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The Asian Journal of Government Audit is published twice in a year in English on behalf of the Asian Organisation of Supreme Audit Institutions (ASOSAI). The Journal is an official organ of ASOSAI and has the objectives of promoting sound and effective State Audit Systems and providing ASOSAI members with a forum for sharing of experiences in different areas of State Audit. Articles, Special Reports, News items and other material on State Audit and related fields are invited for inclusion in the Journal.

Material should be sent to the editorial office, c/o the Comptroller & Auditor General of India, 9 Deen Dayal Upadhyay Marg, New Delhi-110124.

Fax No. : 91-11-23236818
E-mail : singhJ@cag.gov.in
: ir@cag.gov.in

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Editorial

Dear Colleagues,

We are on the threshold of another three year period between two consecutive ASOSAI Assemblies. This April 2012 issue is the first after the 12th ASOSAI Assembly, hosted by SAI India at Jaipur from 29th February to 3rd March 2012. This is the right time for our community to reflect on what we want to achieve till we meet again in Malaysia in 2015. In our endeavour to have the heads of Asian SAls use this forum to reach out to our readers, we feature, in this issue, articles by some of the distinguished leaders of ASOSAI.

Dr. Kung Yang, Secretary General of ASOSAI, in his column, has briefed the readers about the achievements of 12th ASOSAI Assembly. We carry a special message from Mr. Vinod Rai, Comptroller and Auditor General of India and the new Chairman of ASOSAI. We are privileged to have a contribution from Mr. Terence Nombembe, the Auditor General of South Africa and Chairman of INTOSAI on the importance of knowledge sharing and mutual learning, especially in the context of ISSAI roll-out globally. I am extremely grateful to Dr. Sergey V. Stepashin and Dr. Recai Akyel, heads of the SAls of the Russian Federation and Turkey respectively and to the SAls of China, Indonesia, Iran, Nepal, Singapore and Thailand for contributing articles in this issue.

Apart from this, this issue provides information about new heads of SAls, on the various activities in ASOSAI, INTOSAI, and in various member SAls.

We hope that the contents of this issue will be of interest and value to our community. Your constant feedback and inputs encourage us as we continue to improve on the Journal. I request readers to send us material for future issues such as articles, reports and case studies at ir@cag.gov.in.



(JAGBANS SINGH)

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From the desk of the Secretary General of ASOSAI



Dr. Kun Yang
Secretary General, ASOSAI
&
Chairman, Board of Audit
and Inspection of Korea

The 44th and the 45th Governing Board meetings as well as the 12th Assembly of ASOSAI were held successfully in the historical city of Jaipur, India from 28 February to 3 March 2012. The 12th Assembly was one of the most successful Assemblies in that not only the largest ever number of delegates participated but also the participants demonstrated harmonious unity throughout the Assembly. Once again, I would like to express my deepest gratitude to all of the participants. Also, my special thanks go to Mr Vinod Rai, Comptroller and Auditor General of India, and his staff members for organising these huge events so perfectly with a great deal of passion and dedication.

The 12th Assembly was especially meaningful to those SAIs that were entrusted with new responsibilities for important posts in ASOSAI. First, Mr Vinod Rai, Comptroller and Auditor General of India, succeeded Mr Muhammad Akhtar Bulland Rana, Auditor General of Pakistan, as the new Chairman of ASOSAI for the period 2012-2015. Second, the SAIs of Bangladesh, China, the Philippines, the Russian Federation, Saudi Arabia, and Thailand were elected as members of the Governing Board. As the Audit Committee members, the SAIs of Jordan and Turkey were elected for the same period.

I wholeheartedly congratulate all of these SAIs on their election. I am convinced that these SAIs will do their best in putting concerted efforts into the pursuit of further development of ASOSAI. As the Secretary General of ASOSAI, I will also continue my utmost efforts to fulfill my duties and to make ASOSAI a leading Regional Working Group of INTOSAI. Having said this, I would like to draw your generous attention to the tasks, on which ASOSAI, especially the new Governing Board, should focus throughout the period 2012-2015.

