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An additional Special Issue is published after the Organization's General Assembly Meeting, which is dedicated to presenting the proceedings of the General Assembly and the resolutions and agreement issued by it, in addition to the researches that won in the AFROSAI's Scientific Competition.

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Editorial

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President of

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Chairman of the Board of Editors

of the African Journal

of Comprehensive Auditing

It gives me great pleasure to set forth to you the 28th Special Issue of the *African Journal of Comprehensive Auditing*, published on the occasion of the 16th AFROSAI General Assembly held in Tripoli, Libya, during December 2-6, 2024, marking a significant milestone in the trajectory of joint African audit work and a tangible embodiment of the commitment to development and modernization embraced by our audit community.

This General Assembly has come to reaffirm the commitment of our Supreme Audit Institutions (SAIs) to consolidating the principles of transparency, accountability and good governance, enhancing the independence and effectiveness of audit work, and developing its professional tools to keep pace with the rapid transformations in public work environments. The resolutions adopted by the Assembly represent a comprehensive guiding framework and a strategic roadmap that supports our collective efforts towards promoting institutional capacities, deepening professional integration, and dedicating the oversight role to bolstering sustainable development trajectories and safeguarding public funds.

This Special Issue includes a comprehensive overview of the resolutions adopted by the 16th General Assembly, along with the 2024 AFROSAI Scientific Competition Winning Papers, under the theme "The Role of SAIs in Evaluating the Environment, Social and Governance (ESG) Reports”. This theme reflects a progressive understanding of the role of auditing in addressing global issues related to sustainability and corporate responsibility. The Issue also includes the text of the Tripoli Agreement, as a separate document of particular importance, given its strategic implications that strengthen SAIs’ role in financial matters of continental significance and serving as an important reference for supporting governance and accountability across the African continent.

In this context, I extend my sincerest congratulations to the winning researchers and their respective Supreme Audit Institutions of Senegal, Kenya and Libya, on getting the awards for their outstanding researches and their valuable scientific contribution, which reflects the depth of expertise and accumulated African audit experience. This scientific excellence demonstrates the dynamism of our SAIs and their capacity to produce specialized audit knowledge that enriches professional thinking and supports decision-making.

Furthermore, this Issue, through its comprised national and regional topics and experiences, underscores that the linguistic, cultural and organizational diversity of SAIs within the AFROSAI framework represents a genuine strength and a unique competitive edge. This diversity, with its varied perspectives, experiences and auditing approaches, positively impacts the quality of outputs, the richness of discussions, and the depth of recommendations. This, in turn, strengthens AFROSAI's position and influence within the International Organization of Supreme Audit Institutions (INTOSAI) and underscores its active and comprehensive role in shaping the orientations of the audit work at the international level.

While highly valuing the significant efforts exerted by the Organization's leadership during the past period, we extend our sincere thanks and appreciation to H.E. Mr. Mamadou FAYE; First-President of the Court of Accounts of Senegal and outgoing Chair of AFROSAI, and to H.E. Mrs. Mbah Acha Rose Fomundam; Minister Delegate at the Presidency of the Republic in charge of the Supreme State Office of Cameroon and former Secretary-General of AFROSAI, for their dedicated service and commendable efforts that contributed to enhancing AFROSAI's standing and consolidating its achievements during their tenures. We also congratulate them on the qualitative gains the Organization has achieved under their leadership, which will remain a cornerstone for future endeavors.

At the same time, we are pleased to extend our sincere congratulations to H.E. Mr. Khaled Shakshak; President of the Libyan Audit Bureau, on assuming the position of Chair of AFROSAI, and to H.E. Ms. Zineb El Adaoui; First-President of the Court of Accounts of the Kingdom of Morocco, on assuming the duties of Secretary General and hosting the Organization's permanent headquarters. We - the Supreme Audit Institutions members of AFROSAI – are fully confident that the journey of achievements will continue confidently under their leadership, and we affirm our complete readiness for sincere cooperation and to dedicate all our capabilities to supporting the objectives of our organization and strengthening its role.

In the context of the outcomes and resolutions of the General Assembly, we take this opportunity to congratulate SAI Kenya on its selection to host the 17th AFROSAI General Assembly, scheduled for 2027, expressing our confidence in its organizational and professional capabilities to organize a successful continental event that reflects the distinguished image of African audit work, and we look forward to this achievement with enthusiasm and appreciation. We also extend our congratulations to all SAIs that have been appointed as External Auditors of the Organization, as well as those that have joined the Technical Committees, wishing them all success in carrying out their duties in a manner that strengthens institutional work and deepens professional integration.

Within the context of the intellectual and institutional efforts accompanying the work of the General Assembly, the Tripoli Agreement stands out as a particularly important reference document addressing one of the most vital issues in the African continent, namely the challenges of external debt and its associated financial and developmental burdens. The Agreement also addresses SAIs' role in auditing grants and financial assistance, and in enhancing coordination among various stakeholders to consolidate financial governance and accountability.

The Agreement emphasized the need to intensify efforts to adopt best strategies and practices in managing public debt and its inherent risks, and to establish effective oversight mechanisms to maximize leveraging grants and aids. It also stressed the importance of enhancing the participation of civil society organizations and citizens thereby improving the impact of audits and building the trust of key stakeholders. Therefore, we call upon the African audit community to thoroughly examine this document and draw inspiration from its practical orientations and meaningful measures, in support of financial reform pathways and SAIs' strategic role in this area.

Based on our institutional responsibility, the Accountability State Authority of the Arab Republic of Egypt - in its capacity as Chair of INTOSAI - spares no effort in supporting the activities of AFROSAI and enhancing its work trajectories, stemming from our belief in the importance of regional integration as a fundamental pillar for developing the audit system at both the regional and international levels. This commitment is fully aligned with the vision we presented and was endorsed by the international audit community during the XXV INCOSAI, held in Sharm El-Sheikh, Egypt. This vision emphasized the need to deepen cooperation frameworks among regional organizations, facilitate the exchange of expertise and knowledge, and enhance institutional coordination to achieve a sustainable and comprehensive developmental impact. In this context, we will continue to carry out our leading role in supporting AFROSAI's efforts and to harness our expertise and capabilities to consolidate its position and maximize its contribution to shaping the future of international audit work.

In conclusion, this exceptional Issue is not merely a record of the proceedings of a General Assembly, but rather a testament to the advanced stage of institutional maturity and professional integration that AFROSAI has reached. We hope that it will be an added value for researchers and professionals, and a knowledge platform that contributes to enriching African oversight thought, strengthening bridges of cooperation, and supporting the path of our audit system's sustainable development, in order to achieve the aspirations of the people of our continent towards the sound management of public resources and financial governance based on integrity, accountability and transparency.

Opening Speech of the 16th AFROSAI General Assembly

> **"Transparency and accountability are the twin pillars upon which the prosperity of nations is built. In their absence, trust is eroded, and progress falters."**

Mr. Khaled Shekshek,

President of SAI Libya

The new President of AFROSAI

Your Excellencies,

Distinguished Delegates,

and Esteemed Members of AFROSAI,

On behalf of the Libyan state and the Libyan Audit Bureau, it is my profound honor to welcome you to the 16th General Assembly of AFROSAI. We are thrilled to be hosting this important event in Tripoli, a city celebrated as the bride of the Mediterranean and the gateway to Africa.

Tripoli is a testament to the rich legacy of civilizations that have flourished here over the centuries. Beyond its role as a capital, Tripoli is an epicenter of cultural and geographical diversity. Allowing it to bridge communication between North and South as well as Africa and Europe AFROSAI is built on values that define its mission and strengthen its impact across the continent according to the following principles:

1. **Independence**: is vital to ensuring that our audits remain objective and credible, free from external influence, and rooted in the pursuit of truth.
2. **Integrity:** reflects our unwavering commitment to ethical conduct and transparency, which are essential for fostering trust and credibility with the public.
3. **Professionalism:** drives us to uphold the highest standards in our work, ensuring that we continuously learn, innovate, and deliver impactful results.
4. **Collaboration and Solidarity:** unite us across linguistic, cultural, and geographical divides. Together, we share knowledge, best practices, and resources to achieve common goals.
5. **Accountability and Transparency:** are at the core of our mission. Not only as outcomes we strive to promote in governance but also as values we embody within our own institutions.

These values are not just principles; they are the framework that enables us to fulfill our shared mission of strengthening public accountability, promoting good governance, and contributing to sustainable development across Africa.

As we convene during this General Assembly, let us draw strength from these values, recommitting ourselves to their importance and ensuring they guide every aspect of our work.

This assembly convenes us at a pivotal moment, one where global challenges increasingly demand collective action. Across our continent, Supreme Audit Institutions (SAIs) have a critical role in safeguarding public resources, promoting transparency, and ensuring good governance. Together, we hold the keys to building trust between governments and their citizens.

Libya's hosting of this General Assembly is symbolic of our shared determination to overcome obstacles. Despite the challenges we face as a nation, we stand as an example of what is possible when institutions prioritize accountability. Our partnership with AFROSAI underscores the importance of collaboration in building capacity and advancing institutional excellence and developing professional performance.

A cornerstone of our collective progress is the 2022–2027 Strategic Plan, which has been instrumental in advancing our mission. Through this plan, AFROSAI has supported institutional and technical capacity-building initiatives, enabled robust knowledge sharing, and fostered innovative auditing practices. One notable success is the increased engagement of SAIs in high-impact areas such as public debt auditing, environmental accountability, and the fight against corruption. These efforts not only enhance governance but also directly contribute to sustainable development across Africa.

Dear Heads of SAIs, we look forward to discussing vital topics during the Assembly meetings over the next few days. The deliberations address the following:

- Institutional and technical capacity-building, with a focus on equipping SAIs to address emerging challenges.
- The external public debt of African nations, where we will discuss the indispensable role of SAIs in ensuring fiscal sustainability.
- The audit of grants and financial aid, which is critical to maximizing the impact of developmental funds.
- The engagement of civil society and citizen participation, underscoring the importance of public trust in governance.

These discussions are not just procedural; they are essential for shaping the future of public sector accountability and governance across Africa.

As we work together, let us reaffirm our commitment to the United Nations' Sustainable Development Goals, particularly:

- **SDG 4: Quality Education** - Education is the cornerstone of societal development. By ensuring financial integrity in education systems, we empower future generations to thrive.

- **SDG 13: Climate Action -** Although African countries contribute the least to global gas emissions, we bear the brunt of the consequences of climate change affecting economic stability and food security requirements. SAIs play a critical role in auditing climate-related projects to ensure effectiveness and accountability. Therefore, auditing climate-related projects and policies, and ensuring accountability in their financing, is crucial.

In this context, I am pleased to announce that the Lybian State under the guidance and coordination of the Sustainable Development Committee in Parliament, is about to launch a Summit dedicated to Climate Action. This new initiative will provide an opportunity for member SAIs to exchange knowledge, explore innovative solutions, and strengthen capacity to audit and address climate-related challenges.

SDG 17: Partnerships for the Goals Collaboration is the foundation of progress. This meeting represents a great opportunity to strengthening partnerships within AFROSAI and beyond, creating frameworks that amplify our collective impact.

As we embark on this journey together, I urge each of us to embrace the immense responsibility towards our countries and the African continent in general and the work we do here will resonate far beyond these halls, influencing governance practices, public trust, and sustainable development across the continent.

Let us approach our discussions with openness, and our decisions with wisdom. We can transform challenges into opportunities and chart a path toward a brighter, more accountable future for Africa.

Thank you, and once again, welcome to Libya - a nation of history, resilience, and hope. Wishing you a pleasant. May this General Assembly be a landmark in our shared pursuit of excellence and progress.

Brief on the 16th AFROSAI General Assembly

Brief on the 16th AFROSAI General Assembly
Tripoli, Libya 2-6 December

The 16th AFROSAI General Assembly was held during the period December 2-6, 2024, in Tripoli, Libya, hosted by the Libyan Audit Bureau, with the participation of 37 AFROSAI member Supreme Audit Institutions.

Prior to the General Assembly Meeting, the 60th Meeting of the AFROSAI Governing Board was held, chaired by H.E. Mr. Mamadou Faye; President of the Court of Accounts of Senegal and Chair of AFROSAI. All items to be presented to the General Assembly for ratification and adoption were approved at the Governing Board Meeting.

Regarding the 16th AFROSAI General Assembly:

H.E. Mr. Mamadou Faye; President of the Court of Accounts of Senegal and Chair of the Meeting, inaugurated the General Assembly activities on Wednesday, December 4th, 2024, in the presence of the President of the Libyan Presidential Council. H.E. welcomed the attendees and commended the hosting of Libya and the Libyan Audit Bureau of the General Assembly.

H.E. Mr. Khaled Shakshak; President of the Libyan Audit Bureau, delivered a speech welcoming the Heads of Supreme Audit Institutions and all delegations participating in the 16th AFROSAI General Assembly, emphasizing the importance of joint work and continuous coordination for the development of the Organization's work.

The following are the most important outcomes of the 16th AFROSAI General Assembly:

1- The appointment of H.E. Mr. Khaled Shakshak; President of SAI Libya, as the new Chair of the AFROSAI and the handover of His Excellency's Organization presidency duities.

2- The adoption of the Report of the outgoing President of the Governing Board, as well as the Performance Report of the AFROSAI Secretary General for the past three years.

3- The election of SAI Morocco to host the permanent headquarters of AFROSAI. As of January 2025, the First President of the Supreme Council of Accounts in the Kingdom of Morocco is the Secretary General of the AFROSAI.

4- SAI Kenya was designated to host the 17th AFROSAI General Assembly.

5- The new composition of the AFROSAI Governing Board was adopted.

6- The results of the AFROSAI 2024 Scientific Competition, approved by the Governing Board, were adopted. The evaluation of the scientific researches submitted to the Competition resulted in the awarding of the three prizes to a member from SAI Senegal, a member from SAI Kenya and a member from SAI Libya.

The Resolutions of the 16th AFROSAI General Assembly

The Resolutions of 16th AFROSAI General Assembly held in Tripoli, Libya during the period from 2 - 6 December 2024

The african Supreme Audit Institutions (SAIs), meeting in Tripoli in the Republic of Libya, on the occasion of the 16th General Assembly of the African Organization of Supreme Audit Institutions (AFROSAI), held from 04 to 06 December 2024.

Adopted the following resolutions:

RESOLUTION N°001/2024/16GA/AFROSAI OF DECEMBER 6, 2024 APPOINTING THE EXECUTIVE DIRECTOR OF AFROSAI

Mindful the AFROSAI statutes;

Mindful the resolution n°008/15GA2/2022 adopting organizational structure of the AFROSAI Interim Executive Directorate;

Mindful the resolution n°001/2022/58 GB adopting the salary scale for Executive Directorate staff;

Mindful the resolution n°003/2024/16GA/AFROSAI of December 6, 2024 electing the permanent headquarters of AFROSAI;

Considering service requirements;

After presentation of the candidacy for the position of Executive Director of AFROSAI by the First President of the Court of Accounts of Morocco, Secretary General of AFROSAI;

ADOPT THE FOLLOWING RESOLUTION:

Article 1:

Mr. Mohammed BASTAOUI, staff of the Court of Accounts of the Kingdom of Morocco, is hereby appointed Executive Director of AFROSAI for a period of five (05) years, renewable once, from the date of signature of this resolution.

Article 2:

The operating procedures of the AFROSAI Executive Directorate shall be determined by the Governing Board.

Article 3:

The working conditions of the Executive Director of AFROSAI are those in force in the Kingdom of Morocco.

Article 4:

The Executive Director benefits from the advantages provided by AFROSAI's texts and those exceptionally granted by AFROSAI's General Secretary.

Article 5:

The Secretary General of AFROSAI is responsible for the application of this resolution.

Article 6:

This resolution shall be recorded in the four (04) languages of AFROSAI and published wherever necessary.

RESOLUTION NO. 002/2024/16GA /AFROSAI OF DECEMBER 6, 2024

ADOPTING THE OTHER ITEMS INCLUDED IN THE AGENDA OF THE 16th AFROSAI GENERAL ASSEMBLY

Mindful the AFROSAI statutes;

Mindful the Financial Regulations of AFROSAI;

Mindful the General Assembly Manual;

Mindful the Rules of Procedure of the 16th General Assembly;

Considering the effective presence of thirty-seven (37) Heads of SAIs or their representatives at the 16th General Assembly;

Considering the exchanges and contributions of the members on each of the items on the agenda;

Having examined and adopted the fourteen (14) items on the amended agenda;

ADOPT THE FOLLOWING RESOLUTION:

First Item

(Examination of the report by the outgoing President of the AFROSAI Governing Board)

Delegates or their representatives,

Having received and examined the report of the outgoing Chairman of the AFROSAI Governing Board, following its presentation by the First President of the Court of Accounts of Senegal;

Resolved unanimously:

- to adopt the report presented by the First President of the Court of Accounts of Senegal, outgoing Chairman of the AFROSAI Governing Board;
- to ask the incoming President to continue the work begun by the outgoing President on the ad hoc committee for the recovery of arrears;
- to express their thanks the SAI of Senegal for its services and the efforts made to revitalize AFROSAI.

