot be published on the webpage at this moment due to confidentiality required by law arising from ongoing investigations and legal proceedings. The webpage should provide a summary of the findings of such reports based on information that can be disclosed. [Prior LOI commitment]
			SB	Undertake an independent audit of COVID-19-related spending by the Office of the Comptroller General by mid- 2021 and publish the results on a government website. [Prior LOI commitment]

6.	Gabon	2021- EFF(JUL)	PA	Publication on the government website of the results of the audit for all COVID-19 related expenditures. [New Program conditionality]
7.	The Gambia	2020- MAR(ECF)	PA	Submit the phase 2 audit report of COVID-19-related spending to the National Assembly. [Prior LOI commitment]
			SB	Publish the phases 1 and 2 audit reports of COVID-19- related spending on the website of MOFEA and/or other platforms. [Prior LOI commitment]
			SB	Publish the phases 2 audit reports of COVID-19-related spending on the website of MOFEA and/or other platforms.
8.	Guinea Bissau	2023- JAN(ECF)	PA	Completion and publication of the complementary audit of COVID spending. [New Program conditionality]
9.	Jordan	2020- MAR(EFF)	SB	Undertake ex-post audits of all crisis-mitigating inflows and spending, which will also assess the transparency of the procurement process and take stock of the publication of beneficial ownership of entities awarded such contracts since end-June 2020, and publish the results. [Prior LOI commitment]
			SB	Undertake ex-post audits of all COVID-related spending in 2021 and publish the results. [Prior LOI commitment]
10.	Kenya	2021- APR(ECF-EFF)	SB	Publish the results of an audit of all COVID-19-related expenditures in FY2019/20. [Prior LOI commitment]
			SB	Publish results of a forensic audit of COVID-19 vaccine spending up to June 2021 and a comprehensive audit of expenditures in FY2020/21 with a chapter on COVID-19-related spending. [Prior LOI commitment]
11.	Madagascar	2021- MAR(ECF)	PA	Publication of the Cour des Comptes audit of the financial flows related to the fight against COVID-19." [Prior LOI commitment]
12.	Mozambique	2022- MAY(ECF)	PA	Complete and publication of the independent audit of COVID spending. [Prior LOI commitment]
13.	Niger		SB	Publish the audit report by the Auditor General (Cour des Comptes) on 2020 COVID-19-related spending. [New Program conditionality]

14.	Seychelles	2021- JUL(EFF)	PA	Publication of the COVID Financial Assistance Audit. [Prior LOI commitment]
15.	Tanzania	2022- JUL(ECF)	SB	Complete and publish the post-crisis audit of pandemic-related spending. [Prior LOI commitment]
16.	Uganda	2021- JUN(ECF)	PA	Publish the special COVID-19 expenditure audit for FY 20/21. [Prior LOI commitment]
17.	Ukraine	2020- JUN(SBA)	SB	Complete a compliance audit by the State Audit Service of Ukraine, in consultation with external/third party auditors, of COVID-related spending, as defined in ¶2e [Prior LOI commitment]
			SB	Complete and publish the audit of the of the remaining portion of the funds spent out of the Covid-related spending program (¶2) [Prior LOI commitment]

Appendix 3. IMF EMERGENCY FINANCE COVID-19 IMPACT LOI COMMITMENT ON SAI PUBLICATION OF AUDIT REPORTS¹¹⁵

The near-universal feature in all 56 LOI commitments on SAI audits of emergency finance is the commitment to publish of the audit report.¹¹⁶ Of the 50 member countries at the time of writing of this paper whose SAIs published audits of emergency finance, 7 countries (14%) do not routinely publish audit reports, or do not publish any audit report at all. Also, the publication of audit reports was discontinued by 14 countries of the group (28%) after publication of the audit report under the LOI commitment.

		Did the SAI publish an audit report 3 years before 2020 IMF Staff verification	Did the SAI publish an audit 3 years after 2020 IMF Staff verification
1.	Afghanistan https://sao.gov.af/en	No	No
2.	Bahamas No distinct website	Yes	No
3.	Bangladesh https://cag.org.bd/	Yes	Yes
4.	Benin https://cdescomptes.bj/	Yes	No
5.	Burkina Faso https://www.cour-comptes.gov.bf/accueil	Yes	Yes
6.	Burundi https://courdescomptes.bi/	Yes	No
7.	Cabo Verde https://tribunalcontas.cv/	No	Yes
8.	Cameroon https://chambredescomptes.cm/	Yes	No
9.	Central African Republic No website	No	No
10.	Dominican Republic https://www.camaradecuentas.gob.do/index.php	Yes	Yes
11.	DRC https://courdescomptes.cd/	Yes	Yes
12.	Ecuador https://www.contraloria.gob.ec/	Yes	Yes

¹¹⁵ Not including “arrets” in the Francophone and Lusitanian models.

¹¹⁶ Only for two countries does the LOI not call for publication: Ethiopia and Nicaragua. Both countries published their audit reports regardless. The Nicaraguan commitment was for a SAI audit, but the country effected a third-party audit instead.