First and foremost, the ASOSAI Strategic Plan for 2011-2015 should be implemented continuously with collective diligent cooperation of the member SAIs until 2015. The Governing Board will review the final evaluation to be submitted to the Board meeting in 2015. Toward this end, it is essential that all ASOSAI member SAIs, not to mention the Board member SAIs, join efforts into achieving each strategic goal of the Plan - namely, I. Institutional Capacity Building, II. Knowledge Sharing and Knowledge Services, and III. Leading Regional Working Group of INTOSAI. In the meantime, the next ASOSAI Strategic Plan for the period 2016-2021 needs to be devised. I would expect active cooperation from all member SAIs for drafting the next Strategic Plan.

Second, the necessity for ASOSAI to strengthen cooperation with other Regional Working Groups of INTOSAI has been elevated with the launch of the ASOSAI-EUROSAL cooperation since the first Joint Conference held in 2011 in Istanbul, Turkey, where ASOSAI and EUROSAL signed a Memorandum of Understanding on cooperation. Now, important is to translate words

From the desk of the Secretary General of ASOSAI

into action for the sake of providing the member SAIs of both organisations with tangible benefits.

The second ASOSAI-EUROSAI Joint Conference will be hosted by ASOSAI. The SAI of Russia has graciously offered to host the Conference in Moscow in 2014. Such a proposal was approved by the 45th Governing Board meeting in March 2012, and the same has been communicated to EUROSAI.

Third, as the demand for increasing the capacity-building programmes heightens among the member SAIs, so does the need for bringing progress to the establishment of ASOSAI Training Centres in appropriate member SAIs over the years to come. By doing so, the training cost would greatly be reduced, and, ultimately, the members would be provided with more training opportunities. I envision that at least one or two ASOSAI Training Centres will have been designated by 2015. As Secretary General of ASOSAI, I would like to ask the Training Administrator and the member SAIs interested in introducing their own training facilities to cooperate closely for the designation.

Besides, numerous tasks lie ahead of us for 2012-2015. Adopting e-learning system, implementing the International Standards of Supreme Audit Institutions, and ensuring consistency of accounting in the accounts of the ASOSAI Secretariat through the establishment of the financial rules for ASOSAI should be taken care of over this period.

The Secretariat will play a pivotal role in carrying out the tasks explained above by putting utmost efforts. However, more important will be the collective cooperation of all member SAIs of ASOSAI, especially that of the Governing Board members. I sincerely wish that the next three-year period will turn out to be a meaningful springboard for another leap forward for the development of ASOSAI through all of our dedication.

Message from Chairman of ASOSAI



Mr. Vinod Rai

**Comptroller & Auditor General of India
and
Chairman of ASOSAI**

New Delhi has had the privilege of hosting the first Assembly of ASOSAI in 1979. ASOSAI as an organization, has come a long way since then. It was indeed a privilege for SAI India to host the 12th ASOSAI Assembly again this year. I express my gratitude to the entire ASOSAI fraternity for making the 12th ASOSAI Assembly hosted by SAI India in Jaipur from 28th February – 3rd March, 2012, a grand success, both in terms of number of participants (181), as well as number of member countries (42) represented. Assumption of chairmanship of ASOSAI by SAI India is both a great privilege and a humbling experience. ASOSAI has had a rich history of having very illustrious Chairmen in the past and I am indeed honoured to be a part of this distinguished group. I would give my best to live up to the high standards set by my predecessors. I would also take this opportunity to thank my predecessors, in particular, Mr Tanvir Ali Agha, the former Auditor General of Pakistan, and his successor, Mr Muhammad Akhter Buland Rana, the present Auditor General of Pakistan, who have so successfully spearheaded the organization, and contributed immensely to the organization in the past three years. We owe our debt of gratitude towards SAI Pakistan for the initiatives taken; dynamism displayed and informed leadership provided by them.

I would take this opportunity to congratulate and welcome the new members of the Governing Board of the ASOSAI – SAIs of China, Bangladesh, Philippines, Saudi Arabia, the Russian Federation, Thailand and Malaysia – for their election to the august body. I also congratulate the SAIs of Turkey and Jordan for their elections to the Audit Committee. I hope that the ASOSAI would benefit from the experience that the new members would bring to the organisation during their stewardship.

SAI Korea has graciously accepted to shoulder the burden of the Office of the Secretary General to the ASOSAI for another term. They have rendered yeoman service to the organization over the past three years. I look forward to working closely with Dr Kun Yang and his colleagues. SAI Japan has also agreed to continue to shoulder the onerous responsibility of the Training Administrator. They have done exceedingly well in the past in this role and I wish them the very best in the years to come.