Second Item

(Examination of the AFROSAI General Secretary's three-year performance report)

Delegates or their representatives,

Having received and reviewed the AFROSAI Secretary General's Triennial Performance Report, following its presentation by his representative;

Resolve to adopt it unanimously.

Third Item

(Examination of the AFROSAI Executive Directorate's triennial report)

The delegates or their representatives,

Having received and examined the Triennial Report of the Executive Management of AFROSAI, following its presentation by a member of the Executive Directorate's staff;

Resolved unanimously:

- to adopt the triennial report of the AFROSAI Executive Directorate;
- to take note of the partial execution of the budget;
- to authorize the implementation of the residual activities in progress for the transitional period, which will end in June 2025;
- to reject the application for membership of AFROSAI submitted by the Court of Accounts of the Central African Republic.

Fourth Item

(Examination of the Reports of the AFROSAI Technical Committees)

The delegates or their representatives,

Having received and examined the Reports of the two AFROSAI Technical Commissions, following their presentation by the SAIs of Kenya and Morocco;

Resolved unanimously:

- to adopt the activity report of the Institutional and Technical Capacity Building Committee (ITCBC), as well as its operational plan for the year 2025;
- to adopt the activity report of the Organizational Capacity Building Committee (OCBC), as well as its operational plan for the year 2025.

Fifth Item

(*Examination* of the report on the activities of the Editorial Board of the African Journal of Comprehensive Auditing)

The delegates or their representatives,

Having received and examined the activity report of the Editorial Board of the African Journal of Comprehensive Auditing, following its presentation by SAI Egypt;

Resolve unanimously to adopt it and its work plan for 2025.

Sixth Item

(Examination of the reports of the Sub-Regional Organizations)

The delegates or their representatives

Having received and examined the reports of the Sub-Regional Organizations, following their respective presentations by SAI Libya for AFROSAI-A, the Secretary of AFROSAI-E and the Secretary of CREFIAF;

Resolve unanimously to take note of these reports.

Seventh Item

(Examination of AFROSAI's 2025 transitional budget)

The delegates or their representatives,

Having received and examined AFROSAI's draft 2025 transitional budget, following its presentation by the representative of AFROSAI's Executive Management;

Resolve unanimously to adopt AFROSAI's 2025 transitional budget, with revenue and expenditure totaling USD 218,000, broken down as follows:

REVENUE			
Code	**Position**	**Notes**	**Amount USD**
	Statutory revenue		
7101	SAIs' annual contributions	**1**	151 000
7201	SAI arrears	**2**	67 000
	Other revenues		
7401	Operating grants received	**3**	-
	TOTAL REVENUE		**218 000**
EXPENDITURE			
	10-pilot programme	**4**	
6133	Statutory Auditors		4 849
Total			**4 849**
	40- Support programme		
	1-Staff expenses		
6210	Net salary of contract staff	**5**	83 520
6218	Social contributions		4 511
6310	Tax and related payments		1 061
Total			**89 092**
	2-Residual international activities	**6**	
	Allowances (Women Leadership Academy, Illicit Financial Flows)		10 000
	Transport (Women Leadership Academy, Illicit Financial Flows)		10 000
Total			**20 000**
	3- Debt clearance	**7**	
6721	Social debts		22 897
6722	Debts to SG-AFROSAI staff (performance bonuses (2023-2024)		18 202
6723	Tax debts		29 645
6724	Suppliers debts		11 315
6725	Debts for Scientific competition prizes		3 000
6726	Debt to SAI Djibouti for the Organisation of the 58th Governing Board meeting		10 000
6727	SAI Egypt debt (AFROSAI Journal)		9 000
Total			**104 059**
	TOTAL EXPENDITURE		**218 000**

Eighth Item

(Designation of the SAI to host the next General Assembly Meeting in 2027)

The delegates or their representatives,

Having received and examined the bid of SAI Kenya to host the 17th General Assembly of AFROSAI, following its presentation by the Auditor General of Kenya;

Unanimously decided to accept the said application of the SAI of Kenya to host the 17th General Assembly of AFROSAI, to be held in 2027.

Ninth Item

(Renewal of the terms of office of the AFROSAI organs)

The delegates or their representatives,

In accordance with the provisions of Article 11 of the AFROSAI Statues;

Resolve to adopt the following composition of the AFROSAI Governing Board:

- **President:** Libyan Audit Bureau, in its capacity as host SAI of this 16th AFROSAI General Assembly;
- **1st Vice-President:** Office of the Auditor General of Kenya, which will host the 17th AFROSAI General Assembly;
- **2nd Vice-President:** SAI Senegal, in its dual capacity as the SAI that hosted the 15th AFROSAI General Assembly and as the AFROSAI representative at the INTOSAI Governing Board;

Members:

- **AFROSAI General Secretariat:** SAI Morocco;
- **Two (02) SAIs representing AFROSAI-A:** SAI Mauritanie and SAI Tunisia;
- **Two (02) SAIs representing AFROSAI-E**: SAI Eritrea and SAI Liberia;
- **Two (02) SAIs representing CREFIAF**: SAI DRC and SAI Djibouti;
- **The SAI chairing the Editorial Board of the Editorial Board of the African Journal of Comprehensive Auditing:** The Accountability State Authority of Egypt;
- **The SAI chairing the INTOSAI Capacity Building Committee**: The Auditor General of South Africa;

- **the Representative of AFROSAI at the INTOSAI Governing Board**: Supreme State Audit Office of Cameroon.

Tenth resolution

(Appointment of AFROSAI's External Auditors)

The delegates or their representatives,

Having received and examined the proposals of the Governing Board for the appointment of the external auditors of AFROSAI;

Resolved unanimously to appoint:

- SAIs of Burkina Faso and Gambia as External Auditors of AFROSAI;
- SAI Nigeria as Alternate.

Eleventh Item

(Appointment of AFROSAI member SAIs as AFROSAI Representatives on the INTOSAI Governing Board)

The delegates or their representatives, Having received and examined the proposals of the Governing Board for the designation of the SAIs members of AFROSAI as Representatives of AFROSAI in the INTOSAI Governing Board;

Decided unanimously to designate the SAIs of Senegal and Cameroon as Representatives of AFROSAI in the INTOSAI Governing Board.

Twelfth Item

(Communication from technical and financial partners)

The delegates or their representatives,

Having listened to the presentations made by the technical and financial partners present at the General Assembly;

Decide to take note of the information communicated by the latter and to express their deep gratitude for their multiform support.

Thirteenth Item

(Revision of certain provisions of Resolution n°004-2022/58GB of 13 October 2022 adopting the general rules of procedure of the AFROSAI Technical Committees)

The delegates or their representatives, Having received and examined the proposals of the Executive Directorate concerning the revision of certain provisions of Resolution n°004-2022/58GB of 13 October 2022 adopting the general rules of procedure of the AFROSAI Technical Committees,

unanimously approve the revision of points 2.1.2 and 2.2.2 of the Rules of Procedure for Technical Committees as follows:

"The term of office of the Priority Chairs and the members of the technical Committees is 03 years, renewable once.

However, in the event of failure of the Priority Chairs, Working Group Chairs and Committee members, duly noted by the Executive Directorate, it reserves the right to request the Governing Board to replace the failing SAIs."

The remainder unchanged.

Fourteenth item

(Election of the Presidents and new members of the Technical Committees and Working Groups)

The delegates or their representatives, after consulting the members present at the 16th General Meeting, elected the new Presidents of OCBC, WGEA and new members of the Technical Committees as follows:

1. Organisational Capacity Building Committee

- **President:** SAI Tchad

  New members: -

  - SAI Mali
  - SAI Tunisia.

2. Institutional and Technical Capacity Building Committee

New members: -

- Libyan Audit Bureau.
- SAI Mali.
- SAI Tunisia.
- SAI Mauritania.
- Office of the Auditor General of ESwatini.

- **President of the Working Group on Environmental Audit:** Office of the Auditor General of Tanzania

RESOLUTION N°003/2024/16GA/AFROSAI OF DECEMBER 6, 2024 ELECTING THE PERMANENT HEADQUARTERS OF AFROSAI

Mindful the AFROSAI statutes;

Mindful the circular letter n°2024/001 /LC /AFROSAI /PCD/D of 14 February 2024 relating to the call for applications to host the permanent headquarters of AFROSAI;

Mindful the decision n°532 AFROSAI/PR/D of 20 November 2024 establishing the composition of the Ad hoc Committee responsible for evaluating applications to host the AFROSAI's permanent headquarters;

Considering the minutes of the proceedings of the Ad hoc Committee responsible for evaluating the applications to host the AFROSAI's permanent headquarters;

Considering the minutes of the ballot for the election of the AFROSAI headquarters country,

With regard to the information contained in the bid of SAI Morocco;

ADOPT THE FOLLOWING RESOLUTION:

Article 1:

The thirty-seven (37) delegates or representatives elected, by a two-thirds majority, the Kingdom of Morocco to host the AFROSAI permanent headquarters, from January 2025.

Article 2:

From January 2025, the First President of SAI Morocco will be the Secretary General of AFROAI.

Article 3:

A signed memorandum of understanding between the Secretary General of AFROSAI and the President of the Libyan Audit Bureau, current President of AFROSAI, will legally enforce the commitments made by SAI Morocco, in accordance with its bid.

Article 4:

This resolution shall be recorded in the four (04) languages of AFROSAI and published wherever necessary.

The Winning Scientific Papers of the AFROSAI Scientific Competition 2024

The Role of SAIs in Assessing Environmental, Social and Governance (ESG) Reports

Ms. Alimatou Diallo Sao

Audit Assistant, Public Enterprises Chamber, Senegalese Court of Accounts.

Summary

In recent years, the concept of sustainable development has become essential, combining social and economic progress with environmental protection. In an ever-evolving world, companies, both private and public, as key development actors, face an additional challenge: Environmental, Social, and Governance (ESG) Standards. These standards are true indicators of companies' non-financial performance.

"Environmental, Social, and Governance Reports" is a report that discusses environmental and governance performance. This study presents the options available to SAIs regarding the use of these reports.

The definition and in-depth analysis of the concepts enabled the identification of two options for SAIs. The first is to certify entities' performance in terms of sustainable development, while the second is to conduct a performance audit using environmental, social, and governance (ESG) standards as audit standards.

A study based on the analysis of environmental, social and governance reports shows that it will be important to standardize the methodology for preparing environmental, social and governance reports in the public sector with the aim of facilitating their analysis and allowing in the future to issue a classification of the environmental, social and governance aspects of public sector companies.

Index:

Abbreviations:
SDG: Sustainable Development Goals
SAI: Supreme Audit Institution
COP26: the 26th Conference of the Parties on Climate Change
IFRS: International Financial Reporting Standards
ISSB: International Sustainability Standards Board
ESG: Environment, Social and Governance
AMF: Autorité des marchés financiers - Authority of financial Market
CSR: Corporate Social Responsibility
ESRS: European Sustainability Reporting Standards
CSRD: Corporate Sustainability Reporting Directive
SMART: Special – Measurable – Achievable- Relevant – Time Bound
ISSAI: International Standard of SAIs
ISAM: IDI SDG Auditing Model

Figures:
Figure1: ESG Concepts
Figure2: Mapping ESG factors and 177 SDGs

1. Introduction

1,1 General Framework

The concept of public service is based on the necessity of meeting the needs of the public interest. It seeks to achieve objectives related to order and organization, the economy, social and health protection, education, and culture.

To ensure operational effectiveness and efficiency, public policies are implemented according to a performance-based approach to service delivery to citizens, as called for by the SDGs. By 2030, countries will have already integrated the SDGs into various sectoral policies through aligning goals and indicators with their national development strategies.

SAIs have the right to oversee the embodiment of sustainable development aspects in public policies as part of their role in promoting good governance and supporting the successful implementation of the 2030 Agenda.

At the 22nd INCOSAI in Abu Dhabi in 2016, the role of SAIs in monitoring and overseeing the implementation of the SDGs was highlighted. In line with this engagement by the SAI, UN Secretary-General António Guterres stated at the 2020 Leaders' Summit that "the Sustainable Development Goals can be a ready-made tool to take environmental, social, and governance (ESG) reporting to the next level." Achieving the SDGs also poses significant challenges in financial management, highlighting the need to produce sustainability information to ensure transparency and accountability.

All of these guidelines highlight the importance of analyzing environmental, social, and governance (ESG) standards within government departments and entities. In the same vein, the 26th Conference of the Parties (COP26) in Glasgow in 2021 served as an occasion for the International Financial Reporting Standards (IFRS) Foundation to announce the establishment of the International Sustainability Standards Board (ISSB), an organization responsible for standardizing high-quality, globally comparable ESG reporting standards.

The publication of the new sustainability standards in 2023 marks the beginning of the integration of sustainability and climate data into financial statement disclosures. The private sector will be the first to take this path, but the public sector will follow, particularly since environmental, social, and governance standards are performance indicators focused on sustainable development. In this sense, they are key indicators of long-term performance and viability, ensuring the achievement of the SDGs.

In light of all these requirements as the 2030 Agenda approaches, our countries must catch up by adopting responsible investment strategies and ensuring the implementation of priority sustainability-based policies and action plans.

Government efforts in this endeavor must be supported by the quality of audit work conducted by SAIs. In this context, this research aims to define the role of SAIs in assessing ESG reports and to identify the types of conclusions that should be drawn from the use of these reports.

In addition to defining ESG standards in the public sector, this report reviews SAIs' approaches to assessing the environmental, social, and governance (ESG) aspects of public sector companies.

2,1 Objectives

The overall objective of this research is to identify the role of SAIs in assessing environmental, social, and governance (ESG) reports. This will include, in detail, the following:

- Defining the basic concepts of ESG standards;
- Identifying the potential uses that SAIs can adopt for ESG reports.

3,1 Significance of the Study

This study aims to identify how SAIs utilize data related to environmental, social, and governance (ESG) issues.

This article aims to encourage SAIs to harmonize and standardize concepts and methodologies for utilizing ESG reporting.

4,1 Methodological Framework

This study adopts a qualitative research methodology, focusing on interpreting and analyzing experiences.

We established the basic concepts of environmental, social, and governance (ESG) by analyzing available documents on the subject. The collection of information on (ESG) reports has enabled the processing of available data in Senegal by analyzing this data and examining how it is used by the Court of Accounts, while also identifying the limits of its intervention.

2. Environmental, Social, and Governance (ESG) Standards.

In 1998, John Elkington, co-founder of the first British sustainability strategy consultancy, published the book "The Triple Summary," in which he explained that companies should consider the "three Ps": people, planet, and profit (stakeholders, the environment, and the economy) in their management.

Following the modernization of this concept, environmental, social, and governance (ESG) standards emerged, upon which sustainable investment principles are currently built. Companies seeking to integrate sustainable development approaches into their operations are the primary target group for ESG standards, which are the three new pillars of performance measurement.

According to the Capital Market Authority's definition, these non-financial standards enable "Assessment any economic entity beyond the conventional financial metrics of profitability, stock price, and growth prospects." The following diagram briefly summarizes the components of the ESG concept.

When considered one by one, ESG standards support financial statements and take sustainable development into account to analyze the long-term challenges facing a company.

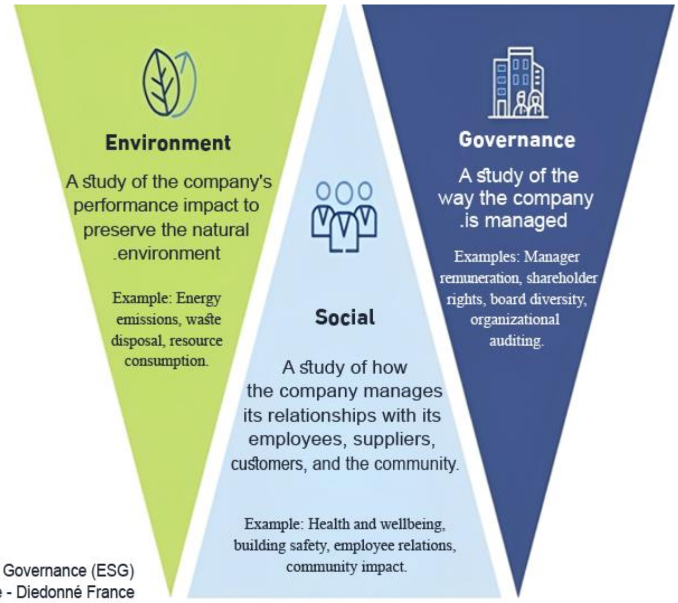

Figure 1: Concept of Environmental, Social, and Governance (ESG)
Source: Environment, Social Affairs, Governance - Diedonné France

1,2 Environmental Standard

This standard measures the company's risk management and impact on its environment. It assesses the organization's attitude toward the environment and its commitment to sustainable development. The direct or indirect impact on the environment is generally assessed based on several standards, including:

- Managing carbon dioxide and greenhouse gas emissions with the aim of reducing gas emissions and energy consumption by prioritizing the use of renewable energy;
- Waste management through an appropriate recycling system;
- Risk management related to potential industrial disasters (oil spills, soil contamination, etc.);
- Respecting biodiversity, etc.