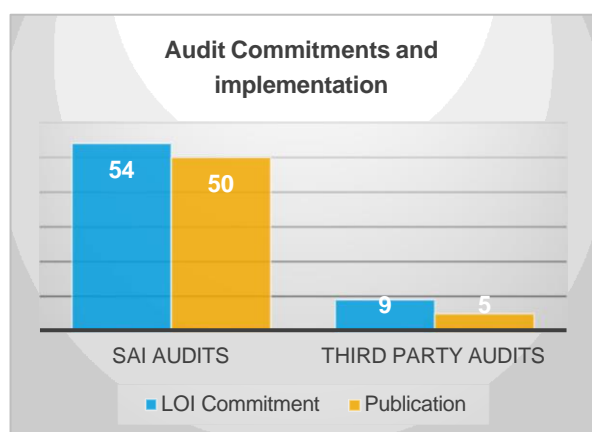
13.	Egypt ¹¹⁷ http://asa.gov.eg/	No	No
14.	El Salvador https://www.cortedecuentas.gob.sv/index.php/es/	Yes	Yes
15.	Eswatini https://www.gov.sz/index.php/ministries-departments/auditor-general	Yes	Yes
16.	Ethiopia https://www.ofag.gov.et/ofag/	Yes	Yes
17.	The Gambia https://nao.gm/	Yes	Yes
18.	Guinea http://www.ccomptes.org.gn/index.php/en/	Yes	Yes
19.	Haiti https://www.cscga.gouv.ht/	Yes	No
20.	Honduras https://www.tsc.gob.hn/web/	Yes	No
21.	Jamaica https://auditorgeneral.gov.jm/	Yes	Yes
22.	Jordan ¹¹⁸ https://ab.gov.jo/Default/En	Yes	No
23.	Kenya https://www.oagkenya.go.ke/	Yes	Yes
24.	Kyrgyz Republic https://www.esep.kg/	Yes	Yes
25.	Lesotho Website under construction	No	No
26.	Liberia https://gac.gov.lr/	Yes	Yes
27.	Madagascar https://ccomptes.mg/fr/	Yes	Yes
28.	Malawi ¹¹⁹ https://www.nao.gov.mw/index.php/en/about/the-auditor-general	Yes	Yes
29.	Mauritania https://www.courdescomptes.ma/	Yes	Yes
30.	Moldova https://www.ccrm.md/en	Yes	Yes
31.	Montenegro https://www.revizorskotijelo.me/en/	Yes	Yes
32.	Mozambique https://www.ta.gov.mz/#/-	Yes	Yes
34.	Namibia https://oag.gov.na/	No	No

¹¹⁷ Website did not respond.¹¹⁸ The website carries two reports, from 2016 and 2020. Both are summaries¹¹⁹ Website does not work.

35.	Nepal https://oag.gov.np/en	Yes	Yes
36.	Nigeria https://oaugf.ng/	Yes	Yes
37.	Pakistan https://agp.gov.pk/	Yes	Yes
38.	Rwanda https://www.oag.gov.rw/index.php?id=2	Yes	Yes
39.	Sao Tome & Principe http://www.tcontas.st/	Yes	Yes
40.	Senegal https://www.courdescomptes.sn/	Yes	Yes
41.	Seychelles https://www.oag.sc/	Yes	No
42.	Sierra Leone https://www.auditservice.gov.sl/	Yes	Yes
43.	Solomon Islands https://www.oag.gov.sb/	Yes	Yes
44.	South Africa https://www.agsa.co.za/	Yes	Yes
45.	South Sudan https://nac.gov.ss/	Yes	Yes
46.	Tajikistan https://sai.tj/index.php/en/	No	No
47.	Tanzania https://www.nao.go.tz/	Yes	Yes
48.	Uganda https://www.oag.go.ug/welcome	Yes	Yes
49.	Ukraine https://dasu.gov.ua/en	Yes	Yes
50.	Uzbekistan http://ach.gov.uz/uz	Yes	Yes

Appendix 4 THIRD PARTY AUDITS OF IMF COVID-19 EMERGENCY FINANCE

This Appendix summarizes the status of third-party audits in the IMF COVID-19 emergency finance. Third party audits are not covered in this paper, largely because these sit outside the formal accountability framework of member countries. There is no established procedure for processing these reports, either through the institutional process (Parliament) or the enforcement agencies. In that sense, while third party audits can be effective and purposeful as ad hoc instruments for factual discovery and transparency, their role in strengthening accountability frameworks in member countries is absent.



Of the 75 Letters of Intent (LoI) which carried commitments to conduct audits, in 9 LoI member countries committed to conduct and publish a Third-Party audits of emergency finance. Of this number, 5 countries published the third-party audit report (55.5%). Of the remaining countries, 3 countries conduct a SAI audit instead. One country did not publish a report (Comoros).