I look forward for the support of all ASOSAI members in achieving our shared goals.

Articles

Lifting the ASOSAI region towards auditing excellence

Mr. Terence Nombembe

Auditor General of South Africa & Chairman of INTOSAI

In April 2012 I wrote an article for the INTOSAI journal with specific emphasis on the importance of lifting all the INTOSAI regions towards auditing excellence. This article for the ASOSAI journal is equally influenced by my continuous participation in the INTOSAI regional gatherings with a clear view to learning and understanding better the expectations and urgent requirements of each region. I have been humbled by experiencing the level of passion that the regions have displayed in embracing the importance of auditing excellence. ASOSAI has been truly impressive in demonstrating the level of their commitment and progress made in this direction.

At the recent congress held in Jaipur, India in March 2012, I benefited tremendously from the symposium on the ISSAIs and the quality of knowledge sharing that took place during that session. From this symposium it was clear that ASOSAI has great potential for accelerating the rollout of ISSAIs through members that help one another in this direction. The fact that every member has a will to learn is a first step to prosperity.

With such willingness to learn, support by the collective might of the INTOSAI leadership and the donor community through the INTOSAI-Donor Steering Committee Forum would no doubt land on fertile soil. The INTOSAI leadership has definitely committed visibly in many ways to the successful implementation of the ISSAIs. The fact that the ISSAIs were declared by the Governing Board as a communication theme for this year, accepted unanimously by all regions, is clear testimony of such commitment on our side. The project that was initiated by the IDI is another instant response by the INTOSAI leadership to support regions with a structured approach to building capacity for the ISSAI implementation.

Extensive training of the technical auditing staff within ASOSAI is another critical area of focus. This can be achieved in a number of ways, through staff secondments to SAIs that have the capacity to provide such experience. Through twinning arrangements, fellowships and other forms of centres of audit excellence in which the SAI of India has invested heavily, ASOSAI would as a collective succeed in achieving its stated goal of audit excellence.

Training and nothing else but training in auditing excellence is our best hope for superiority in the environment in which we operate. Training on the ISSAIs will always present us with an opportunity to enhance our knowledge of auditing, which equips us with the powers of independent thought and analysis. In this respect I am pleased that the ASOSAI region has also made ISSAI implementation its primary centre of focus as demonstrated at the 2012 symposium.

The memories of your ISSAI symposium are still ringing loud in my heart and mind, and I look forward to your report on progress at the 63rd INTOSAI Governing Board meeting in China.

At this pace, we shall indeed shine, as it is our time to shine as INTOSAI.

Applying International Standards of SAI: Challenges and Solutions

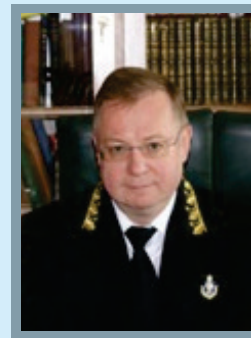
Dr. Sergey V. Stepashin

**Chairman of the Accounts Chamber of the Russian Federation,
member of the ASOSAI Governing Board**

A Priority Direction of SAI's Activities

Today, the problems of introduction of international standards of Supreme Audit Institutions are topical for many ASOSAI member states. I am convinced that professional discussion of national experience of different countries is essential for the common success of such work.

It is possible to say that the standards system in its core features has been already formed. (However, it does not mean that the development process is finished once and forever. In my opinion, it is evident that standards will be further amended and improved in compliance with those challenges and problems, which will be set by the development of the world economy and new information technologies as well).



The current stage sets as one of INTOSAI strategic priorities the goal to transfer from the development of external public audit standards to concrete actions for their introduction in practice of Supreme Audit Institutions. Within the last year, this issue was a topic for discussion at several INTOSAI events and its regional organizations. I guess that the whole set of issues related to the introduction of INTOSAI standards into everyday work of Supreme Audit Institutions deserves a wide and comprehensive discussion within the ASOSAI frameworks.

Due to the geopolitical location of my country, the Accounts Chamber of the Russian Federation takes an active part in the activity of both ASOSAI and EUROSAI. The EUROSAI Strategic Plan for 2011-2017 was approved at the EUROSAI Congress, held in Lisbon in June 2011. "Promotion and support of introduction of International Standards of Supreme Audit Institutions (ISSAI) and further support of their development" were determined as the second strategic goal of this Plan.