2,2 Social Standard

The social dimension includes cooperation, management, and dialogue among the various stakeholders involved in this approach, including, but not limited to, company employees, customers, suppliers, unions, local communities, and others. Therefore, social performance can be measured through:

- Respect for employee rights and labor standards (based on international standards);
- Employee training and providing appropriate compensation;
- Practices that promote employee well-being;
- Inclusion of people with disabilities:
- Support for charitable or local projects;
- Respect for social dialogue in management policy;
- Gender representation, etc.

3,2 Governance Standard

This last standard of governance assesses a company's tendency to operate with transparency and fairness. It relates to the company's decision-making process in accordance with the laws and stakeholders' needs. This standard is assessed by analyzing:

- The independence of the Board of Directors;
- The anti-corruption policy;

- The presence of an audit committee;
- Anti-corruption procedures;
- Transparency regarding executive compensation;
- The presence of an audit committee;
- The way the company is managed (the independence of management and the board of directors);
- Shareholder relations and their role, etc.

These concepts detailed above have become fundamental to sustainable finance and socially responsible management. In addition to financial performance, a company is now expected to be able to control its negative impact on society (the environment and climate) and, more importantly, to overcome it and contribute to the public good while achieving its value creation goals, particularly financial ones.

4,2 Distinguishing between Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) Standards

Environmental, social, and governance (ESG) standards must be distinguished from related concepts such as corporate social responsibility (CSR), two concepts that are often confused.

CSR is a sustainable development policy implemented within a regulated entity that consists of the voluntary integration of sustainable development issues into a company's strategy, consistent with a company's responsibility to society and the environment.

On the other hand, the concept of (ESG) represents the set of factors used to evaluate or measure CSR performance. Therefore, these two concepts are closely related but differ in their approach. In short, CSR focuses on how companies integrate social and environmental concerns into their daily operations, while ESG standards define a set of specific and measurable data that allows for analyzing a company's impact on the environment and society and the quality of its governance. Therefore, a good analysis of ESG standards provides opportunities to measure CSR within a company, as it focuses on the environmental, social, and governance factors that can impact a company's performance.

3. Evaluation of Environmental, Social, and Governance Reports by SAIs

Considering non-financial standards is no longer an option, as they are closely linked to corporate performance and long-term value creation. Therefore, it is essential, indeed crucial, to consolidate the use of sustainable development visualization tools, including environmental, social, and governance (ESG) reports, as part of their role in auditing the performance of public sector institutions according to the principles of efficiency, economy, and effectiveness, and their quest to verify progress towards sustainable development at the national level. In this context, and in accordance with the International Standard of SAIs (ISSAI 5130) on "Sustainable Development: The Role of SAIs," it is important to emphasize that "sustainable development audits must comply with all generally accepted standards to which the SAI is committed, such as those established by the International Organization of Supreme Audit Institutions (INTOSAI) and any other national standards. Sustainable development may have more complex characteristics than many other audit topics, but this does not mean that planning, evidence gathering, analysis, and reporting standards should be relaxed." Therefore, SAIs are responsible for:

- Certifying entities' performance with regard to sustainable development using data from ESG reports; or also:
- Using the SDGs related to environmental, social, and governance standards as benchmarks or expectations in audits to improve the quality and relevance of reporting on this topic.

1,3 Assurance auditing of performance in Environmental, Social, and Governance (ESG).

Similar to the certification audit of performance reports, SAIs can express an opinion and make recommendations regarding the auditee's achievement of pre-defined ESG criteria. During this process, SAIs can perform the following, in a chronological order:

- Auditing the system for collecting and monitoring ESG indicators;
- Evaluate the ESG report by comparing the defined indicators with the results;
- Identify strengths and weaknesses to issue an opinion.

2,3 Auditing the Collection and Monitoring System

The indicators used for each auditee may vary due to the specific nature of each auditee. Furthermore, it is essential to select appropriate indicators and understand how to utilize them. Therefore, the SAI must ensure that the identified indicators clearly measure the level of achievement of pre-defined objectives and assess the required performance as objectively as possible. The indicators must also comply with international standards and regulations and be clear and fully aligned with the company's objectives. It should be noted that some indicators are common to each auditee, including:

- The amount of greenhouse gases emitted by each auditee, commonly known as the carbon footprint. Measuring and monitoring this indicator has a significant impact on the environment. This may require specialized analytical skills and tools, or even collaboration with experts. These results enable the implementation of initiatives such as energy-saving measures and waste reduction.
- The diversity and inclusion standard relates to the workplace environment, equality, and working conditions. Relevant indicators can be tracked through recruitment rates, promotion rates, employee turnover rates, reasons for resignation, and more.
- Employee engagement can be used to measure social sustainability. This should include measuring employee job satisfaction, internal promotion rates, and more.
- Supply chain sustainability aims exclusively to measure supplier performance.
- Impact on local communities.
- Board independence, etc.

The SAI, when reviewing the set of indicators, must ensure their compliance with the European Sustainability Reporting Standards (ESRS). These are indicators and standards that define how reports should be prepared, established under the Corporate Sustainability Reporting Directive (CSRD), which came into force on January 1, 2024, mandating the preparation of non-financial sustainability reports. It is also important to ensure the quality, comprehensiveness, and accuracy of the information provided to avoid biased analyses.

3,3 Evaluating the environmental, social and corporate governance report by comparing the identified indicators with the results:

After well-defined SMART indicators that are closely linked to the auditee, analyzing the extent to which the pre-defined objectives are achieved is easy, so the auditor has to compare achievements with expectations or target values. The results allow them to identify weaknesses and strengths and make suggestions for necessary adjustments when needed.

4,3 Identify strengths and weaknesses to give feedback:

Gathering the level of achievement of the objectives enables the preparation of a table that summarizes all gaps and strengths and thus helps in giving an opinion on the environmental, social and corporate governance ESG report and verifying the auditee's performance in the area of sustainable development.

5,3 Using the environmental, social and governance ESG report data as benchmarks in performance audit reports

Integrating ESG criteria with the SDGs as ESG criteria in performance reports means that the SDGs are taken into account when auditing performance. As shown in the chart below, each SDG can be linked to one or more ESG criteria.

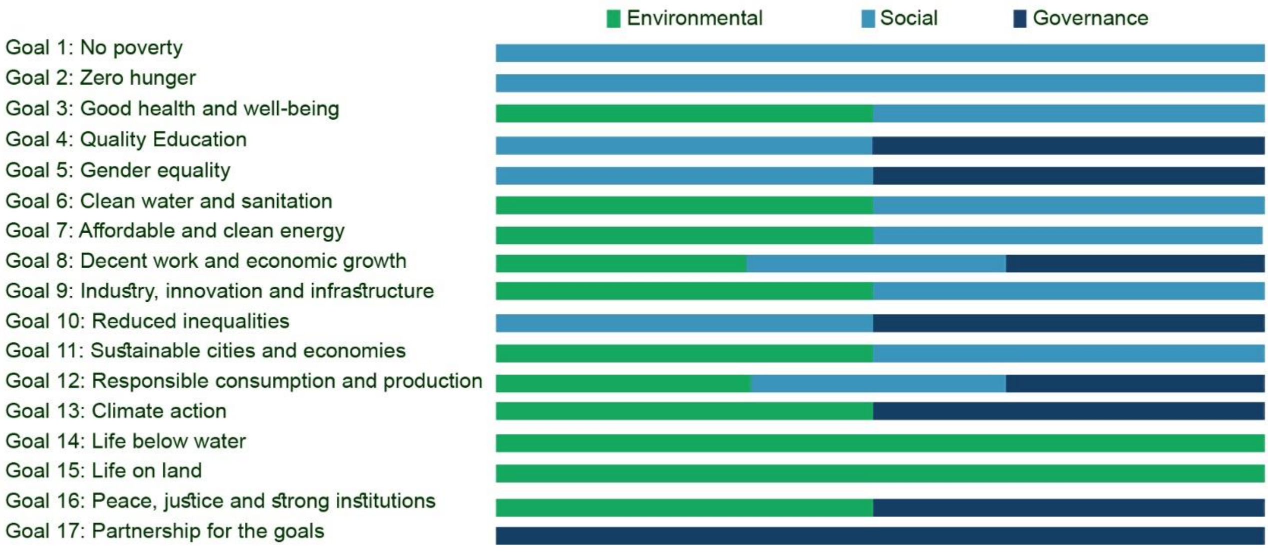

Figure 2: Mapping ESG factors and the 17 Sustainable Development Goals

Source: https://www.ipsasb.org/publications/document-de-consultation-promouvoir-l-information-sur-la-durabilite-dans-le-secteur-public

SAIs under this option can integrate the SDGs into audits in multiple ways, but the recommended approach is a Level 2 audit based on the INTOSAI SDG audit Model (ISAM), where the SDGs are used as expectations by including them in the audit questions and criteria. The information provided in the reports will thus provide a practical basis and the criteria are used as references.

ESG criteria can be integrated into various stages of the audit process as follows:

Performance Audit Phase	Level of inclusion of ESG data
Recognize the auditee.	- Collect topics that affect the entity, its industry and its stakeholders, such as combating climate change, working conditions, respect for human rights, protection of personal data and supply chain management. - Identify key environmental, social and governance (ESG) risks and opportunities.

	- Identifying, assessing and addressing risks related to factors in these three areas - Evaluate the auditee's governance structures, policies and procedures.
Defining the scope of the audit.	- It is necessary to focus not only on the activities of structures, but also on suppliers, customers, beneficiaries, products and services (the entire value chain).
Formulating audit objectives and identifying audit questions.	- Audit objectives and lines are linked to the various risks identified during the identification phase of the auditee
Selecting Audit Criteria .	- Audit standards are selected based on Sustainable Reporting Guidelines, Task Force on Climate-related Financial Disclosures (TCFD) standards, IFRS S2, International Financial Reporting Standard (IFRS), International Public Sector Accounting Standards (IPSAS), Environmental Code, etc.
Define the audit approach	- Overview of ESG performance and areas of concern, and participation in the prioritization of ESG-related issues for the auditee..
Identify possible conclusions	- Issuing recommendations on the auditee's management of sustainable development.

Taking these indicators into account when conducting performance audit will allow the supreme Audit Institution to record findings and make recommendations, where appropriate, regarding sustainable development based on the information gathered in the ESG reports submitted by the audited entities.

4. Realistic scenario: Utilizing the ESG report

To support this, we thought it appropriate to contextualize the ESG reporting options we propose for SAIs by analyzing the ESG report of a 100% state-owned public shareholding company, which we will call "X". It should be noted that this is the only ESG report available from a governmental entity according to our research.

Company X is a fund that began operations in 2014 with the goal of catalyzing economic transformation by investing in transformative projects with high economic impact potential. The report is an 18-page document divided into two parts:

- Entity's Presentation
- and the entity's accomplishments.

The document does not provide any quantitative data or comparative analysis.

Given the format used to present the structure's ESG achievements, we deemed it more appropriate to incorporate the report data as criteria in the performance audit. In fact, in the absence of quantitative data and forecasting information, the first option of certifying Company X's ESG performance cannot be implemented, so according to the performance audit planning process, we will provide a logical matrix on examining the integration of sustainable development criteria into X's activities.

Audit Field: Integrating sustainable development criteria into X's activities						
Objective: Ensure that X's governance and management mechanisms ensure a positive environmental and social impact						
Control criteria	**Questions to check to meet the criteria**	**Required information and its source**	**Methods for collecting and analyzing data**	**Scope of verification**	**Restrictions**	**What the censors can disclose**
Field of Inquiry 1.1: Environmental Management Framework						
Structure X implements initiatives that promote environmental protection.	Is a policy to optimize water and energy consumption being implemented within X? Are there any recycling mechanisms in place at X?	➢ **Information** - Internal decisions related to resource optimization - Waste Recycling Companies' Intervention Methods - Environmental impact of funded projects - Funding Selection Criteria ➢ **Resources** - Basic Principles of Environmental Protection - Senegalese environmental law	- Documentary Review - Documentary Review	2015-2021	- Lack of quantitative data	**" X implements initiatives and good practices in the field of environmental protection**
	- Are environmental impact studies conducted as a precondition for funding each project? - Does X boost financing for renewable energy projects?	- International Organization for Standardization (ISO) standards 14001:2015, 14004:2016 and 14004:2016 related to management systems. - Service notes related to internal resource optimization practices				
Field of Inquiry 1.2: Considering social aspects						
➢ **Social aspects are taken into account in X's business and management style.**	- Are the working conditions inside X favorable for employee performance? - Are employees taking advantage of internal training or promotion opportunities based on objective criteria? - Do X investments have an impact on local communities? If so, is this impact being measured?	➢ **Informations** - Employees, working conditions and available material and financial resources - Internal Promotion Policy - Impact of projects on the population - Supporting local communities ➢ Resources - Personal profile - Employee Progress Record	- Documentary review - interviews - Use of documents (meeting minutes, correspondence, communications, terms of reference, etc.)	2015-2021	Absence of all stakeholders - Lack of comprehensive information	**X applies responsible management of its human resources and has a positive impact on its stakeholders**

	- Is there a social support system for people living in the project sites?	- Terms of Reference for University Partnerships - Terms of Reference for Cooperatives - Minutes of meetings with stakeholders - Mathlabool University Medical College Hospital Project File Fuzini, Polimed, etc				
	- Has X provided training opportunities for citizens in renewable energy, environmental protection and women's empowerment?					
Field of Inquiry 3.1: Governance framework						
➢ **X's governance framework ensures the sustainability of its activities.**	- Is the board of directors regularly constituted and members are replaced periodically?	➢ **Informations** - Board Resolutions - ESG Committee Intervention Mechanisms - Powers and Responsibilities of Stakeholders - Participation of civil society organizations, local authorities, etc.				
	- Are decisions made by the board of directors implemented and monitored?					
	- Is there an ESG committee within X?					

Public-Private Partnership Action Plan

Logical matrix for the "X" entity: field of verification: integrating sustainable development standards into Management

Applying the due diligence procedures outlined in this matrix would allow for a deeper understanding of Entity X's ESG performance, based on the available report.

It should also be noted that the lack of quantitative data and a comparative study with the desired situation at the beginning of the organization's sustainable development project is a limitation to the use of this report. The report would be more appropriate if it outlined the objectives and implementation mechanisms set by the ESG committee, which would allow identifying opportunities for improvement and suggest redirecting the resources used.

E. Conclusion

This research was based on the oversight role of supreme audit institutions in implementing guidelines and policies and coordinating sustainable development strategies. Their role in evaluating environmental, social, and governance reports was reviewed. Based on an analysis of articles and research on this topic, we observed that SAIs are able to significantly leverage ESG reports by conducting their evaluations, which may include an audit to demonstrate the auditee's performance in terms of governance, environment, and social issues. ESG reporting data can also be used as input into performance audits to serve as benchmarks and forecasts.

Moreover, exploiting one of the rare ESG reports of a entity with a significant government contribution prompts us to issue recommendations to the SAIs and the audited entities. Therefore, we recommend a guaranteeing that:

- ESG reporting methodology at the level of public administration and branches.
- Harmonization of the reporting methodology for entities on ESG aspects.
- Implementing more comprehensive regulations that go beyond ISSAI 5130 by creating tools for ESG reporting and utilization by SAIs.

The implementation of these recommendations would ensure optimal integration of sustainable development concepts within public sector structures and facilitate the use of these reports by supreme oversight bodies, enabling them to fully fulfill their role in monitoring and overseeing the achievement of the goals set by the 2030 Agenda.

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The influence of Regulatory Frameworks on ESG Reporting in Kenya: A Case of Public Entities Listed at the (Nairobi Securities Exchange) NSE.