The third party audits on the emergency financing tend to be very limited reports. This is most evident in the limited number of pages. Excluding the introductory paragraphs and the annexes, the substantive sections of the audits

for the Chad third party audit is 4 pages, for Gabon is 7 pages and for Nicaragua is 5 pages. This translates into the coverage, including in the ambit (e.g. audit of just a single agency or fund such as Gabon), or by restricting the nature of the audit (principally financial or compliance, as is the case with all third party audits).

IMF EMERGENCY FINANCE COVID 19 THIRD PARTY AUDITS OF EMERGENCY FINANCE

1.	Chad	http://www.finances.gouv.td/index.php/component/k2/item/644-rapport-de-l-audit-fs-covid-19 (KPMG)
2.	Comoros	Not completed
3.	Equatorial Guinea	https://minhacienda-gob.com/auditoria-de-gastos/ (Ernst & Young)
4.	Gabon	https://www.economie.gouv.ga/object.getObject.do?id=2357&object=file&mime=file-mime (Deloitte)
5.	Guinea Bissau	https://www.mef.gw/publicacoes/inspecao-geral-de-financas/67-combined-haut-commissariat-covid-rapport-auditeur-independant/file (Deloitte)
6.	Madagascar (2 nd RCF)	Effectuated 4 SAI audits instead in addition to a third party audit. Le portail des marchés publics malagasy (armp.mg) (SYNEX)
7.	Mali	Effectuated a SAI audit instead
8.	Mongolia	Effectuated a SAI audit instead
9.	Nicaragua	www.hacienda.gob.ni/hacienda/documentosdgtex/documentos/Adquisiciones-Covid19-Inf-aseguramiento.pdf (Grant Thornton)

IMF EMERGENCY FINANCE COVID-19

NEW PROGRAM CONDITIONALITY ON THIRD PARTY AUDITS OF EMERGENCY FINANCE

1.	Chad	2021- DEC(ECF)	SB	Completion and publication of ex-post compliance audit of COVID expenses by a reputable international auditing firm. [Prior LOI commitment]
2.	Congo, Republic of	2022- JAN(ECF)	PA	Agree on terms of reference for the audit (by a reputable international audit firm) of COVID-19-related spending during 2020–21 and publish the call for tenders. [New Program conditionality]
			SB	Publish on the government website the audit (by a reputable international audit firm) of COVID-19-related spending during 2020. [New Program conditionality]
3.	Mozambique	2022- MAY(ECF)	SB	Public release of an independent, third party audit of contracts relating to COVID-19. [Prior LOI commitment on an SAI audit]

Supporting Note 1

Third party audits

With the assistance of Jaison Vega Laiton (IMF)

Third party audits are not covered in this paper. This supporting note provides some general data and preliminary findings.

Of the 75 Letters of Intent (LoI) which carried commitments to conduct audits, in 9 LoI member countries committed to conduct and publish a Third-Party audits of emergency finance. Of this number, 5 countries published the third-party audit report (55.5%). Of the remaining countries, 3 countries conduct a SAI audit instead. One country did not publish a report (Comoros).

Third party audits sit outside the formal accountability framework of member countries. There is no established procedure in member countries for processing these reports, either through the institutional process (Parliament) or the legal enforcement agencies. In that sense, while third party audits can be effective and purposeful as ad hoc instruments for transparency and accountability, their role in strengthening institutional accountability frameworks in member countries can be said to be non-existent.

The wording of the LOI commitments on third party audits is comparable to the commitments on SAI audits. This do not specify the nature of the third-party audit beyond that it should cover the emergency finance and be published. This may have been premised on the idea that third-party audits and SAI audits of emergency finance are the same exercise, the principal difference being that the former is realized by a state agency and the latter by a private party. As it turned out, the third-party audit reports on the emergency finance have turned out to be very different from the SAI audits, notably in regard to the risk-based approach.

That difference draws back to how the mandates of SAI and third-party audits are constituted. In most if not all member countries the SAI have a clear statutory mandate, which secures its formal independence in what the institution can audit and how. This mandate notably gives the SAIs the authority to particularly focus on the sectors and institutions which in their assessment are most at risk and to pursue leads which emerge during the audit. The SAIs therefore typically follow a risk- based approach and developed risk-management frameworks to support such engagement.

A third-party audit lacks that statutory mandate. Instead, it is privately contracted and the terms of the contract will determine the ambit of the audit. A third-party auditor therefore can only apply the risk-based approach if the terms of the contract allow it. This does not deny the independence of the third-party auditors but restricts the ambit within which that independence can be exercised.

As regards the IMF emergency finance, member countries which committed to conduct third-party audits in the LOI have been reluctant to allow for a risk-based approach in the audit contracts. Three closely related features in the contracts on third party audits of the emergency finance point in that direction:

- (i) The third-party auditors could only audit narrowly defined financial-institutional sectors or institutions and not the entire emergency finance. Typically, there is no upstream or downstream

assessment along the expenditure process, and the focus remains heavily on specific aspects, such as procurement.