Our Approach to Applying ISSAIs

The Accounts Chamber of the Russian Federation intends to actively participate in realization of this Plan. We are planning to solve the goals related to the use of international standards in practice of the public audit in the following three directions. First, this includes comprehensive support of the international organizations' efforts on application of the international standards.

Second, adaptation of national standards to the INTOSAI standards.

Third, development of new national standards and their presentation for possible use with a view to improving the international standards.

In this connection, the initiative of the Accounts Chamber of the Russian Federation in arrangement of translation of the INTOSAI standards into Russian was supported at the

meeting of the EUROSAI Professional Standards Committee held in Bonn last October. Creation of authentic texts of international standards in Russian is an essential condition for their application in our country. We pay great attention to the fact that this important work should be performed at the earliest possible date and should be impeccable both linguistically and de jure.

There are no doubts that the international standards promote professional advancement of national auditors, provide the opportunity to apply the best world experience when necessary. However, this does not exclude the necessity to develop and systematize own national standards, which in many cases reflect specifics of audit arrangement in actual environment of a certain state. In other words, it is a matter of adaptation of international standards to the national practice. It is natural to take into account the experience of using the international audit standards as well developing and applying the national standards by foreign colleagues.

Such approach meets the requirements of provisions of the South African Declaration on the International Standards of Supreme Audit Institutions approved at the XX INTOSAI Congress in Johannesburg, and corresponds to the practice of the Supreme Audit Institutions of many countries.

For example, the USA, Canada, Great Britain, Germany, France, Netherlands, Australia, New Zealand widely use not only international, but national standards as well.

First, it is conditional by the necessity to take into account differences in the form of state structure and government, budgetary processes and public audit systems in various states.

Second, when the INTOSAI standards are introduced, it is necessary to ensure application of a unified, clear and unambiguous terminology, lack of which often causes inconsistency in understanding of the audit. Today, this problem often has to be solved at the level of national standards.

Finally, in the third place, the specifics of the public audit national standards are defined as well by the fact that as opposed to INTOSAI standards having general and guiding nature, national standards have a more specific and sometimes even instructive nature.

The unified system of interconnected standards governing all directions and activities of the Accounts Chamber, which was generated on the basis of earlier standards, was approved by the Board of the Accounts Chamber in 2009. This system consists of 16 standards divided into two main groups:

The first group: standards for arrangement of the Accounts Chamber activity;

The second group: standards on auditing implemented by the Accounts Chamber.

The first group of standards governs arrangement of work planning for the Accounts Chamber and preparation of work reports, arrangement of methodological support, cooperation with foreign audit institutions and supervising and accounting bodies of the constituent regions of the Russian Federation and municipal institutions.

The standards on auditing implemented by the Accounts Chamber are divided into three categories:

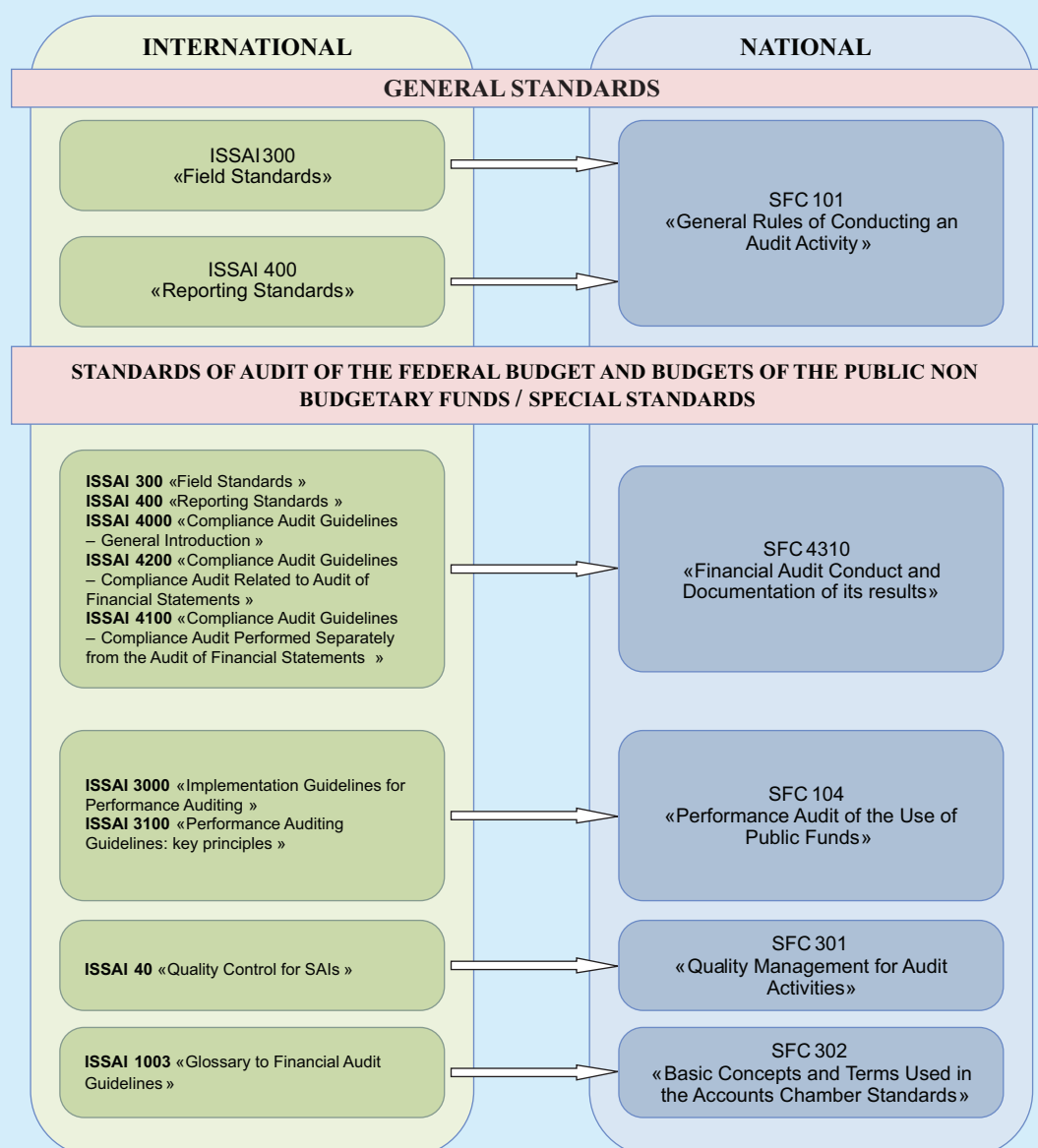
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general standards;

standards of audit of the federal budget and budgets of the public non-budgetary funds;

special standards.

The interconnection between the Russian national and international standards is demonstrated at the scheme below.



Thus, the Russian system of public audit standards, with all its specifics being stipulated by the specifics of the Accounts Chamber mandate, still takes into account the wide spectrum of the INTOSAI standards and is based on the requirements and provisions of the relevant international standards.

The same principle is realized at the level of regions and municipalities of the Russian Federation. Development and practical application of internal standards are mandatory for all supervisory and accounting bodies of the constituent regions and municipal institutions of the Russian Federation. At the same time, the Accounts Chamber of the Russian Federation prepares general requirements for regional and municipal standards on auditing, which take into account provisions of international standards on auditing.

Evaluation of Internal Audit and Anti-corruption Activities

Innovations in the evaluation of internal audit attract great interest of the Accounts Chamber. They are very important for us first of all because in Russia internal audit systems both in public and private sectors are not sufficiently developed yet. That is why we took part with great interest in the work of the 9th ASOSAI Research Project called "Evaluation and Improvement of Internal Audit Systems and the Relationship between Internal Audit Units and Supreme Audit Institutions." In the Accounts Chamber, a questionnaire for comprehensive evaluation of internal audit and an estimator matrix were prepared and included into the regular audit standard taking into account the best practices of said project and provisions of the International Standards for Professional Practice of Internal Auditing. These were applied during the audit of the federal budget execution and preparation of the Accounts Chamber opinion on the Federal Budget Report for 2010. The questionnaire was extended on the basis of summarizing the audit results. Guidelines to evaluate the condition and efficiency of the internal audit performed by chief managers of the federal budget funds, public non-budget funds were prepared as well. These best practices will be applied during the audit of the federal budget execution for 2011.