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Director of Audit, Office of the Auditor - General

ABSTRACT

This Study investigated the influence of regulatory frameworks on Environmental, Social and Governance (ESG) reporting by public entities listed at the Nairobi Securities Exchange (NSE) in Kenya. The research examined the nature of regulatory frameworks, disclosure requirements and stakeholder engagement by public entities listed at the exchange. The study further reviewed the role of the Office of the Auditor General in influencing regulatory frameworks and ESG reporting for public entities listed at the exchange. The research collected data through questionnaires, document reviews and interviews with the respondents. The data was analyzed using **the Statistical Package for Social Scientists (SPSS) 26.**

The study findings revealed that the nature of regulatory frameworks, disclosure requirements and stakeholders engagement have a statistical influence on ESG reporting for public entities listed at NSE. The research recommends regulatory policymakers to develop specific and mandatory frameworks that will guide the growth of ESG reporting in Kenya. The findings from this study will provide various stakeholders with insight into the importance and relevance of ESG reporting.

Keywords: ESG reporting, Regulatory frameworks, ESG Performance, Voluntary Disclosure

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LIST OF ABBREVIATIONS AND ACRONYMS

CDP	Climate Disclosure Project
CSRD	Corporate Sustainability Reporting Directive
EU	European Union
ESG	Environmental Social Governance
GHG	Green House Gas
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
ISSAI	International Standard of Supreme Audit Institution
INTOSAI	International organization Supreme Audit Institutions
NSE	Nairobi Securities Exchange
NFRD	Non-Financial Reporting
SAIs	Supreme Audit Institutions
SASB	Sustainability Accounting Standards Board
TCFD	Task Force on Climate-related Financial Disclosure

DEFINITION OF TERMS

ESG Regulatory Framework - Refers to laws, regulations, sets of policies, guidelines and/or Documents of an organization, about environmental, social and governance

ESG Performance - How well an entity or organization is managing its operations and Relationships with stakeholders about environment, Social and Governance space.

ESG Reporting - Means public disclosure of information on the progress in the field of sustainable development, containing non-financial information, including factors related to the environment, society and corporate governance.

ESG Factors - Qualitative and quantitative measures that organizations or policymakers can use to set objectives, monitor and evaluate goal attainment in environmental, and governance spheres.

Disclosure - Refers to the timely release or reporting of important positive and negative information about an entity that influences investors' decisions.

Greenwashing - Process whereby firms propagate their products, services, or activities in an environmentally friendly or sustainable way to attract investors or consumers.

UN Sustainable

Development Goals - Refers to 17 Goals adopted by the UN Member. States in 2015 (General Assembly resolution A/RES/70/1 of 25 September 2015) as part of the 2030 Agenda for Sustainable Development.

Public Entity - A firm where the government has majority shareholding with over (50) and above shares

Stakeholders - Mean public authorities, businesses, representatives of civil society and community, shareholders (if applicable), local communities residing in the territory of presence, financial institutions, etc. who may be interested in the results of activities and/or may have a sigificant impact on environmental, social and governance activities or decision-making

1. INTRODUCTION

1.1 Background of the Study

According to Spitz et al. (2022), how well an organization manages Environmental, Social, and Governance (ESG) issues influences its sustainability and long-term viability. ESG reporting refers to the public disclosure of non-financial information on achievement in sustainable development. It entails organizations' disclosure of information on environmental impact, social responsibility and governance. Concerns from stakeholders and governing bodies has created global interest in ESG reporting. The United Nations' Sustainable Development Goals provided guidelines associated with ESG issues. These include zero hunger, ending poverty, access to clean water, climate action and gender equality. Stakeholders' requirements on entities to report on non-financial measurement have created the need to develop frameworks that meet their expectations.

Environmental factors include entity influence on the natural environment. These include waste management, pollution, carbon emissions, natural resource conservation and energy efficiency. Social factors refer to how an entity manages its relationships with employees, suppliers, customers, and the communities in which it operates. Examples of these are human rights, labor practices, health and safety, community engagement, and inclusion and diversity. Governance factors refer to how an entity is governed and how it manages its internal processes and structures. Governance factors are shareholder rights, anti-corruption measures, transparency and diversity of the Board. ESG reporting is critical for organizations to manage risks and identify opportunities relating to sustainability.

The challenge of climate change, society and stakeholders' pressure (Bradford, et. al, 2017) have compelled governing bodies and governments to develop regulatory frameworks that guide environmental, social, and governance reporting. Increasing interest in sustainability has led many organizations to introduce ESG-related regulatory frameworks (Kouk Ho, 2023). The framework aims to regulate entity's ESG performance to ensures transparency and prevent manipulation of sustainability-related information. ESG disclosure differs significantly across jurisdictions, with some countries thrusting mandatory reporting requirements, while others rely on voluntary frameworks.

According to (Wheeler & Aiken, 2023), ESG regulatory frameworks in the European Union (EU) and the United States (US) provide valuable examples for developing economies. The EU's model is comprehensive and prescriptive, with key guidelines like the EU Taxonomy Regulations, Non-Financial Reporting Directive (NFRD), and Corporate Sustainability Reporting Directive (CSRD) requiring detailed sustainability disclosures. The US combines both voluntary and mandatory requirements with voluntary standards, such as those from the Securities and Exchange Commission (SEC) and the Sustainable Accounting Standards Board (SASB). While this allows for flexibility, it can lead to diminished consistency in ESG reporting Houston et al. (2023).

According to Roivainen (2024), ESG frameworks like the Global Reporting Initiative (GRI), Task Force on Climate-related Financial Disclosures (TCFD), and Sustainability Accounting Standards Board (SASB) develop standards for reliable, consistent and comparable sustainability reporting. GRI offers guidelines for reporting on economic, environmental, and social impacts reporting, while TCFD focuses on climate-related financial risks while helping entities report on strategy, governance and risk management. Additionally, frameworks like the International Integrated Reporting Council (IIRC), Climate Disclosure Project (CDP), and Greenhouse Gas (GHG) Protocol also guide on ESG reporting. International Financial Reporting Standards (IFRS) S1 and S2 further provide detailed guidelines on sustainability-related disclosures that include environmental, social and governance (ESG) factors. IFRS S2 guides climate-related financial risks and opportunities.

ESG regulations in emerging economies are inspired by frameworks in developed economies that provide both voluntary and mandatory reporting requirements. ESG reporting in Kenya is voluntary and is not as comprehensive as those in developed economies. The Nairobi Securities Exchange (NSE) in Kenya has led the way in advancing ESG reporting by developing an ESG disclosures guidance manual. The manual aims to enhance and standardize ESG information reported by listed entities at the NSE. It also guides how listed companies may incorporate ESG considerations in their practices.

The International Organization of Supreme Audit Institutions (INTOSAI) has sought to enhance ESG reporting for the public sector by developing guidelines for ESG audits (INTOSAI Working Group, 2024). The guideline provides professional approach to conducting ESG audits by Supreme Audit Institutions (SAIs). Supreme Audit Institutions play a critical role in ESG reporting by providing assurance regulatory frameworks developed by the Governments. ISSAI 100 on fundamental principles of Public Sector Auditing guides public sector auditing whereas ISSAI 4000 on compliance auditing standards provides professional standards and guidelines on compliance auditing. Therefore the assessment of compliance and the review of established legal and regulatory frameworks which includes ESG frameworks in the public sector falls within the mandate of Supreme Audit Institutions (SAIs).

The study applied three theories that mirror business sustainability objectives. These are stakeholder theory by Freeman (1984), legitimacy theory and Institutional theory. The theories provide a model of application of the relationship between regulatory frameworks with ESG reporting.

1.2 Statement of the Problem

Public Sector auditing and reporting on ESG factors is in its early stages of development. INTOSAI P-12 - On the value and benefits of Supreme Audit Institutions. Making a difference in the lives of citizens provides that SAIs should carry out audits to ensure government and public entities are held accountable for the use of public resources. Auditing and reporting by SAIs on ESG factors therefore promotes accountability in the use of public resources. ISSAI 4000 on Compliance Auditing Standards further requires Supreme Audit Institutions to undertake compliance audits for public sector entities to assess their compliance with legal and regulatory frameworks, including ESG frameworks.

Emerging economies like Kenya, have experienced a slower rate of development and growth of legal and regulatory frameworks on ESG reporting. As of now, the application of ESG reporting in Kenya is voluntary with only the Nairobi Securities Exchange (NSE) having developed disclosure guidance on ESG reporting. The guidance provides an implementation roadmap for listed entities.

Article 229 (6) of the Constitution of Kenya, 2010 requires the Auditor-General to confirm whether public resources have been applied lawfully and effectively. Further, the Public Audit Act, 2015 requires the Auditor-General to carry out compliance audits on public entities to confirm their compliance with existing legal and regulatory frameworks among other audit subject matters. SAI Kenya is therefore legally mandated to audit public entities funded by public funds.

The Office of the Auditor General (OAG) plays a critical role in ESG reporting by ensuring public entities adhere to the established professional standards and laws which include Environmental, Social, and Governance (ESG) factors. By assessing compliance with the standards and laws, the Office enhances transparency and accountability on ESG performance by public entities.

Legal and regulatory frameworks influence ESG disclosure and reporting for businesses (Group, G.L, 2024). The study therefore sought to examine how regulatory frameworks adopted by public entities listed in the Nairobi Securities Exchange influenced ESG reporting in Kenya. It also reviewed the role of the Office of the Auditor-General in influencing regulatory frameworks and ESG reporting. The study sampled public entities with government majority shareholding and listed at the Nairobi Securities Exchange (NSE). The exchange has developed an ESG disclosure manual that guides ESG reporting. Other public entities in Kenya, have no specific framework which guides environmental, social and governance reporting.

1.3 Objectives of the study

General Objective

To examine how regulatory frameworks influence Environmental, Social and Governance (ESG) reporting for public entities listed at the Nairobi Securities Exchange (NSE).

Specific Objectives

In particular, the study assessed

1- The nature of reporting frameworks applied by public entities listed at the Nairobi Securities Exchange in Kenya;

2- The extent of compliance in disclosure requirements prescribed in national or other regulatory frameworks and their effect on ESG reporting for public entities listed in the Nairobi Securities Exchange in Kenya and,

3- The extent to which stakeholders' engagement affects ESG reporting for public entities listed at NSE in Kenya.

Study Questions

The study sought answers to the following questions.

1- What regulatory framework for reporting on ESG is applied to public entities listed at the Nairobi Securities Exchange in Kenya?

2- What are the disclosure requirements established by the framework and their effects on ESG reporting for public entities listed at NSE in Kenya?

3- How does stakeholder engagement influence ESG reporting for public entities listed at NSE in Kenya?

1.4 Hypothesis of the Study

HO I: Public entities listed in the Nairobi Securities Exchange use the Global Reporting Initiative (GRI) to report on ESG factors.

HO 2: Disclosure requirements established by regulatory frameworks do not affect ESG reporting by public entities listed at NSE in Kenya.

HO 3: Stakeholders engagement has no affect on ESG reporting by public entities listed at NSE in Kenya.

1.5 Limitations of the Study

1- Due to the time and resource constraints, the study was limited to public entities listed at the Nairobi Securities Exchange (NSE) in Kenya.

2- The study was based on a single jurisdiction in Kenya which is an emerging economy and was focused on public entities listed at Nairobi

Securities Exchange. The findings of the study therefore may not be generalized to other types of entities and other jurisdictions

1.6 Significance of the Study

The findings of this study will aid policymakers and legislators in Kenya by providing valuable insights into the current state of ESG reporting within publicly listed entities. This will help identify gaps in the existing regulatory frameworks and develop robust policies to strengthen ESG standards.

Professional bodies like accounting and financial institutions will benefit from the study's findings by developing tailored ESG reporting guidelines. The bodies play a crucial role in setting standards that ensure transparency and consistency in reporting across the corporate sector.

The study is significant for investors and shareholders as it provides a comprehensive analysis of ESG reporting in Kenya, allowing them to make more informed decisions. By understanding how companies are complying with ESG frameworks, investors can assess risks and identify sustainable investment opportunities.

For citizens, the study fosters greater awareness of the importance of ESG factors in public entities which helps to build trust in institutions.

2. LITERATURE REVIEW

2.1 Regulatory Frameworks

Global organizations have developed regulatory frameworks on ESG reporting. These include the United Nations Sustainable Development Goals (UNSDGs), the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the Taskforce on Climate Financial Disclosures (TCFD), and the International Financial Reporting Standard (IFRS). The frameworks include checklists of what needs to be reported on the sustainability activities such as ecological, labor relations, human rights, and management and governance systems. Global reporting initiatives (GRI) guides sustainability performance which includes information on environmental impacts, labor and human rights, and corporate governance. The Sustainability Accounting Standards Board (SASB) guides how sustainability information should be reported to shareholders. SASB standards are sector-specific and are used in addressing entities' sustainability issues.

2.2 Theoretical framework

The study employed three theories to justify the role of regulatory frameworks in ESG reporting. These are institutional, legitimacy, and stakeholder theories.

2.2.1 Institutional Theory.

Institutional theory originated from the work of sociologists and organizational theorists John W. Meyer and Brian Rowan developed in the late 1970s. The theory provides a framework through which people describe how organizations become stabilized through reference to society's norms, values, and rules. It states that by adopting formal organizational structures and practices that are already widely known, organizations claim to be rational and orderly with society, even without being productive. Institutional theory helps explain the regulatory frameworks and ESG reporting in Kenya, especially among the NSE-listed public entities, by giving a perspective of various players' rationale and processes to embrace certain forms of regulating ESG reporting.

2.2.2 Legitimacy Theory

Legitimacy Theory was conceptualized by organizational theorist Mark Suchman, who claimed that for an organization to be legitimate, it must conform to societal norms, values, and expectations, which are vital if the organization is to survive and perform optimally. In the context of ESG reporting, the theory points out that entities implement sustainable practices and report them through frameworks to fulfill their stakeholders' expectations and cover up the norms of ethical behavior. In Kenya, the theory will help understand why public entities listed on the Nairobi Securities Exchange might opt to engage in ESG reporting.

2.2.3 Stakeholder Theory

R. Edward Freeman formulated stakeholder theory in his book "Strategic Management: A Stakeholder Approach" (1984). Freeman argues that all organizations should ensure that they balance the interests of all the stakeholders, not just those of the shareholders. This includes customers, employees, suppliers, communities, and the environment. Hence, working on addressing the needs and concerns of groups of interest ensures that organizations are sustainable because the needs of all the stakeholders are met, and their demands are met.

The guidelines for ESG and sustainability reporting worldwide, including the GRI, TCFD, IFRS, and SASB, are in harmony with stakeholder theory since they motivate companies to undertake systematic ESG reporting in light of stakeholders' issues. In this context, the theory presents a framework for explaining why entities must have a comprehensive ESG reporting approach that addresses stakeholder concerns.

2.3 Empirical Review

According to Choi (2024), the stock exchange of Hong Kong in the past eight years migrated to mandatory for ESG reporting. The study assessed whether increased ESG reporting requirement improved disclosure level for 100 Chinese companies listed in Hong Kong from 2015 to 2021. The research showed that solid regulations led to enhanced quality of the environmental disclosures.

According to research by Tang (2023), it was established that Malaysia's decision to incorporate ESG reporting resulted to reduced greenwashing by firms. Greenwashing is a process where entities broadcast their products, services, or activities as environmentally friendly to attract investors or consumers. The study found that regulatory measures in Malaysia was focused on environmental, social, and governance issues such as transparency, human rights, anti- corruption and due diligence.

According to (Kimilu, 2021), the research established that there was higher level of disclosure on environmental and social issues as compared to corporate governance. The study established that improving ESG disclosure enhances firm value by on return on assets (ROA) and return on equity (ROE)

2.4 Supreme Audit Institution, Regulatory Frameworks and ESG Reporting

The Office of the Auditor-General (OAG) Kenya plays a critical role in enhancing ESG reporting by ensuring compliance with legal and regulatory frameworks among public entities.

This is achieved by giving assurance on entities' compliance with guidelines, regulations and laws as provided for in Article 229 (6) of the Constitution of Kenya, 2010 which requires the Auditor-General to assess and confirm whether the public entities have used the public resources entrusted lawfully and effectively.

Section 7 (1) of the Public Audit Act, 2015 also requires the Auditor General to provide reasonable assurance on risk management, internal controls and governance processes. This involves assessing how entities address environmental and social risks, examining the robustness of risk management processes and the effectiveness of governance structures. This ensures compliance with legal and regulatory frameworks which include ESG frameworks.

The Companies Act, 2015 further requires the auditor to report on entities' compliance with other legal and regulatory requirements. The audit of ESG frameworks by the Office therefore, supports the quest to help entity management to be accountable for ESG, enhancing stakeholder trust and credibility of public entities.