- (ii) Even within those sectors, the auditors did not have the mandate to pursue issues which they identified to be most at risk. Typically, the audit would be a narrowly defined compliance audit – in which the focus is on a very narrow and literal interpretation of regulations, rather than on their intent or broader objective.
- (iii) The auditors generally remained dependent on the government for information access. They could not follow-through with information requests to MDAs. Even when information was in the public domain, this generally could not be included in the audits, unless with the agreement of the authorities.

In some member countries these contractual constraints were deemed to be so significant, that the third-party auditors stated that no audit opinion could be issued (Gabon). The countries may therefore have reports, but it may be questioned whether these meet the commitment, or materially generated the transparency which the commitment meant to secure. In other member countries, the third party auditor issued their reports with qualifications. Thus, in Nicaragua, the auditors qualified their report as a “limited assurance attestation engagement,” which is a technical qualification reflecting on the limits of the evidence on which the report relied and translates in a negative form of expression of the auditor’s conclusion (“nothing came to our attention to indicate a material misstatement”).¹²⁰ This, to be sure, is different from the more forward leaning and invasive compliance and performance audits conducted by almost all SAI, and the positive form of expression of their findings and recommendations.

The constraints also impact on the depth and coverage of system vulnerabilities covered by the third-party audit reports, notably when compared with the SAI audits. A summary indication is that, excluding the standard introductory paragraphs and the annexes, the substantive sections of the third-party audits tend to be very modest. Thus, for the Chad third party audit the substantive section is 4 pages, for Nicaragua 5 pages and for Gabon 7 pages. Specifically also, the coverage of fraud and corruption challenges is effectively missing altogether in third-party audits, which again, stands in sharp contrast with the very large majority of SAI audit reports.

The following country examples illustrate the above points.

i. Equatorial Guinea

The contract with the third-party auditor made the ambit of the audit subject to the following limitations. (i) The audit contract only called for verifying compliance with the public procurement procedures used for the supply

¹²⁰ ISAE 3000 (revised) - Assurance engagements other than audits or reviews of historical financial information. In an assurance engagement, the practitioner aims to obtain sufficient appropriate evidence on order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria). In a limited assurance engagement, the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement[1]. The nature, timing, and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement, but it is planned to obtain a level of assurance that is, in the practitioner’s professional judgment, meaningful. - ISAE 3000 #12(a)(i)(b)

of goods and services within the framework of the COVID-19 project. The audit therefore was confined to one aspect of emergency finance and did not extend to other possible vulnerabilities, which are explored in this paper. This even includes vulnerabilities inherent to procurement, such as conflicts of interest, contractor qualification etc. (ii) The Ministry of Finance retained control over preparing the expense statements that were the focus of both the audit and for critical information, such as compiling the list of contracts entered into during the review period and the list of materials acquired within the framework of the COVID-19 emergency. The auditor could not actively pursue leads and actively seek out information. The government therefore effectively controlled the information that was disclosed and subject to audit. (iii) Because of the terms of the contract, the third-party auditor could only confirm the absence of a bidding procedure for these contracts and was unable to explore the underlying reasons for this, or its consequences. Thus, the audit finds that contracts under the COVID-19 emergency response were not awarded under the regulations governing the procurement of public works, services, and goods, and as a result these lacked a bidding file.

ii. Nicaragua

The contract with the third-party auditor made the ambit of the audit subject to the following limitations: (i) it could only verify compliance with procurement rules, and did not extend to the entire emergency finance. (ii) The auditor was dependent on the government for the information provided. Consequently, the auditor himself clarified that this exercise was a limited assurance engagement.

The limitations resulted in a setting in which the auditor finds that procurement rules have been complied with (which in the narrow terms imposed by the contract these may have been), despite findings which in a risk-based approach would have been called for further exploration.¹²¹ Notably, the audit finds that the government acquired anti-viral medications in 7 successive contracts concluded within the span of two weeks, six of which were issued to the same contractor. Each contract was to the average value of 497,000 \$Cordoba, just under the statutory threshold which mandated public procurement. Also, the audit did not cover procurement contracts which the authorities did not share with the auditor, even if those contracts were listed in the government procurement portal.

iii. Gabon

The contract with the third party auditor in combination with the implementation of the emergency finance, made the audit subject to the following limitations: (i) restriction in subject matter. The authorities established two Special Funds for channeling emergency finance (the Solidarity and the Special Fund). Emergency finance was also channeled outside these funds. Thus, of the 177.2 billion FCFA disbursed by the IMF under the RFI, only 32.2 billion FCFA were deposited into the Special Fund. Also, the Funds were in part inactive: from January 1 to August 31, 2021, the Special Fund did not receive any resources. Consequently, the audit commitment restricted the audit to a minor section of the emergency finance. (ii) The auditor could not follow-up on information. The auditor did not receive sufficient and appropriate information from the respective MDAs.

¹²¹ Audit Report: Based on the applied procedures and the obtained results, nothing caught our attention that would lead us to believe that the procurement processes (detailed in Annex I) related to the COVID-19 emergency response expenses in Nicaragua, executed during the period from April 1, 2020, to May 31, 2021, were not: * Carried out in accordance with the current procurement regulations of the Ministry of Finance, as well as international best practices, achieving a good quality and price relationship (...) * Acquired the contracted goods and that they were not used for COVID-19 emergency response purposes, in accordance with COVID-19 expenses.”