Besides, in the standards of regular audit we provided for an analysis of the performance of anti-corruption activities by the federal authorities. The Accounts Chamber developed the Guidelines to assess corruption risks related to using the budget allocations and to control efficiency of the anti-corruption program performance. The mechanism for revealing corruption risks in public bodies has been regulated by establishing the list of potentially corruptogenic areas of activity, revealing law regulations inviting corruption, as well as hidden potential possibilities of the government system which promote corrupt practices of officials.

A New Version of the Accounts Chamber Law

The resolution made in December 2011 during the 66th Session of the UN General Assembly is very important for solving of legal issues related to the introduction of international standards of public audit. This resolution recommends that the states-UN members should apply principles of independency of the Supreme Audit Institutions stated in the Lima and Mexico declarations. That is why the adoption of such a UN resolution gives a powerful impetus to activate the work on bringing the national laws on the Supreme Audit Institutions into compliance with the international standards.

In this connection, we are in the process of preparation of a new version of the Accounts Chamber law. According to this law, the mandate of the Accounts Chamber is expected to be considerably expanded. Our institution becomes an important element of public management, completely independent, responsible to the public and auditing the whole volume of public resources. Definitions of the performance audit, strategic audit and key national development indicators get enshrined in the law.

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If this law is approved in the format proposed by us, the Accounts Chamber of the Russian Federation will be the initiator of developing a number of new standards, which could be presented to the international community of state auditors after their practical approbation.

Further Steps

We do understand that a laborious task to renew the methodological procedures of our activity based on the international standards is awaiting us in future. A combined working group headed by Deputy Chairman of the Accounts Chamber, as well as the Department for Methodological Support of the Accounts Chamber will be involved directly. We are ready to share our experience in this area with our foreign colleagues, from Asian and European regions in the first instance.

I think we will perform the above tasks both on the basis of those 16 cooperation agreements, which we signed with the SAIs of the ASOSAI region and on a multilateral basis. The Accounts Chamber of the Russian Federation expresses its readiness to organize the second joint ASOSAI and EUROSAI conference in Moscow in 2014, which could be wholly devoted to sharing experience in this important issue. If this offer finds the support of the ASOSAI Governing Board, we are ready to start preparing immediately.

Assimilation of the ISSAIs and Achieving Success in their Implementation

Assoc. Prof. Dr. Recai AKYEL
President of Turkish Court of Accounts

SAIs, as independent oversight mechanisms to enhance transparency and accountability of governmental policies and to foster the efficient and effective receipt and use of public resources, have to carry out this vital mission by ensuring the highest audit quality. And the path to achieving the highest quality in the auditing process is directly linked to the adoption and proper implementation of the generally accepted highest international standards, namely the "International Standards for Supreme Audit Institutions (ISSAIs)".

The ISSAIs are today perceived as the common language among the SAIs which serves as a basis for enhancing audit quality and increasing confidence and credibility in the SAIs' work as well as facilitating international cooperation. Especially after the launching of the first complete set of the ISSAIs at the XXth INCOSAI held in Johannesburg, South Africa in 2010, both international and national efforts have been accelerated in order to at first place raise awareness among the SAIs about the expected contributions of assimilating the ISSAIs and then ensure the adoption and effective implementation of them in the regular audit work. In line with these efforts and the call made in the South Africa Declaration to use the ISSAI framework as a common frame of reference for public sector auditing, INTOSAI along with its Regional Working Groups has focused on taking decisive steps for the implementation and dissemination of the ISSAIs through making this issue a priority.

The Turkish Court of Accounts (TCA), as an institution that attaches great importance to the latest developments in the global audit environment, has always assumed its role in line with international standards with regards to its mandate and supported the reform process in favor of the adoption and implementation of the ISSAIs. Because TCA is aware of the fact that in today's world, without gaining a clear understanding of the ISSAI framework and assimilating them to the extent that the national legislation and the mandate allow, it will be a great challenge to ensure the credibility and quality of the audit work and also to maintain a healthy communication and cooperation with the other SAIs on a common ground.

Need For a Global Approach on Auditing and Understanding the Framework of the ISSAIs

The world SAI community has followed the trend of putting the assimilation and implementation of the ISSAIs at the top of their agendas with the recognition of the need to develop a professional global approach for effective auditing. Especially the messages revealed in the "South Africa Declaration on the International Standards of Supreme Audit Institutions" adopted at the XXth INCOSAI have placed great importance on using the ISSAI framework as a common frame of reference for public sector auditing; measuring performance and auditing guidance against the ISSAIs and implementing the ISSAIs in accordance with the respective mandate and national legislation and regulations. It is also emphasized in the Declaration that raising the awareness of the ISSAIs at global, regional and national level as well as sharing experience, good practice and challenges in implementation with those responsible for developing and revising them are of vital importance.