2.5. Study/Research Gap

Various research findings have highlighted how regulatory frameworks affect ESG disclosure and reporting (Kimilu, 2021). The majority of the studies are based on developed economies that have adopted mandatory disclosure requirements. ESG reporting in Kenya is voluntary with Nairobi Securities Exchange leading the way by developing ESG disclosure guidelines. Public sector ESG reporting is also emerging with the International Organization of Supreme Audit Institutions (INTOSAI) developing ESG audit guidelines in 2024. This study will therefore fill the gap by investigating how regulatory frameworks influence ESG reporting for public entities listed at the Nairobi Securities Exchange (NSE). Kenya being an emerging economy, the study will add to the body of knowledge on ESG reporting with specific focus on public sector jurisdiction.

2.6 Operationalization of Variables

The study was anchored under the following variables;

2.6.1 Independent Variables

The independent variables are the regulatory frameworks. This covers the nature of frameworks, disclosure requirements, and situational analysis which involves the engagement of stakeholders to create trust and confidence.

2.6.2. Dependent Variables

Dependent variables refer to ESG disclosures and reporting. ESG reporting entails how entities disclose and provide public information on environmental, social and governance factors that affect businesses.

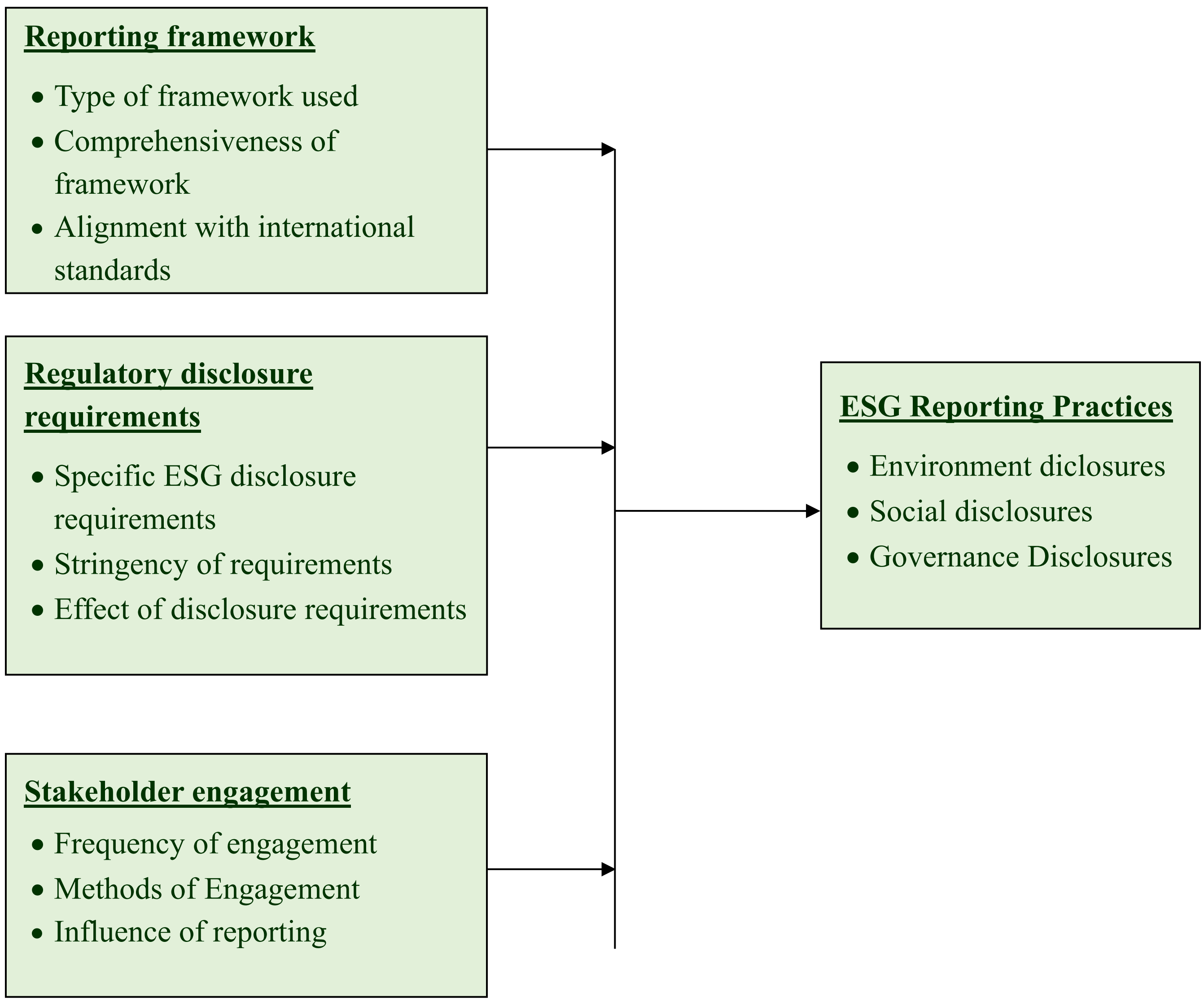
Table 1: Operationalization of Variables

No	Objectives	Variables	Analysis Method	Supporting Theory
1	To determine the nature of reporting frameworks applied by public entities listed at NSE	**Independent Variable** - Nature of frameworks **Dependent Variable** - ESG reporting	Descriptive Statistics	Institutional Theory Legitimacy Theory
2	To assess disclosure requirements by regulatory framework and their effects on ESG reporting	**Independent Variable** - Disclosure Requirements **Dependent Variable** - ESG reporting	Descriptive Statistics	Institutional Theory Legitimacy Theory
3	To assess the extent to which stakeholders' engagement affects ESG reporting for public entities listed at the exchange	**Independent Variable** - Stakeholders' engagement **Dependent Variable** - ESG reporting	Descriptive statistics	Institutional Theory Stakeholder Theory

2.7 Conceptual Framework

The conceptual framework shows the relationship between the two variables (Independent and Dependent) which are relevant to the study to explain the problem.

Figure 1: Conceptual Framework



Independent Variables **Dependent Variable**

3. RESEARCH METHODOLOGY

The research used the mixed methods research (MMR) approach which combines quantitative and qualitative research approaches. The method was found suitable for the study due to the exploratory nature of the Research. The Nairobi Securities Exchange was chosen as the focus of the study due to the existence of ESG disclosure guidelines which have been in use since 2021. There are no specific ESG reporting guidelines for the public sector in Kenya.

The research conducted a pilot study with auditors from the environment and climate change unit under the performance audit directorate in the office of the Auditor General. The unit was selected for piloting as it assesses public entities' performance on climate change which includes ESG factors. The pilot study tested the survey questionnaire's reliability, relevance, and usefulness in addressing the study objectives.

Data from the auditors of the public entities listed on the Nairobi Security Exchange was gathered through document reviews, interviews and questionnaire surveys. The questionnaire included both closed-ended and Likert scale questions to gather quantitative data. The instrument was developed based on existing literature and tailored to the context of the ESG reporting. The study also employed a descriptive research design, which is appropriate for describing the characteristics of a particular phenomenon and examining the relationships between variables (Saunders et al., 2019). This design allowed for a comprehensive analysis.

To ensure representation and comprehensive analysis, the study used a random sampling method, where a sample of 50 public auditors was selected from three public entities. The selected public entities listed at the Nairobi Securities Exchange are KENGEN, KPLC, and Portland Cement Ltd. Out of the selected sample, 26 respondents were used for the study after cleaning the data.

The questionnaire was scrutinized by 3 practicing auditors to assess its validity. The reliability of the questionnaire was tested using Cronbach's alpha correlation coefficient with the help of Statistical Package for Social Sciences (SPSS 26) software.

Interviews were also held with the heads of sectors auditing public listed entities to obtain feedback on the role of the Office in ESG reporting. Annual and sustainability reports were analyzed to obtain an in-depth understanding of the nature of regulatory frameworks, disclosure requirements and stakeholder engagements by the public entities.

Descriptive data was analyzed using Statistical Package for Social Scientists (SPSS) 26 software.

3.1 Data Presentation, Analysis & Discussion

3.1.1 Descriptive Statistics.

The study established that most respondents had a job experience of less than 2 years 80.95% while 19.25% of respondents had a job experience of more than two years as in the diagram below. All the respondents had audited 1-3 public entities listed on NSE last year.

Table 2. Descriptive Statistics

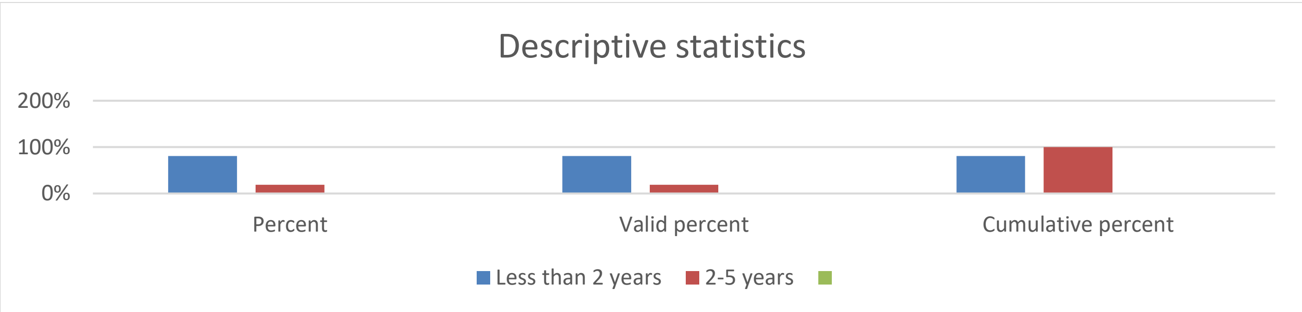


Table 2. Descriptive statistics showing the respondents' experience distribution in percentage

3.2 Ordinal regression analysis

The study has adopted an Ordinal regression analysis to establish the statistical relationship between variables. For the model to be feasible, various assumptions have to be met. These assumptions include; that the model should have one dependent variable or more independent, continuous, categorical, or ordinal variables, Ordinal regression analysis independent variables should not exhibit statistically significant collinearity, and finally, the model should have proportional odds (Williams & Ordinaz, 2020). After testing for the assumptions, an analysis based on ordinal regression has been used.

3.2.1 Multicollinearity Assumption Test

Table 3: Multicollinearity test coefficients

Model	Tolerance	VIF
RF	0.75	1.33
RDR	0.68	1.47
SE	0.56	1.79

Dependent variable: ESG Reporting Practices

- All three variables were measured on the Likert Scale. All the scales were responsive and were considered in the test.
- RF, RDR, and SE represent regulatory frameworks, regulatory disclosure requirements, and stakeholder engagement variables.

The results of the multicollinearity assumption test indicate that all the independent variables that is, regulatory frameworks (RF), regulatory disclosure requirements (RDF), and stakeholder engagements have a variance inflation factor (VIF) below 1 and a corresponding Tolerance value above 0.1. These results suggest, an insignificant existence of multicollinearity between the independent variables. Therefore, data meets the assumption of the multicollinearity test.

3.2.2 Parallel Lines Test Results

Table 4: Test of Parallel lines

Model	-2log likelihood	Chi-square	Df	Sig.(P-value)
Null hypothesis	320.456			
General (Nonparallel)	310.789	9.667	4	0.047

Having met the multicollinearity assumption, the model is tested for the proportional odds assumption by testing the parallel lines. The test compares the ordinal logistic model that assumes proportional odds with a model that does not assume proportional odds. The null hypothesis assumes that proportional odds (parallel lines) hold while the general model assumes different slopes for each level of the dependent variable. The chi-square value of (9.667) and the p-value of 0.047 indicate that the assumption of proportion odds has been met.

3.3 Model results and interpretation

Having tested and met the assumption of the ordinal regression model, this section seeks to establish the relationship between the independent variables; regulatory frameworks, regulatory requirements disclosure, and stakeholder engagement on the ESG reporting practices for pub lic entities listed on NSE Kenya.

3.3.1 Overall model fit

Table 5: Likelihood Ration Test results

Model	-2log likelihood	Chi-square	Df	Sig.(P-value)
Null hypothesis	385.134			
Final model	310.456	74.678	3	0.000

The intercept-only model shows only the intercept with no predictors. The -2 log-likelihood for the model is 385.134. The final model includes the predictor's variables regulatory framework, regulatory disclosure requirements, and stakeholder engagement. The difference between -2log likelihoods is the chi-squared statistic (385.134-310.456=74.678). This indicates that the model is better and can predict the statistical significance of the predictors on the independent variable- ESG reporting practices on public entities listed on NSE, Kenya over and above the model X2(3)=74.678, p<0.001.

3.3.2. Tests of Model Effects Results

Table 6: Tests of Model Effects

Source	Chi-square	Df	Sig (p-value)
Intercept	2.112	1	.008
Regulatory Frameworks (RF)	6.843	1	.001
Regulatory Disclosure Requirements (RDR)	4.702	1	.001
Stakeholder Engagement (SE)	3.021	1	.008

Dependent variable: ESG Reporting practices

Model: Regulatory frameworks, regulatory disclosure requirements, stakeholder engagements

The table above shows that the regulatory frameworks have statistical significance in the ESG reporting practices on public entities listed in NSE in Kenya, with a Chi-square of 6.843 and a P-value of 0.001. The regulatory disclosure requirements have statistical significance in n the ESG reporting practices on public entities listed in NSE in Kenya with a Chi-square of 4.702 and P-value of 0.001 and finally, the stakeholder engagement has moderate statistical significance in n the ESG reporting practices on public entities listed in NSE in Kenya with a Chi-square of 3.021 and P-value of 0.008

3.3.3 Interpretation of results

Objective 1: The nature of reporting frameworks applied by public entities listed at NSE in Kenya

The study findings indicate that regulatory frameworks have a significant influence on the nature of reporting of ESG reporting among the public entities at the Nairobi Securities Exchange. The chi-square value of 6.843 and P-value of 0.001 strongly show that regulatory landscapes shape how public reports on ESG issues. Based on the respondents, the Global Reporting Initiative (GRI) is the commonly identified framework among Kenyan public auditors in ESG reporting. However, other frameworks were noted to be used on a rare basis. These frameworks include the Sustainability Accounting Standards Board (SASB), a Task Force on Climate-Related Finance Disclosure (TCFD) and International Financial Reporting Standards (IFRS).

The significance of regulatory frameworks implies that Government enforcement encourages public entities to adopt widely recognized frameworks (Mugua, 2022). Stricter regulatory frameworks appear to result in more comprehensive ESG reporting. As noted, about 65.32% of public entities listed on NSE, in Kenya are fully aligned with the reporting frameworks while 34.68% are partially aligned. The comprehensiveness of the frameworks as rated by respondents suggests that public entities are aligning their ESG with international standards. The finding concurs with Opanyi (2016), who established that the adoption of international frameworks enhances reporting in public entities for accountability.

The findings underline the critical role regulatory frameworks play in shaping the ESG landscape in Kenya and by extension, the role of the Office of the Auditor General in providing oversight and audit assurance. Promoting the use of standardized ESG reporting frameworks by the government and regulatory bodies can drive public entities toward greater transparency and adherence to international best practices (Agutu & Githira, 2023). This study therefore confirms the null hypothesis (HO 1) that Public entities listed in the Nairobi Securities Exchange use the Global Reporting Initiative (GRI) to report on ESG factors hypothesis (HO 1)

Objective 2: Disclosure requirements established by the regulatory framework and their effect on ESG reporting for public entities listed in the Nairobi Securities Exchange in Kenya

The analysis shows that regulatory disclosure requirements have a moderate effect on ESG reporting practices, evidenced by a chi-square value of 4.702 and a p-value of 0.001. The study findings indicate that regulatory frameworks have a significant influence on the nature of reporting of ESG reporting among the public entities at the Nairobi Securities Exchange. The findings concur with Kruguer et al., 2021 that mandatory requirements disclosure has a positive influence on ESG reporting practices. As indicated by the respondents, the auditors recognized various disclosure requirements they had on ESG reporting.

The most noted disclosure requirements for public entities include waste management, energy use, human rights, occupational health and safety, and board composition structures. These disclosure requirements are in alignment with Dye et al (2021) research which notes the need for the mandatory requirements to revamp ESG reports of public entities to improve accountability. The marginal effect observed in this study aligns with the literature suggesting that disclosure requirements alone are not always enough to guarantee extensive or detailed ESG reporting unless they are enforced or accompanied by incentives (Boesso & Kumar, 2007; Hahn & Kühnen, 2013). This study therefore rejects the Null hypothesis (Ho 2) that disclosure requirements established by regulatory frameworks do not affect ESG reporting by public entities listed at NSE in Kenya.