For example, although the Special Fund is legally required to have a budget and/or resources utilization plan, the auditor did not receive this information. As a result, they were unable to ensure compliance with the provisions related to budgetary controls. (iii) The third party auditor says explicitly that as a result of these and related limitations, it was unable to issue an audit for the year 2020.

It reaches beyond this note to explore the causes and consequences of these findings on third party audits of emergency finance. To be sure, third-party audits are useful instruments, including to address fraud and corruption, as IMF history shows. The question is whether these are the right instruments for the specific settings of the COVID-19 emergency finance, being broad based budget streams. Also, the current experience shows the importance of setting out the basic parameters of the audit contracts, to optimize their added value.

Supporting Note 2

The accountability process: the institutional follow-through on the audit reports.¹²²

With the assistance of T.O. Kizyma and V.V. Panasiuk¹²³

The follow-through of findings on fraud and corruption in the SAI audit reports consists of two elements: the formal accountability process and the substantive follow-through of the authorities on the findings and recommendations in the audit reports, such as through policy or other measures, or administrative or legal enforcement.¹²⁴ This will always be country specific and reaches beyond the ambit of this paper. This Supporting Note gives some broader observations and explores one country case, which is Ukraine.

The institutional accountability process refers to the structured follow-through in the 50 member countries covered by the paper, in which SAI reports to Parliament, which must then follow up on the audits.¹²⁵ There also can be a follow-through by the legal enforcement agencies on possible crimes, fraud and corruption identified by the audit reports. On the latter setting, various systems exist, as reflected in the audit reports.

A preliminary point relates to the ability and authority of the SAI to qualify audit findings as potentially criminal acts. To do so is a legal qualification of an audit finding, which does not sit in the traditional domain of auditing. The fact that audit reports now routinely use legal qualifications such as fraud, corruption or crime, and explicitly refer to bringing in fraud experts (see the Box with the word search in the paper)¹²⁶, is an indication on how SAI competences have shifted.

¹²² This paper does not cover the accountability framework, but the specific nature of the fraud and corruption findings in audit reports naturally invites the question how these are then processed.

¹²³ Dr. T.O. Kizyma is has a PhD in Economic Sciences and is a Professor in the S.I. Yuriy Department of Finance of the West Ukrainian National University (Ternopil). Mr. V. V. Panasiuk is Director of the CSO "Law Development Centre" in Kyiv and formerly Deputy Director of the Department for Judicial Affairs and National Security and the Ministry of Justice of Ukraine.

¹²⁴ The follow-through is premised on the notion that the authorities accept the findings in the audit reports. There are cases in which the government rejected the findings of the audit reports, such as Jamaica, Sierra Leone and Pakistan. In Jamaica, the authorities challenged the findings of the audit report, which caused the SAI to issue an addendum (confirming its findings). In Sierra Leone there has been some follow through by the Anti-Corruption Commission independent from the government, the push back by the government has been significant. In Pakistan, the government simply rejected the findings of the audit report – though there has been follow-through by Parliament. See e.g. Pakistani Cabinet rejects Audit Report citing Irregularities in Covid-19 Spending (ArabNews December 1, 2021) <https://www.arabnews.pk/node/1978731/pakistan>; Government rejects audit report on Covid spending. (Dawn December 1, 2021) <https://www.dawn.com/news/1661208>; Pakistan Cabinet rejects Audit Report detecting irregularities in Covid Expenditure (RepublicWorld.com December 1, 2021) <https://www.republicworld.com/world-news/pakistan-news/pakistan-cabinet-rejects-audit-report-detecting-irregularities-in-covid-expenditure.html>; Imran Khan Govt In Soup As Pakistan's Auditor Detects Massive Irregularities In COVID-19 Expenditure (Youtube, December 1, 2021) (<https://www.youtube.com/watch?v=GHToLp0RJws>)

¹²⁵ In the formal system in most countries the SAI reports to Parliament. This means that the SAI submits its report to Parliament and Parliament should then process that report and follow up on its findings. The International Budget Partnership notes an implementation gap in the submission and processing of audit reports by Parliament. See IBP (2021), p.6

¹²⁶ The South Africa AGSA audit: “Composition of our audit teams: Our financial auditors are working closely with forensic auditors, information technology specialists and sector-specific experts with deep insight of the risks and operations of the organisations we are auditing. These experts include supply chain audit specialists who analyse payments to suppliers and evaluate high-risk contracts, data and fraud specialists....”

Different approaches exist on the follow-through of audit findings on criminal enforcement. Some countries set up inter-agency coordination mechanisms in the emergency finance. The SAI are embedded in that framework and the findings of audit reports are processed through that mechanism. Thus, South Africa¹²⁷ established a special “fusion centre”, which allowed for an easy transfer of audit findings on emergency finance to the enforcement agencies. This facilitated the follow-up on the large-scale fraud in emergency finance identified by the South African audits (in excess of 100,000 cases of possible double-dipping, payments to ineligible social grant beneficiaries and supplier anomalies¹²⁸).

Other countries have an institutionalized transmission mechanism, which regulates the transfer of fraud or corruption findings in the audit process to the enforcement agencies and provides for a tracking and public accountability system.¹²⁹ Thus, the Honduras SAI issued a public notice of the transfer of a fraud dossier to the enforcement agencies.¹³⁰ The importance of such formal process is that it officially passes the baton on accountability to the enforcement agencies.

Most countries covered in the Paper have no regulation on this issue. In these countries, the transfer of audit findings will depend on institutional competence and goodwill, in which outcomes will differ depending on country context. Some countries do well in that regard: thus, the Sierra Leone Anti- Corruption Commission launched 26 criminal investigations based on the SAI audit report of that country.¹³¹ These cases were picked up at the initiative of the Commission, which proceeded to process those with some success. Also, the ACC gave a public account of the processing of its own volition.¹³² Similarly, in the case of the Mali audit, which is marked by high specificity of the charges, the enforcement agencies followed through on some of the cases, with senior officials being indicted.¹³³ The Cameroon audit led to 15 ministers being investigated.¹³⁴ The South

¹²⁷ AGSA (n.d.), *Citizens’ Report on the financial management of government’s COVID-19 initiatives*. The “fusion centre” is directed to investigate fraud and corruption related to government’s covid-19 initiatives. The Auditor General shares its findings and data analyses with the members of the fusion centre, which include the Financial Intelligence Centre, Independent Police Investigative Directorate, National Prosecuting Authority, South African Police Service (Crime Investigations and Detective Services), Directorate for Priority Crime Investigations (Hawks), South African Revenue Service (Sars), Special Investigating Unit, State Security Agency and National Intelligence Coordinating Committee. Through that centre, the Auditor General liaised with the Competition Commission and the Public Protector. For a comparable forum of interlinking SAI and anti-corruption agencies, see e.g. the role of the Central Coordinating Committee in Greece in European Commission (2023), *Handbook of good practices in the fight against corruption* (p.156).

¹²⁸ AGSA (n.d.) p.13

¹²⁹ Some francophone system countries have an institutionalized transfer mechanism of indications of fraud or corruption from the auditor to the enforcement agencies, with mandatory public reporting and tracking. France stands as a good example. This is facilitated by the fact that the SAI in francophone countries is a court, often with a prosecutorial function attached (“procureur-général”), which creates an institutional framework within the SAI for the legal qualification of an audit finding as being of a criminal nature, thus triggering the transfer to enforcement agencies.

¹³⁰ [Tribunal Superior de Cuentas / COVID-19 - Tribunal Superior de Cuentas \(TSC\) remite al Ministerio Público Informe con Indicios de Responsabilidad Penal en compras realizadas por COPECO](#)

¹³¹ The Sierra Leone ACC even opened investigations in findings of the SAI audit irrespective of the institutional accountability process. Thus, the SAI audit identified possible fraud by the Ministry of Health (p.27), which case was closed by the PAC which deemed it satisfactorily addressed (p.11) but then the ACC reopened it.

¹³² All cases were settled before going to trial. The broader point is that the system is not regularized in the transfer of cases from the audit to the enforcement agencies and their subsequent public tracking.

¹³³ See e.g. <https://www.maliweb.net/politique/corruption-lutte-contre-la/gestion-du-fonds-covid-19-le-president-de-la-ccim-et-ses-hommes-en-prison-plus-de-10-milliards-fcfa-de-marches-frauduleux-attribues-3001283.html> See more generally on the role of SAI in the region over the years https://www.lepoint.fr/afrique/sahel-l-indispensable-gouvernance-plus-vertueuse-des-budgets-de-defense-05-06-2020-2378599_3826.php#11

¹³⁴ https://www.voanews.com/a/africa_cameroon-investigates-missing-335-million-covid-funds/6206445.html

African Minister of Health was suspended following the audit. The Nepal audit led to the Parliamentary Accounts Committee opening formal investigations into potential corruption.¹³⁵

When processes are unregulated these will remain unpredictable, as will be explored later with the Ukraine Country case. The follow-through in cases of fraud and corruption by the enforcement agencies sits at the heart of the accountability process. If that follow-through does not happen, or happens irregularly, lacks the right framework and has no public reporting, the legal accountability process fails.

The role of the Fund in securing a follow-through through program measures has been modest, presumably because in most countries such is required under domestic law (which does not mean this law is applied). There is a single follow up IMF program measure on submitting the audit report to Parliament (The Gambia Prior Action March 2020).

As regards the substantive follow-through by the authorities on the audit reports, this will depend on country context. Madagascar took an interesting approach, in which the SAI conducted an audit on how the authorities followed up on SAI recommendations in the prior four COVID audits, with Fund support (Structural Benchmark March 2021).¹³⁶ The added value of this approach is that the prior Madagascar audits had found significant vulnerabilities (including to fraud and corruption) in the statutory framework, core PFM operations and procurement (flagged above). The question then is whether, other than going through the formal steps of submission of the audit reports to Parliament and the enforcement agencies, there was substantive follow through by the authorities to the vulnerabilities identified. The audit finds that while the authorities did (partially) follow through on audit findings in some areas (37.5% in financial flows, 58.9% follow in procurement), in other areas there had been no response (statutory framework).