Objective 3: Stakeholder engagement affects ESG reporting for public entities listed at NSE in Kenya

The study found that stakeholder engagement has a moderate statistical influence on ESG reporting as shown by a Chi-Square value of 3.201 and a p-value of 0.008. This indicates that stakeholder engagement on its own cannot have an influence on the ESG reporting practices but instead requires other factors to support the influence on ESG reporting.

The findings concur with the Ren et al., (2022), findings that stakeholder engagement plays a great role in how the ESG reports practices are in public entities listed at the NSE, Kenya. The study noted that the most used method of engaging stakeholders by public entities was through surveys, public forums and media. Feedback from stakeholders was incorporated into the firms' strategies.

The study therefore rejects the null hypothesis (**H**o 3) that stakeholders' engagement does not affect ESG reporting by public entities listed at NSE in Kenya.

4. CONCLUSION AND RECOMMENDATION

4.1 Conclusion.

The study investigated the influence of regulatory frameworks on Environmental, Social and Governance (ESG) reporting by public entities listed at the Nairobi Securities Exchange (NSE) in Kenya. It also reviewed the role of SAI Kenya oversight on regulatory frameworks and ESG reporting. The study concludes that the three factors; nature of regulatory frameworks, disclosure requirements, and stakeholder engagement have a statistical influence on ESG reporting for public entities listed at NSE, Kenya. The research further has established sufficient statistical evidence that regulatory frameworks have a positive influence on ESG reporting for public entities listed at NSE, Kenya.

The research concludes that public listed entities at the NSE use the Global Reporting Initiative (GRI) framework which is reinforced by the NSE –ESG disclosure guidance manual. The manual requires listed entities to disclose environmental, social and governance factors in their annual reports which enhances compliance. It was further established that stakeholder engagement by public entities listed at NSE has statistical effects on ESG disclosure and reporting. This was through stakeholders' feedback which was incorporated into the firms' strategies.

4.2 Recommendations

In view of the study findings and conclusion, the study makes the following recommendation:-

1- To enhance compliance on ESG reporting, NSE needs to migrate from voluntary to mandatory disclosure requirements for entities listed at the exchange.

2- The Government and regulatory bodies need to develop specific regulatory frameworks to guide auditing and reporting on ESG factors.

3- The office of the Auditor General Kenya should enhance its capacity in auditing and providing assurance on regulatory frameworks and ESG reporting

4- Public entities should enhance stakeholders' engagements to enhance trust and credibility in ESG reporting.

5- Further research/study needs to be carried out on public sector ESG reporting

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6. APPENDICES

Appendix I: **Research Questionnaire**.

Muthuri, Paul Arithi

Office of the Auditor General

Anniversary Towers

0722224466

Paul.muthuri@oagkenya.go.ke

Dear Sir / Madam,

REF: Request to Participate in Research Study Questionnaire On "The Influence of Regulatory Frameworks on ESG Reporting in Kenya; A Case of Public Entities listed at the Nairobi Securities Exchange (NSE)"

The purpose of this research is to examine the influence of regulatory frameworks on environmental, social, and governance (ESG) reporting in Kenya, a case of Public Entities listed at the Nairobi Securities Exchange. The office of the Auditor General is mandated to undertake compliance audits on legal and regulatory frameworks for public entities which include ESG reporting. As an auditor, your perceptions of ESG reporting is hereby sought.

Your participation is greatly appreciated and will contribute significantly to the development of ESG practice in Kenya.

Yours Sincerely,

Muthuri, Paul Arithi

The information sheet for questionnaire participation is attached.

QUESTIONNAIRE ON THE INFLUENCE OF REGULATORY FRAMEWORKS ON ESG REPORTING FOR PUBLIC ENTITIES LISTED AT NSE, KENYA

INSTRUCTIONS:

1. Please tick {√} as appropriate or fill in the blank spaces.

2. The Likert scale adopted in this questionnaire should be completed as follows:

Likert Score	1	2	3	4	5
Interpretation	Strongly disagree	Disagree	No opinion	Agree	Strongly agree

SECTION I: AUDITORS INFORMATION

a. Have you been engaged in auditing any of the public entities listed at NSE?

……………………………………………………………………………

b. What audit role do you play in the mentioned entity?

□ Public auditor □ Outsourced auditor □ other (specify)

……………………………………………………………………………

c. How many years of experience do you have in auditing ESG reporting?

□ Less than 2 years □ 2-5 years □ 6-10 years □ More than 10 years

d. How many public entities listed on the Nairobi Securities Exchange (NSE) have you audited for ESG reporting in the past year?

□ 1-3 □ 4-6 □ 7-10 □ More than 10

SECTION II: REGULATORY FRAMEWORKS

1. In your experience, which regulatory framework(s) are most commonly used for ESG reporting by public entities listed on the NSE? (Tick all that apply)

   □ GRI (Global Reporting Initiative)

   □ SASB (Sustainability Accounting Standards Board)

   □ IFRS (International Financial Reporting Standard)

   □ TCFD (Task Force on Climate-related Financial Disclosures)

   □ Company-specific frameworks

   □ Other (please specify): ________________

2. To what extent are the reporting frameworks used by NSE-listed entities aligned with international standards?

   □ Fully aligned

   □ Partially aligned

   □ Not aligned

3. On a scale of 1-5, how comprehensive would you rate the most commonly used reporting framework?

Comprehensive reporting frameworks					
Scale	**1**	**2**	**3**	**4**	**5**
Comprehensivenesrate					

SECTION II: REGULATORY DISCLOSURE REQUIREMENTS

4. Are you aware of specific regulatory disclosure requirements set by Kenyan regulatory bodies for NSE-listed entities?

   □ Yes

   □ No

5. In your audit experience, list disclosure requirements by the regulatory frameworks for public entities listed at NSE (Tick all that apply)

   □ Air and water pollution

   □ Climate change Mitigation

   □ Waste Management

   □ Diversity and equal opportunities

   □ Occupation, health and safety

   □ Stakeholders' consultation

   □ Separation of Chairman and CEO functions

   □ Composition and Structure ________________

6. On a scale of 1-5, to what extent have these regulatory requirements influenced the ESG reporting practices of NSE-listed entities??

Effect of regulatory requirements					
Scale	**1**	**2**	**3**	**4**	**5**
Effect rate					

SECTION III: STAKEHOLDER ENGAGEMENT

7. Based on your auditing experience, how often do NSE-listed entities engage with stakeholders regarding ESG reporting?

    □ Monthly

    □ Quarterly

    □ Bi-annually

    □ Annually

    □ Less than annually

8. Which stakeholder engagement methods have you observed used by NSE-listed entities? (Check all that apply)

    □ Surveys

    □ Focus groups

    □ One-on-one meetings

    □ Public forums

    □ Social media engagement

    □ Other (please specify): ________________

9. On a scale of 1-5, how much influence does stakeholder engagement have on ESG reporting decisions of NSE-listed entities?

Influence of Stakeholder Engagement					
Scale	**1**	**2**	**3**	**4**	**5**
Influence rate					

SECTION IV: ESG REPORTING PRACTICES

10. On a scale of 1-5, how comprehensive would you rate the ESG reporting of NSE-listed entities you've audited?

ESG Reports practices					
Scale	**1**	**2**	**3**	**4**	**5**
Comprehensivenes rate					

11. How frequently do the NSE-listed entities you've audited typically publish ESG reports?

□ Annually

□ Bi-annually

□ Quarterly

□ Other (please specify): ________________

12. Which ESG factors are most commonly reported by the NSE-listed entities you have audited? (Tick all that apply)

□ Greenhouse gas emissions

□ Energy usage

□ Water consumption

□ Waste management

□ Biodiversity impact

□ Employee diversity and inclusion

□ Occupational health and safety

□ Human rights in the supply chain

□ Board diversity

□ Executive compensation

□ Anti-corruption and bribery

□ Data privacy and security

□ Other (please specify): _______________

Thank you!

Appendix II: List of Public Entities listed at NSE used for Study

1. East Africa Portland Ltd
2. Kenya Power and Lighting Company Ltd
3. Kengen

Appendix III: ESG Factors Used

1. Greenhouse gas emissions
2. Water consumption
3. Waste management
4. Biodiversity impact
5. Employee diversity and inclusion
6. Occupational health and safety
7. Human rights in the supply chain
8. Board diversity
9. Executive compensation
10. Anti-corruption and bribery
11. Data privacy and security

The Role of Libyan Audit Bureau in the Evaluation of Environmental, Social, and Governance (ESG) Reporting.

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Audit consultant
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Abstract

This study tackles the role of the Libyan Audit Bureau in evaluation of Environmental, Social, and Governance (ESG) reporting. It aims to fill the existing gap, by providing a detailed analysis of the Libyan Audit Bureau's role in ESG reporting evaluation. This study sought to the current practice of ESG reporting in Libyan public companies and the role of the Libyan audit bureau in the evaluation of the ESG reporting, additionally, the methodologies used by the Libyan audit bureau in oversight of the public companies. It is based on a survey research design with a target population of (76) auditors within the Libyan audit bureau. Data collection was done by using the questionnaire and analyzed by using the Statistical Package for Social Scientists (SPSS). The results of the study proved that, according to the opinions of the study sample, the Libyan public companies don't prepare the environmental, social and governance reports (ESG) periodically. Furthermore, the Libyan Audit Bureau doesn't evaluate the environmental, social and governance reports and does not rely on, in its oversight work, the methodologies, mechanisms and evidence to evaluate these reports.

Keywords: Environmental, Social, Governance, ESG reporting, Libyan Audit Bureau.

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1. Introduction.

1.1 Background of the study.

Environmental, Social, and Governance (ESG) reporting has gained a significant traction globally, as stakeholders increasingly demand greater transparency and accountability from businesses (Raghavan, 2022). The Libyan Audit Bureau was established to oversee and ensure the integrity of the public and private sectors' financial practices and is tasked with evaluating corporate compliance with various standards, including ESG criteria. The Bureau's role is pivotal in promoting transparency, accountability, and sustainable business practices in Libya. However, its effectiveness in enforcing ESG standards and fostering a culture of sustainability among Libyan companies has not been extensively studied.

ESG reporting should be led by Libya's large and influential state-owned enterprises, and thus the research question evolved is "Can the Libyan Audit Bureau, as an external government auditing entity, enhance the sustainability of Libya's State-Owned Enterprises through ESG reporting". This study aims to justify the research questions by presenting an overview of the current status of ESG reporting within Libyan public companies, As well as, explore the Bureau's methodologies in evaluating ESG reporting implemented by these companies. The following points shall be discussed: the statement of this Study, the objectives of this study, research questions, the significance of the study, and finally limitations of the study.

1.2 Statement of the problem.

The Libyan Audit Bureau, as the central regulatory authority, plays a crucial role in overseeing corporate compliance with ESG standards. However, the extent to which the Bureau effectively evaluates and enforces these standards isn't well understood. The lack of comprehensive studies on the effectiveness of the Libyan Audit Bureau's role in promoting ESG standards highlights a significant gap in both academic and practical understanding. This study seeks to address this gap by examining the role of the Libyan Audit Bureau in evaluating ESG reporting among Libyan companies. It aims to explore the Bureau's methodologies and the perceptions of the key stakeholders regarding its effectiveness. Thus, the understanding of these dynamics is essential for improving regulatory frameworks, enhancing corporate transparency, and fostering sustainable development in Libya.

1.3 Research Objectives.

1- To identify the current practices employed by the Libyan companies in the practice of Environmental, Social, and Governance reporting.

2- To examine the current procedures employed by the Libyan Audit Bureau in evaluating Environmental, Social, and Governance reporting within Libyan public companies.

3- To explore the perceived importance and relevance of Environmental, Social, and Governance reporting in the context of the Libyan Audit Bureau's role in ensuring transparency and accountability in corporate governance.

1.4 Research Questions.

1- What is the current practices employed by the Libyan companies in the ESG reporting?

2- What are the current procedures employed by the Libyan Audit Bureau in evaluating ESG reporting within the Libyan public companies?

3- How do auditors perceive the importance and relevance of Environmental, Social, and Governance reporting in the context of the Libyan Audit Bureau's role in ensuring transparency and accountability in corporate governance?

1.5 Significance of the Study.

This research is the first study of ESG reporting on the Libyan audit bureau in Libya. There are very few mandates for ESG reporting as this practice is rare. Understanding the obstacles to ESG reporting in a developing post-conflict economy is valuable in providing future guidance for the international standard setters, particularly GRI. It will provide a baseline understanding of the extent of ESG awareness and understanding in Libyan public institutions. in addition, to the role of the Libyan Audit Bureau in that context.

1.6 Limitations of the study

While this study provides valuable insights into the role of the Libyan Audit Bureau in evaluating Environmental, Social, and Governance (ESG) reporting among Libyan companies, however, several limitations should be acknowledged.

1. Sample Size and Representation: The sample size of the respondents may not be large enough to represent the views of all stakeholders in the Libyan corporate and regulatory landscapes.

2. Response Bias: Participants might overstate their understanding of ESG practices or their views on the effectiveness of the Libyan Audit Bureau due to social desirability or fear of repercussions.

2. Literature Review.

2.1 Environmental, Social, and Governance Reporting (ESG): An overview.

ESG reporting, a key tool for driving circularity in business operations, is on the rise, with a significant impact on investing trends (Patil, 2020). This trend is reflected in the growing body of literature on ESG and sustainability reporting, which is increasingly focused on the social and governance aspects, as well as, the cost of equity and capital (Bosi, 2022). The importance of ESG reporting is underscored by its role in meeting stakeholders' information needs and enhancing stakeholders' values (Raghavan, 2022). However, there is a necessity for further research to understand the evolving content of ESG and sustainability reporting (Bosi, 2022).

2.2 Definitions and Components

ESG reporting is a key component of sustainability reporting and encompasses a range of topics, including environmental, social, and governance issues (Mattiasich-Szokoli 2022). It involves both qualitative discussions and quantitative metrics and is used by companies to meet stakeholder information needs and demonstrate their commitment to ESG risk management (Raghavan, 2022). ESG auditing, a crucial part of ESG reporting, helps the organizations to address environmental and social concerns and manage risks (Prodanova, 2023). The development of the environmental stress information system (ESIS) further underscores the importance of data processing and analysis in ESG reporting (Jamil, 1992).

ESG reporting is increasingly important for companies across industries, including airlines, due to its positive impact on funding, regulatory compliance, customer loyalty, employee productivity, and firm value (Prodonova, 2023). This reporting, which encompasses environmental, social, and governance factors, is crucial for meeting stakeholder information needs and demonstrating a commitment to ESG risk management (Raghavan, 2022). The "S" in ESG, representing social factors, is particularly significant, as it aligns with international labor standards and contributes to the overall sustainability of a company (Al-Drogi, 2016).

2.3 Regulatory Influence on ESG Reporting

Regulatory influence on ESG reporting is a significant factor in shaping corporate behavior and reporting practices. Antonini (2021) and Arif (2021) found that the EU Directive 2014/95/EU had a positive impact on the adoption and quality of ESG management systems and disclosures, respectively, O'Leary (2020) further emphasized the role of data reporting requirements in promoting the transparency and compliance in the ESG investment market. Plaskova (2022) extended this discussion to the Russian context and highlighted the importance of methodological approaches and regulations in corporate reporting to enhance investment attractiveness and eliminate disclosure asymmetry. These studies collectively underscore the crucial role of regulations in driving ESG reporting and its impact on corporate behavior and market dynamics.

2.4 Implications for the Libyan Context

The Libyan context, characterized by sociocultural, political, and economic factors, significantly influences corporate social responsibility disclosure (Bayoud, 2013). The Libyan context presents unique challenges and opportunities in the realm of ESG. Almontaser (2019) highlights the need for integrated political, social, and economic policies to enhance sustainability, particularly in the oil industry. This is further underscored by Shibani (2012), who emphasizes the potential for emissions trading policies in the oil and cement industries to contribute to sustainable growth. Gündüz (2019) and Irhoma (2017) stress the importance of institutional capacity building and the development of a sustainability management system, respectively, to address the environmental issues and enhance the country's sustainability. These studies collectively underscore the necessity for a comprehensive and coordinated approach to ESG in the Libyan context.

2.5 The Libyan Audit Bureau: an overview

The Libyan Audit Bureau plays a crucial role in legislative reforms, particularly in identifying deficiencies in law and proposing amendments (Algmaty, 2022). However, it faces challenges in eradicating financial corruption, including a lack of international control standard certification and inadequate training for auditors (Shariha, 2014). According to law No. 79 of 1975, the function of the SAB is to exercise effective control over public resources in terms of (1) audit of government revenues; (2) audit of government expenditures; (3) audit of government obligations; and (4) Reporting of audit findings. after the issuance of Law No.13 of 2003. The Financial Audit Agency (FAA) is an independent body attached to the General People's Congress (GPC).