Ukraine illustrates some of these observations. Ukraine audit institutions¹³⁷ have an established track record on identifying fraud and corruption challenges in public finance. For more than a decade, the auditors have each year reported on significant budget losses arising from fraud and corruption. These have been broadly categorized into four critical areas of vulnerability in public finance, being illegal misuse of public funds, tax evasion, procurement fraud and falsification of financial statements and records.¹³⁸

The Ukraine audit on COVID emergency finance¹³⁹ finds significant fraud in those same categories. This includes the illegal misuse of public funds, which the audit reports found occurred in 8 MDAs. Thus, the audit

¹³⁵ Kathmandu Post (June 23, 2020). See also, International Budget Partnership (June 2021), *Managing COVID funds. The accountability gap*. (p.7)

¹³⁶ Cour des Comptes, *Rapport No. 1/23-ADM/SR/COVID-19 sur le suivi des recommandations de la Cour des Comptes lors des Audits Réalisés dans le cadre de la Lutte contre la COVID-19 à Madagascar*. The report came about as a result of a Structural Benchmark in the 2021 ECF.

¹³⁷ The Accounting Chamber and the State Audit Service of Ukraine.

¹³⁸ T.O. Kizyma, Z.M. Lobodina, Y.Y. Khamyha, *Fraud with Financial resources of the State: Types and Effect on the Shadow Economy*. The article notes that the audit reports for every year since 2004 identify budget losses arising out of fraud and corruption. The article finds that the introduction of the electronic procurement system ProZorro did not measurably impact on fraud and corruption, contrary to what is generally reported.

¹³⁹ Державної аудиторської служби України про результати перевірки використання коштів, спрямованих із фонду боротьби з гострою респіраторною хворобою COVID-19, спричиною коронавірусом SARS-CoV-2, та її наслідками (далі – Фонд боротьби з COVID-19) (State Audit Service of Ukraine, *Report on the results of the verification of the use of funds directed from the fund to fight against acute respiratory disease caused by COVID-19.*)

finds that close to 12,000 business entities received unlawful financial support as well as significant wage bill fraud in the health sector. The audit further finds fraud or corruption in procurement, including in payment for work performed that did not comply with the contract; no evidence of the purchase and delivery of equipment; final payment prior to execution of the contract. Finally, the audit identified fraudulent falsification of financial statements, notably in the social benefits programs, with employers and individual entrepreneurs falsifying records to secure financial assistance.

The follow-through by the enforcement agencies on the findings of the audit reports in Ukraine remains unregulated and is unpredictable. A further basic weakness is the absence of a public reporting mechanism, which makes the process opaque and means. Also, information on this topic is second-hand. This result in unpredictability. There are reports of the SAI actively transferring dossiers involving fraud or corruption to the Anti-Corruption Agency, sometimes in significant numbers, leading to criminal proceedings.¹⁴⁰ Further anecdotal evidence supports this.¹⁴¹ In other cases this does not seem to have happened, however. Thus, the Ukraine SAI audit of the infrastructure projects financed from the COVID emergency finance (which was an IMF Structural Benchmark) and which found significant problems in more than half of the projects, did not result in a single case being transferred to the enforcement agencies as far as could be determined.¹⁴² Similarly, and despite the fact that the audit on COVID emergency finance explicitly raises the possibility of transferring fraud and corruption dossiers to the enforcement agencies, there is no evidence this actually occurred.

¹⁴⁰ The Accounting Chamber (2019), *Valeriy Patskan: According to the Accounting Chamber's reports, 71 criminal proceedings have been instituted for committing corruption crimes.*

¹⁴¹ In the SOE EnergoAtom case, the Ukraine State Audit Board transferred suspicions of corruption to the Anti-Corruption Commission, which followed up. [Financial violations cost Ukraine's EnergoAtom 13 billion hryvnas in losses over last 3 years.- state audit findings | Ukraine news - # Bukvy \(bykvu.com\)](#)

¹⁴² [Auditors to Check Road Construction Expenses from Anti-COVID-19 Fund by the End of December | Трансперенсі Інтернешнл Україна \(ti-ukraine.org\)](#)

Supporting Note 3

The accountability process towards the public: media coverage

The publication of audit reports is a cornerstone of the IMF LOI commitments on emergency finance. Public access of the reports is about transparency and accountability to the public. How the publication of the audit reports affected the discourse in member countries falls outside the ambit of this paper, yet some observations can be made here.

Generally, the publication of audit reports aims to support a broader accountability process within the political economy of member countries. Depending on country context, the audit reports impact on civic space dynamics, notably through media coverage, academic engagement and civil society responses. In some countries these carry as much weight as formal accountability systems, if not more. In other countries, where the civic space is more constrained, such accountability through publication of reports will be more limited. Even in these countries however, increased transparency of public administration and finances will be a necessary precondition to the enhanced accountability which underpins efficiency of public services in the long run.

The media coverage on the audit reports therefore gives insight on the impact of the publication of the audit reports in member countries, as well as of the civic space in the political economy of such countries. As regards the former, in a number of member countries covered in this paper the media coverage of the audit reports has been extensive. In these countries the publication of the audit reports clearly triggered significant domestic debate – which contributes to public accountability. In other countries the media coverage of the published audit reports has been nearly absent, pointing at limited civic space in the political economy of such countries. This Supporting Note provides some random examples.

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Supporting Note 4

The INTOSAI Global SAI Stocktaking Report 2023

Camilla Fredriksen (INTOSAI Development Initiative)

In Spring 2024, the INTOSAI Development Initiative (IDI) published the "Global SAI Stocktaking Report", which is a triannual report prepared by the IDI that presents trends for the performance of Supreme Audit Institutions (SAIs) and discusses future-relevant needs for capacity development. Its findings are based on a comprehensive analysis of the responses of 166 SAIs to the INTOSAI Global SAI Survey, which covers the three-year period from 2020 to 2022. The Report furthermore integrates various data sources, such as the SAI Performance Measurement Framework, the PEFA assessments of the World Bank (Public Expenditure and Financial Accountability) as well as the dataset of the Varieties of Democracy project. The 2023 Report is the fifth report of its kind to be issued by IDI.

The 2023 Report in addition to considering general trends, developments and common challenges, lifts out a number of areas which presented particular challenges to the SAI over the period surveyed. These include the impact of the COVID pandemic as well as Fraud and Corruption. The latter topic is a distinct chapter in the Report (Chapter 8), which carries various references to the joint work undertaken by IDI and the IMF staff in this area testifying to the ongoing close cooperation at technical level between the organisations and institutions over past years, as reflected in this Working Paper as well.

This Supporting Note lifts out some general findings from Chapter 8 of the Global Stocktaking Report 2023 in regard to the SAI role in Fraud and Corruption.

- Of 166 countries surveyed, 87% of the SAI had conducted an audit on COVID-19 funds. (The report flags this may have partly coincided with the country Letters of Intent (LOI) commitments by the International Monetary Fund on emergency finance.) Also, 71% reported to have published a report, suggesting that there was a relatively high degree of transparency on the use of these funds, globally, following the pandemics. Since the period of this Global Survey coincided with the COVID-19, it is timely to look at the relationship between some of the practices of SAI, and how they correspond to the different ways SAIs contribute to curbing corruption.
- Of 166 countries surveyed, 14% of the SAI reporting to never uncover indications of corruption, the majority, 62%, reporting to sometimes observe this, and another group of 23% reporting to regularly observe indications of corruption during audits.
- Of the 166 countries surveyed, 53% of SAIs found that its recommendations were mostly implemented by the authorities. SAIs from countries with lower levels of corruption assessed audit recommendations to be implemented to a higher degree than countries with higher levels of corruption (74% vs 56%).
- Of the 166 countries surveyed, 54% of SAIs responded that they have a mandate to investigate fraud and corruption – with a significant variance between regions. The Report suggests that a majority of SAIs are using the powers they have, or at least are willing to do so. Also three-quarter of SAIs with the mandate to investigate fraud and corruptions confirms to have exercised that power.
- Enforcement of corruption cases, requires collaboration and coordination with and between investigators, anti-corruption institutions, prosecution and the judicial system. The most common mandates amongst SAIs are to refer results to legal powers, and to share information with specialized

anti-corruption institutions. During 2020-2022, 77% of SAI with the mandate referred results to legal power. A part of these were COVID-19 audits. 60% of SAIs reported to have submitted evidence of fraud and corruption in court. These findings suggest that SAIs regularly interact with other institutions to exchange findings and to support in corruption cases.

- Of the 166 countries surveyed, only 40% of SAIs have the mandate to make binding remedial actions and 75% of these took such actions in the last period. The Report suggests that undertaking of such actions seems to happen most often in closed autocracies, with the proportion of SAIs doing it, going down as levels of democracy rises. It also seems to be linked to a fall in the level of functioning rule of law. Furthermore, it's most common in countries with high levels of corruption.
- The Report find a correlation between the frequency of observations on corruption by the SAI with levels of corruption: the average corruption level goes up, as observations of corruption are getting regular. The Global Survey results also suggest there is a certain level of coherence between the observed indications of fraud and corruption and actions taken. There is a significant effect on observing fraud and corruption occasionally and regularly and referring results to investigative and prosecutive powers. This suggests that even SAIs who only occasionally uncover corruptive behaviour through their audits, take the measures to follow up with the appropriate jurisdiction. Similarly, there is a distinct increase in the conduct of investigations the higher average scores the country has on the corruption index.



PUBLICATIONS

“Checking the Receipts” Audits of Emergency Finance -A preliminary analysis of 50 countries
Working Paper No. WP/2025/075