The responsibility of the FAA to put strict controls to confirm the confidence in the outputs of this system, which helps in the preparation of accurate reports, professionalism, and objectivity, as well as uncovering the risks that appear in the financial systems and processing to prevent their recurrence, in addition to the audit procedure and the audit of performance, to give more value to the organizations economically, financially, and socially, and the protection of public funds.

2.6 Role of the Libyan Audit Bureau in ESG Reporting Evaluation

The Libyan Audit Bureau plays a crucial role in legislative reforms, identifying deficiencies in laws, and proposing amendments (Algmaty 2022). It also evaluates the performance of the internal audit function in Libyan banks and focuses on the adoption of International Financial Reporting Standards (IFRS) (Ikryim 2023). There is a growing acceptance of the need for corporate social responsibility (CSR) and accountability in Libyan Business Organizations (LBOs), with a call for more social and environmental information in their annual reports (Almogla et al, 2015). The INTOSAI guidance on ESG (Environmental, Social, and Governance) auditing (Intosi Guide on ESG, 2024) provides a comprehensive framework for Supreme Audit Institutions (SAIs) to conduct thorough and high-quality ESG audits. By integrating these recommendations, SAIs can better understand the challenges and opportunities within ESG frameworks and contribute to transparent and accountable governance.

The Libyan Audit Bureau, in particular, leverages this guidance to enhance its methodologies for ESG auditing. By aligning its practices with INTOSAI's standards, the Bureau ensures a robust evaluation of ESG factors within the Libyan context. However, This GUID is based on principles of financial and compliance auditing as introduced in ISSAI 200 and ISSAI 400, and current good practices in auditing. It covers environmental issues in the context of financial and compliance audits and has been written to meet the needs of this entire area. (Intosi guide 5201).

3. Research methodology.

Data from the Libyan audit bureau were gathered through a questionnaire survey. The questionnaire items were mainly derived and adapted from survey instruments in the previous literature. A five-point Likert scale ranging from strongly disagree (1-point) to strongly agree (5-point) was used to capture the role of the Libyan audit bureau in the evaluation of Environmental, Social, and Governance (ESG) reporting. According to Mugenda and Mugenda (2003), surveys enable researchers to obtain data about practices, situations, or views at one point in time through questionnaires and interviews. The Libyan Audit Bureau has a total of (3) general technical Administrations, that are responsible for financial, performance, and compliance audit activities. For the purpose of this study, the Libyan Audit Bureau considered the core study community and the samples were the Auditors within the Bureau. In this regard, the study sampled (76) auditors distributed in (3) general technical administrations as follows:

1. General Administration for Auditing Banking & Investment.
2. General Administration for Auditing Energy Sector.
3. The General Office for Performance Auditing.

The above general administrations were selected for their responsibilities of auditing the Libyan public companies. The questionnaire was scrutinized by five practicing auditors to assess its validity. Reliability is if the researcher measures the same variable several times, and the results are approximately the same (Rabianski, 2003). The reliability of the questionnaire was tested using

Cronbach's alpha correlation coefficient with the aid of Statistical Package for Social Sciences (SPSS) software. Data entry and descriptive analysis for the questionnaire were done using Statistical Package for the Social Sciences (SPSS). Also, the study uses frequencies and descriptive analysis.

4. Data Representations, Analysis and Discussion.

Data from the Libyan Audit Bureau were gathered through a questionnaire survey. The questionnaire items were mainly derived and adapted from survey instruments in the previous literature. A five-point Likert scale ranging from strongly disagree (1-point) to strongly agree (5-point) was used. Before presenting the results of the participants' responses analysis, the range of the responses was calculated, and the class interval for each of the five Likert scale points was determined as follows: -

- The range is the difference between the smallest and largest value (Largest Value - Smallest Value).
- Range = 5 - 1 = 4
- **Class Interval = Range (4) / Number of Classes (5)**
- **Class Interval = 0.80**

Determining the range for the arithmetic mean of participants' responses helps to avoid relying on absolute values and establishes a level to identify the prevailing direction for each item. Table 1 presents the results of measuring the range of the arithmetic mean for the study sample's responses.

Table (1): The Range of the Arithmetic Mean for the Responses of the Study Sample

Dominant trend	Range
Dominant trend	From (1.00) to less than (1.80)
Disagree	From (1.80) to less than (2.60)
Neutral	From (2.60) to less than (3.40)
Agree	From (3.40) to less than (4.20)
Strongly Agree	From (4.20) to less than (5.00)

According to Mugenda and Mugenda (2003), surveys enable researchers to obtain data about practices, situations, or views at one point in time through questionnaires and interviews. After collecting the study data, it was reviewed in preparation for computer entry. The data was then entered into the computer by assigning certain numbers thereto, meaning the verbal responses were converted to numerical ones. The necessary statistical processing was conducted by using the appropriate statistical methods, which include the following:-

- **Descriptive Statistics:** Frequencies and **percentages** were extracted to describe the study sample.
- **Arithmetic Means:** To determine the average response rate of the study sample participants.
- **Standard Deviations:** To measure the degree of absolute dispersion of response values from their arithmetic mean.
- **One Sample T-Test:** To test the significance of the arithmetic means.
- **Pearson Correlation:** To test the relationship between variables.
- **Cronbach's Alpha:** To measure the reliability of the study sample's responses to the questionnaire items.

The study hypotheses were tested at a significance level of α = 0.05, by using the SPSS statistical package.

4.1 Measurement of Validity & Reliability of the Measurement Tool (Questionnaire)

The validity of the questionnaire was confirmed by using this method:

4.1.1 Content Validity (Face Validity).

To ensure the content validity of the data collection tool in this study, a review of the most relevant studies and research was conducted, which led to the design of the first draft of the data collection tool (questionnaire). The content validity was verified by presenting the questionnaire, after it had been designed, to a group of specialists and experts in the field of the study and those interested in research methodologies. A specialist in applied statistics was also consulted to evaluate the questionnaire, in terms, of the measures' suitability to be used for assessing the variables and the overall appropriateness of the questionnaire for statistical analysis.

4.1.2 Internal Consistency Validity of the Questionnaire Items

The internal consistency of the questionnaire was calculated by determining the correlation coefficients (Pearson Correlation Coefficient), between each item of the questionnaire's domains and the total score of the corresponding domain.

4.2 Mechanisms, Methodologies, and Standards for Issuing ESG Reports.

Table (2) shows the correlation coefficient between each item of the first section and the overall score of this section, which indicates that the correlation coefficients presented in the table are statistically significant at the significance level of 0.05.

Table (2): Correlation coefficient between each item of the first section and the total score of the section

NO	Statement	Pearson Correlation	P-Value
1	The entities subject to the Libyan Audit Bureau prepare and issue ESG reports.	0.841	* 0.000
2	The entities under the Bureau's supervision adopt international standards in preparing and issuing ESG reports.	0.836	* 0.000
3	There is a comprehensive methodology within the entities under the Bureau's supervision for evaluating ESG reports.	0.826	* 0.000
4	The entities prepare periodic reports on the environmental impacts of their activities.	0.805	* 0.000
5	The entities prepare periodic reports on social responsibility.	0.833	* 0.000
6	The entities prepare periodic reports on governance practices.	0.790	* 0.000

* Correlation is significant at the level of 0.05

4.3 The Role of the Libyan Audit Bureau in Evaluating ESG Reports.

Table (3) illustrates the correlation coefficient between each item of this section and its total score, indicating that the correlation coefficients presented in the table are statistically significant at the 0.05 level, thus the section is considered valid for what it was designed to measure.

Table No. (3): The correlation coefficient between each item of the second section and the total score of the section.

No.	Statement	Pearson Correlation	P-Value
1	The Libyan Audit Bureau plays an important role in evaluating ESG reports for entities under its oversight.	0.845	0.000
2	The Bureau aims, within its strategic and operational plans, to evaluate ESG reports for entities under its supervision.	0.825	0.000
3	The audit plans include a comprehensive program for evaluating ESG reports within entities under the Bureau's supervision.	0.831	0.000
4	There are professional standards and work guidelines within the Bureau outlining how to evaluate ESG reports.	0.779	0.000
5	The Bureau has qualified human resources capable of evaluating ESG reports.	0.735	0.000
6	The Bureau conducts training courses and workshops for auditors on evaluating ESG reports.	0.752	0.000
7	The Bureau verifies the entities' compliance with international standards related to ESG reporting.	0.809	0.000
8	There is a regulatory impact of the Bureau's recommendations on evaluating ESG reports for entities under its oversight.	0.810	0.000
9	The entities respond to the Bureau's recommendations regarding the evaluation of ESG reports.	0.779	0.000

* Correlation is significant at the level of 0.05

5. Reliability.

Reliability refers to the consistency of the questionnaire, meaning that it would yield the same results if, redistributed multiple times under the same conditions. Statistical measurement was employed to determine the reliability of the measurement tool (questionnaire) through this method: Cronbach's Alpha as follows:

5.1 Cronbach's Alpha Coefficient:

To verify the reliability of the measurement tool (questionnaire), Cronbach's Alpha Coefficient was used as a statistical measure. A questionnaire is considered to have low reliability if, the Cronbach's Alpha value is less than 60%, acceptable if the value is between 60% and less than 70%, good if it falls between 70% and less than 80%, and excellent if it is 80% or higher. The closer the measure is to 100%, the better results of the test are considered. Regarding the reliability of this study's tool (questionnaire), Cronbach's Alpha Coefficient was calculated for the study variables. The following table shows the Cronbach's Alpha values for each study axis.

Table (4): The reliability coefficient values for each axis of the study

No	Variables	Code	No. of Statements	Stability Coefficient %
1	Mechanisms, Methodologies, and Standards for Issuing ESG Reports.	X01	9	90.3
2	The Role of the Libyan Audit Bureau in Evaluating ESG Reports.	X02	6	92.8
	Total		**15**	**93.7**

The results shown in the previous table indicate that the Cronbach's Alpha Coefficient was high for all the study axes. Additionally, the overall reliability coefficient is 93.7%, which is statistically very high and acceptable, indicating that the questionnaire has a high degree of reliability.

5.1.1 Mechanisms, Methodologies, and Standards for Issuing ESG Reports.

Table (5) shows the correlation coefficient between each item of the first section and the overall score of this section, which indicates that the correlation coefficients presented in the table are statistically significant at the significance level of 0.05.

Table (5): Correlation coefficient between each item of the first section and the total score of the section

No.	Statement	Pearson Correlation	P-Value
1	The entities subject to the Libyan Audit Bureau prepare and issue ESG reports.	0.841	* 0.000
2	The entities under the Bureau's supervision adopt international standards in preparing and issuing ESG reports.	0.836	* 0.000
3	There is a comprehensive methodology within the entities under the Bureau's supervision for evaluating ESG reports.	0.826	* 0.000
4	The entities prepare periodic reports on the environmental impacts of their activities.	0.805	* 0.000
5	The entities prepare periodic reports on social responsibility.	0.833	* 0.000
6	The entities prepare periodic reports on governance practices.	0.790	* 0.000

* Correlation is significant at the level of 0.05

5.1.2 The Role of the Libyan Audit Bureau in Evaluating ESG Reports.

Table (6) illustrates the correlation coefficient between each item of this section and its total score, indicating that the correlation coefficients presented in the table are statistically significant at the 0.05 level, thus this section is considered valid for what it was designed to measure.

Table (6): The correlation coefficient between each item of the second section and the total score of the section.

No.	Statement	Pearson Correlation	P-Value
1	The Libyan Audit Bureau plays an important role in evaluating ESG reports for entities under its oversight.	0.845	0.000
2	The Bureau aims, within its strategic and operational plans, to evaluate ESG reports for entities under its supervision.	0.825	0.000
3	The audit plans include a comprehensive program for evaluating ESG reports within entities under the Bureau's supervision.	0.831	0.000
4	There are professional standards and work guidelines within the Bureau outlining how to evaluate ESG reports.	0.779	0.000
5	The Bureau has qualified human resources capable of evaluating ESG reports.	0.735	0.000
6	The Bureau conducts training courses and workshops for auditors on evaluating ESG reports.	0.752	0.000
7	The Bureau verifies the entities' compliance with international standards related to ESG reporting.	0.809	0.000
8	There is a regulatory impact of the Bureau's recommendations on evaluating ESG reports for entities under its oversight.	0.810	0.000
9	The entities respond to the Bureau's recommendations regarding the evaluation of ESG reports.	0.779	0.000

* Correlation is significant at the level of 0.05

6 . Statistical Analysis

After completing the distribution of the questionnaires to the study sample and obtaining the required data, it was processed by using a computer, in order to handle it, according to the appropriate statistical methods for the study's objectives, to reach the results and answer the questions that were formulated.

6.1 Mechanisms, Methodologies, and Standards for Issuing ESG Reports:

In this part, the Statements of **(mechanics, Methodologies, and Standards for Issuing ESG Reports)** were studied Separately, as shown by the data provided in Table No. (7) shows the statistical analysis of the answers of the study sample about the Section

Table (7) weighted average, standard deviation and prevailing trend of the Statements of the first Section.

NO	Statement	Mean	Std. Deviation	Prevailing trend	Relative importance %
1	The entities subject to the Libyan Audit Bureau prepare and issue ESG reports.	2.51	0.856	Disagree	37.8
2	The entities under the Bureau's supervision adopt international standards in preparing and issuing ESG reports.	2.54	0.871	Disagree	38.5
3	There is a comprehensive methodology within the entities under the Bureau's supervision for evaluating ESG reports.	2.43	0.838	Disagree	35.9
4	The entities prepare periodic reports on the environmental impacts of their activities.	2.49	0.792	Disagree	37.2
5	The entities prepare periodic reports on social responsibility.	2.54	0.916	Disagree	38.5
6	The entities prepare periodic reports on governance practices.	2.68	0.941	Neutral	42.1

- **There are 5 Statements have trend "Disagree":**

(The entities subject to the Libyan Audit Bureau prepare and issue ESG reports, The entities under the Bureau's supervision adopt the international standards in preparing and issuing ESG reports, There is a comprehensive methodology within the entities under the Bureau's supervision for evaluating ESG reports, The entities prepare periodical reports on the environmental impacts of its activities, The entities prepare periodical reports on the social responsibility.)

- **There is one Statement has trend "Neutral":**

(The entities prepare periodical reports on governance practices)

6.2 The Role of the Libyan Audit Bureau in Evaluating ESG Reports:

In this part, the Statements of **(The Role of the Libyan Audit Bureau in Evaluating ESG Reports)** were studied separately, as shown by the data provided in Table (8) shows the statistical analysis of the answers of the study sample about the Section.

Table (8): weighted average, standard deviation and prevailing trend of the Statements of the second Section.

NO.	Statement	Mean	Std. Deviation	Prevailing trend	Relative importance %
1	The Libyan Audit Bureau plays an important role in evaluating ESG reports for entities under its oversight.	3.08	0.963	Neutral	52.0
2	The Bureau aims, within its strategic and operational plans, to evaluate ESG reports for entities under its supervision.	3.12	1.032	Neutral	53.0
3	The audit plans include a comprehensive program for evaluating ESG reports within entities under the Bureau's supervision.	2.79	0.914	Neutral	44.7
4	There are professional standards and work guidelines within the Bureau outlining how to evaluate ESG reports.	2.66	0.917	Neutral	41.4

5	The Bureau has qualified human resources capable of evaluating ESG reports.	2.82	0.905	Neutral	45.4
6	The Bureau conducts training courses and workshops for auditors on evaluating ESG reports.	2.49	0.856	Disagree	37.2
7	The Bureau verifies the entities' compliance with international standards related to ESG reporting.	2.53	0.856	Disagree	38.2
8	There is a regulatory impact of the Bureau's recommendations on evaluating ESG reports for entities under its oversight.	2.57	0.884	Disagree	39.1
9	The entities respond to the Bureau's recommendations regarding the evaluation of ESG reports.	2.66	0.917	Neutral	41.4

- **There are 3 Statements have trend "Disagree":**

(The Bureau conducts training courses and workshops for auditors on evaluating ESG reports, The Bureau verifies the entities' compliance with international standards related to ESG reporting, and there is a regulatory impact of the Bureau's recommendations on evaluating ESG reports for entities under its oversight.)

- **There are 3 Statements have trend "Neutral":**

(The Libyan Audit Bureau plays an important role in evaluating ESG reports for entities under its oversight, The Bureau aims, within its strategic and operational plans, to evaluate ESG reports for entities under its supervision. The audit plans include a comprehensive program for evaluating ESG reports within entities, under the Bureau's supervision, there are professional standards and work guidelines within the Bureau outlining how to evaluate ESG reports, The Bureau has qualified human resources capable of evaluating ESG reports, the entities respond to the Bureau's recommendations regarding the evaluation of ESG reports).

6.3 Testing of the Study Hypotheses:

This section focuses on testing the validity of the main study hypotheses, which are:

• **First Hypothesis:**

"Mechanisms, methodologies, and standards for issuing Environmental, Social, and Governance (ESG) reports are available."

• **Second Hypothesis:**

"The Libyan Audit Bureau plays a role in evaluating Environmental, Social, and Governance (ESG) reports in the entities under its supervision.".

6.3.1 Testing the First Hypothesis:

In order to test the first hypothesis, which states that mechanisms, methodologies, and standards for issuing ESG reports are available, the One Sample T-Test was used. This test was employed to verify the validity of this hypothesis and to determine the significance of the participants' opinions on this hypothesis. The following table shows the weighted arithmetic mean of the hypothesis, its standard deviation, and the results of the T-Test (test value and statistical significance).

Table (9): Mean, Standard Deviation, and Hypothesis Test Results

statement	Mean	Std. Deviation	t-test	df	p_value	Relative importance%
Mechanisms, Methodologies, and Standards for Issuing ESG Reports	2.53	0.714	-5.704	75	0.000 *	38.3%

The above-presented data indicate that the arithmetic mean is 2.53, with a corresponding standard deviation of 0.714. The test statistical value is 5.704 with a statistical significance of 0.000 and a relative importance of 50.7%. Since the p-value is smaller than the significance level of 5%, and the arithmetic mean is less than 3, this indicates that the hypothesis is not accepted. In other words, the null hypothesis, which states that "Mechanisms, methodologies, and standards for issuing Environmental, Social, and Governance (ESG) reports are not available," is accepted.

The mechanisms, methodologies, and standards for issuing ESG reports were ranked by using the relative importance method, based on their availability level starting with the least available.

1. There is a comprehensive methodology within the entities under the Bureau's supervision for evaluating ESG reports, (35.9%)
2. The entities prepare periodic reports on the environmental impacts of their activities, (37.2%).
3. The entities subject to the Libyan Audit Bureau prepare and issue ESG reports, (37.8%).
4. The entities prepare periodical reports on social responsibility, (38.5%).
5. The entities under the Bureau's supervision adopt international standards in preparing and issuing ESG reports, (38.5%).
6. The entities prepare periodical reports on governance practices, (48.7%).

6.3.2 Testing the Second Hypothesis:

In order to test the second hypothesis, which states that "The Libyan Audit Bureau plays a role in evaluating Environmental, Social, and Governance (ESG) reports in the entities under its supervision," the One Sample T-Test was used. This test aimed to verify the validity of this hypothesis and to assess the significance of the participants' opinions regarding this hypothesis. The following table shows the weighted arithmetic mean of the hypothesis, its standard deviation, and the results of the T-Test (including the test statistic value and statistical significance).

Table (10): Mean, Standard Deviation, and Hypothesis Test Results

Statement	Mean	Std. Deviation	t-test	df	p_value	Relative importance%
The Role of the Libyan Audit Bureau in Evaluating ESG Reports	2.74	0.730	-3.055	75	0.003 *	43.6%
* Significant at the level of 0.05.						

The above-presented data show that the arithmetic mean is 2.74, with a corresponding standard deviation of 0.730. The test statistical value is -3.055 with a statistical significance of 0.003 and a relative importance of 43.6%. Since the p-value is smaller than the significance level of 5%, and the arithmetic mean is less than 3, this indicates that the hypothesis is not accepted. In other words, the null hypothesis, which states that "The Libyan Audit Bureau does not play a role in evaluating Environmental, Social, and Governance (ESG) reports in the entities under its supervision," is accepted.

The role of the Libyan Audit Bureau in evaluating ESG reports in the entities under its supervision was ranked by using the relative importance method, starting with the least significant role.

1. The Bureau conducts training courses and workshops for auditors on evaluating ESG reports, (37.2%).
2. The Bureau verifies the entities' compliance with the international standards related to ESG reporting, (38.2%).
3. There is a regulatory impact of the Bureau's recommendations on evaluating ESG reports for entities under its oversight, (39.1%).
4. There are professional standards and work guidelines within the Bureau outlining how to evaluate ESG reports, (41.4%).
5. The entities respond to the Bureau's recommendations regarding the evaluation of ESG reports, (41.4%).
6. The audit plans include a comprehensive program for evaluating ESG reports within entities under the Bureau's supervision, (44.7%).

7. The Bureau has qualified human resources that capable of evaluating ESG reports, (45.4%).
8. The Libyan Audit Bureau plays an important role in evaluating ESG reports for entities under its oversight, (52.0%).
9. The Bureau aims, within its strategic and operational plans, to evaluate ESG reports for entities under its supervision, (53.0%).

7. Conclusion

By analyzing the answers of the study participants to the Statements of the first Section and testing the hypothesis corresponding to the Section, the hypothesis was accepted that (there is a Lack of Mechanisms, Methodologies, and Standards for Issuing ESG Reports, with the Relative importance (38.3%).

The study participants confirm the following:

1. There is a comprehensive methodology within the entities under the Bureau's supervision for evaluating ESG reports, (35.9%).
2. The entities prepare periodical reports on the environmental impacts of their activities, (37.2%).
3. The entities subject to the Libyan Audit Bureau prepare and issue ESG reports, (37.8%).
4. The entities prepare periodical reports on social responsibility, (38.5%).
5. The entities under the Bureau's supervision adopt the international standards in preparing and issuing ESG reports, (38.5%).
6. The entities prepare periodic reports on governance practices, (48.7%).

By analyzing the answers of the study participants to the Statements of the second Section and testing the hypothesis corresponding to the Section, the hypothesis was accepted that (the Libyan Audit Bureau has no role in evaluating the environmental, social, and governance reports of the entities subject to its oversight, with the Relative importance (43.6%).

The study participants confirm the following:

1. The Bureau conducts training courses and workshops for auditors on evaluating ESG reports, (37.2%).

2. The Bureau verifies the entities' compliance with international standards related to ESG reporting, (38.2%).

3. There is a regulatory impact of the Bureau's recommendations on evaluating ESG reports for entities under its oversight, (39.1%).

4. There are professional standards and work guidelines within the Bureau outlining how to evaluate ESG reports, (41.4%).

5. The entities respond to the Bureau's recommendations regarding the evaluation of ESG reports, (41.4%).

6. The audit plans include a comprehensive program for evaluating ESG reports within entities under the Bureau's supervision, (44.7%).

7. The Bureau has qualified human resources capable of evaluating ESG reports, (45.4%).

8. The Libyan Audit Bureau plays an important role in evaluating ESG reports for entities under its oversight, (52.0%).

9. The Libyan Audit Bureau aims, within its strategic and operational plans, to evaluate ESG reports for ent ities (53.0%).

8. Recommendations:

1. Libyan Audit Bureau, should Invest in training programs for auditors by focusing on the international auditing standards, ESG reporting, and environmental auditing.

2. Libya public companies should seek to harmonize its ESG reporting and auditing practices in collaboration with bodies like INTOSAI.

3. Encourage Libyan companies to benchmark against the international peers, by adopting the best practices in ESG reporting, such as transparency in greenhouse gas emissions reporting and adhering to the labor standards.

4. Libyan Audit Bureau should enhance its evaluation practices by adopting tools for the automatic analysis of ESG data, consequently, addressing the challenge of managing large volumes of unstructured information.

5. Focus on dimensions of ESG reporting with broad societal impact, such as the environmental sustainability and labor practices, to improve the relevance and impact of corporate disclosures.

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Tripoli Agreement

AFROSAI, as a professional international organisation, recognises that mutual cooperation and active solidarity enable Supreme Audit Institutions to meet the challenges and needs associated with the optimal exercise of external public financial control, with a view to improving good governance, transparency and the culture of accountability in the management of public funds.

This is why the General Assembly provides a forum to contribute to contemporary developments in public sector auditing and to capitalise on the actions of key stakeholders of SAIs and those of the Organisation as a whole.

Following this logic, the 16th AFROSAI General Assembly focused its technical debates on the challenges relating to the external public debt of African countries and the role of SAI, the audit of financial aid and grants, and the harmonisation of the efforts of all parties involved to improve financial governance and accountability.

Due to its appreciable diversity, both at the linguistic and economic levels and the types of SAIs that it unites, AFROSAI has competent Organs and relevant initiatives, enabling it to consistently address the issues identified and to take advantage of the opportunities that emerge, for the overall benefit of its member SAIs.

With this in mind, the Supreme Audit Institutions (SAIs), Members of AFROSAI, proud of their linguistic, cultural and organisational diversity,

Acknowledging that this diversity is an indispensable asset for increasing the value of external auditing of public finances in the African continent.

Convinced of the need to strengthen the essential role of SAIs in the implementation of the public policies of their respective States, as well as in improving their performance increasing accountability and preserving their credibility,

Conscious of the fact that professional cooperation is the way forward in light of the persistent difficulties encountered in the audit of public finances and the emerging issue in an ever-changing environment:

Determined to address issues of common interest, in particular those relating to finance governance and the modem approach to public sector external audit, which embraces new technological paradigms and a participatory approach;

Having met in Tripoli, Libya, on 5 and 6 December 2024, for the 16th General Assembly;

- Considering the active role of adviser to governments that SAIs are called upon to play in making external debt sustainable and reducing the financial vulnerabilities of States.
- Considering the need to optimise public debt management systems and the inherent risks;
- Considering the growing challenges of managing grants and financial aid allocated to the countries of the Continent, as well as their significant impact on economic growth and development:
- Considering that it is essential to control the risks associated with the management of these additional sources of funding:
- Considering that the promotion of good governance requires the participation of all stakeholders, in particular the collaboration of Civil Society Organisations and citizen involvement,
- Considering the challenges associated with the participatory approach to the enteral audit of public finances and the organisational adjustments that should be made within SAIS,
- Considering that the work of SAIs must have added value for all stakeholders and contribute through their impact to the improvement of citizens' living conditions.

They agree to work towards:

- The promotion of better strategies and practices for managing public debt and inherent risks;
- The establishment of effective control mechanisms to maximise the benefits from grants and financial aid;
- Making the most of the contributions of civil society organisations and citizens to improve the impact of audits and build the confidence of key stakeholders.

The actions to be implemented to meet the above threefold commitment are as follows:

A-THE PROMOTION OF BETTER STRATEGIES AND PRACTICES FOR MANAGING PUBLIC DEBT AND INHERENT RISKS

Effective public debt management must achieve a fair balance between meeting governments financing needs and the long-term sustainability of the debt they contest, with proper control of the associated financial risks.

SAIs, in their role as advisors to governments in matters of public finance, are encouraged to support governments in implementing measures conducive to the optimal management of state loans. These include:

1- Strengthening the transparency and accountability of public debt managers: the publication of regular reports and the development of a comprehensive database on public debt would help to encourage more responsible and rigorous management of funds generated from debt;

2- Codifying debt management processes: an overall public debt management policy should be drawn up, with clear objectives and precise deadlines;

3- Rationalising the cost of debt: this process involves, among others, negotiating public debt restructuring terms that can both optimise repayment conditions and substantially reduce their cost on public finances;

4- Diversifying sources of financing: the adoption of incentive policies would make it possible to boost local financing and attract foreign direct investment;

5- Increasing the solvency of governments: adopt economic policies that favour an increase in own resources, giving priority to growth-generating economic sectors based on concrete economic objectives;

6- Managing the financial risks of public debt: the analysis and effective management of debt-related financial risks, and the development of contingency plans, help to improve debt management and prevent future financial crises, particularly new financing instruments;

7- Intensify internal control of public debt management: the evaluation of risks strengths and application of internal controls to assist in continuous strengthening the controls;

8- Defining the role of SAIs: Strengthening cooperation between managers of public debt and SAIs is a lever for improving the quality of the public debt audit process.

B-EFFECTIVE CONTROL MECHANISMS TO MAXIMIZE THE BENEFITS OF GRANTS AND FINANCIAL ASSISTANCE

Financial aid, whether in the form of grants or loans, is a widespread mechanism in the development policies of many African countries

This financial support from Technical and Financial Partners (TFPs), aimed at resolving various socio-economic challenges, does not fall outside the remit of SAIs, which are responsible for ensuring transparency and accountability in the management of public funds.

Through rigorous examination of the agreements that dictate the conditions under which these funds are disbursed and used, the audits carried out by the SAIs reveal major shortcomings in their management

These findings underline the urgent need for African SAIs, inspired by the practices established by INTOSAI and the INTOSAI Framework of professional pronouncements, to put in place more effective auditing mechanisms to improve the quality of audits on financial aid and grants. This involves:

1- Capacity building for auditors:

investing in training and capacity building for auditors within SAIs will provide them with the right tools to carry out thorough and effective audits. This includes familiarizing auditors with international best practices and standards, such as those established by INTOSAI;

2- Strengthen collaboration with Technical and Financial Partners (TFPs) (To ensure adequate resources for strengthening auditing):

building stronger partnerships with Technical and Financial Partners (TFPs) is essential to ensure adequate funding for auditing activities. Collaborative efforts could include joint financing initiatives, whereby TFPs contribute to the audit budget and in turn expects for transparency in the use of funds;

3- Apply digital solutions:

adopting digital platforms for grant application management and reporting can streamline the audit process. Digital tools can facilitate real-time monitoring of the use of funds and improve data accuracy as well as communication between stakeholders;

4- Develop a risk-based audit approach:

a risk-based audit approach, focusing on high-risk areas and projects, can optimize the use of limited resources. This approach enables auditors to focus their efforts on those projects most likely to give rise to instances of mismanagement or non-compliance;

5- Raise public awareness and involvement:

raising public awareness of the Importance of transparency and accountability in the management of public funds can foster the emergence of a culture of accountability Involving civil society organizations in the audit process can also strengthen control and promote citizen participation in governance;

6- Raise public authorities awareness:

on the need to establish a legal framework enabling civil society organizations to participate in the design, implementation, monitoring and evaluation of public projects and programs;

7- Set up an appropriate framework

to manage the risks of fraud and conflicts of interest for these civil society organizations;

C-LEVERAGING THE CONTRIBUTIONS OF CIVIL SOCIETY ORGANIZATIONS AND CITIZENS TO ENHANCE THE IMPACT OF AUDITS AND BUILD STAKEHOLDER CONFIDENCE

The involvement of stakeholders in promoting good governance is a complementary factor that lends credibility to audit recommendations.

Thus, stakeholder engagement is now a key cross-cutting function in the strategic management of SAIs which, to deliver value and benefits, needs to be able to collaborate with both internal and external stakeholders. In addition to consolidating the rule of law. the resulting synergies increase the effectiveness of the various players and optimizes SAIs action.

However, this function can only be guaranteed if the same applies to SAIs independence, whose lack of independence limits their ability to engage in frank dialogue with relevant stakeholders, notably civil society organizations and citizens.

If they are to make the most of these assets, SAIs need to put in place an appropriate strategic framework, which must be able to:

1- Integrate emerging action synergies into the organizational structure of SAIs: set up structures dedicated to strengthening SAIs and CSOs collaboration and formalize the procedures underpinning partnerships.

2- Strengthen communication channels:

improve the accessibility and effectiveness of communication platforms, ensuring that populations in precarious situations have equal opportunities to participate in discussions on the audit and public finance issues.

3- Raising awareness on whistleblowing mechanisms: establishment whistleblowing mechanism ensuring proper and confidential handing of information and protection of whistle-blowers,

4- Strengthen collaboration with the media: work closely with the media to widely disseminate audit results, raise public awareness and encourage discussion of public accountability.

5- Strengthen the Impact of collaboration with stakeholders: develop a structured monitoring and evaluation system to assess the effectiveness of citizen and CS0 engagement efforts.

6- Achieving these noble goals requires commitment from each SAI, as well as collaborative support from AFROSAI bodies, Including the Technical Committees Sub-Regional Organizations, the African Comprehensive Auditing Review, and the Executive Directorate.

With this new agenda, AFROSAI SAIs recognize the need to maintain a consistent level of relevance and credibility in the face of emerging challenges specific to their context.

They reaffirm their attachment to the values of bilateral and multilateral cooperation, and their determination to create significant impact on the lives of the people of Africa.

Consequently, they commit the current President of AFROSAI, in accordance with Article 18 paragraph 3 of the AFROSAI Statutes, to ensure, in liaison with the competent Organs of the Organization, the effective implementation of these Agreements and to report thereon at the next General Assembly, scheduled for 2027 in the Republic of Kenya.