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The framework of the ISSAIs consists of 4 hierarchical levels in which the individual documents are assigned 1-4 digit numbers. These levels can be listed as following:

Level 1: Founding principles

- ISSAI 1 Lima Declaration

Level 2: Prerequisites for the Functioning of Supreme Audit Institutions

- ISSAI 10 MEXICO Declaration on SAI Independence
- ISSAI 11 INTOSAI Guidelines and Good Practices Related to SAI Independence
- ISSAI 20 Principles of Transparency and Accountability
- ISSAI 21 Principles of Transparency – Good practices
- ISSAI 30 Code of Ethics
- ISSAI 40 Quality Control for SAIs

Level 3: Fundamental Auditing Principles

- ISSAI 100 INTOSAI Auditing Standards - Basic Principles
- ISSAI 200 INTOSAI Auditing Standards - General Standards
- ISSAI 300 INTOSAI Auditing Standards - Field Standards
- ISSAI 400 INTOSAI Auditing Standards - Reporting Standards

Level 4: Auditing Guidelines

***General Auditing Guidelines**

- ISSAI 1000-2999 implementation guidelines on financial audit
- ISSAI 3000-3999 implementation guidelines on performance audit
- ISSAI 4000-4999 implementation guidelines on compliance audit

***Specific Auditing Guidelines (ISSAI 5000 – 8999)**

- ISSAI 5000-5099 Specific Guidelines on International Institutions
- ISSAI 5100-5199 Specific Guidelines on Environmental Audit
- ISSAI 5200-5299 Specific Guidelines on Privatisations
- ISSAI 5300-5399 Specific Guidelines on IT Audit
- ISSAI 5400-5499 Specific Guidelines on Audit of Public Debt
- ISSAI 5500-5599 Specific Guidelines on Audit of Disaster-Related Aid
- ISSAI 5600-5699 Specific Guidelines on Peer Reviews

Lima Declaration adopted in 1977 set the founding principles of INTOSAI at level 1 while the documents at level 2 constitute the necessary preconditions of proper functioning and professional conduct of the SAIs. Fundamental auditing principles at level 3 adopted in 2001 reflect the general lines of the audit procedures and reporting in auditing of public entities with regards to the individual SAI's mandate. Furthermore, the auditing guidelines at level 4 categorized as general and specific, translate these fundamental principles into more specific, detailed and operational structure and they have been mostly approved between 2004 and 2010. It should be beared in mind that the ISSAIs are not legally binding and individual SAIs can decide the extent that they will comply with these standards but it is a real fact that the ISSAIs provide significant contributions and guidances for the SAIs as a unique source of best practices.

It is worth mentioning at this point about the roots of the interaction and cooperation between the private and public sector auditing in terms of its contribution to the development of the ISSAIs. When INTOSAI decided to develop standards for public sector financial auditing, already existing and generally accepted standards in mostly the private sector were focused on as the first step leading to the cooperation with the International Federation of Accountants (IFAC), and its auditing standard setting body, the International Auditing and Assurance Standards Board (IAASB). The IAASB develops the International Standards on Auditing (ISA) which are accepted at global level for financial statements auditing and the INTOSAI Financial Audit Subcommittee (FAS) provide Practice Notes as complementary guidance to these ISAs in order to make them applicable for audits of financial statements in the public sector. And as the final product of each ISA and the corresponding Practice Note, ISSAIs are prepared to serve as supporting guidances with regards to the dynamics of each SAI's functioning.

TCA's Perspective on the ISSAIs and Ongoing Assimilation Process

TCA, being aware of the importance of the ISSAI implementation, has perceived this issue among its main priorities and therefore has paid special attention to the assimilation of them and developing new methodologies and guidances based on these standards. Especially with the changes in the public financial system of Turkey following the adoption of the Public Financial Management and Control (PFMC) Law in 2003 and its putting into practice in 2006, the functioning of the TCA has also gone under through dramatic changes. In fact, the reform process initiated with the PFMC Law has implications such as extending the audit field of the TCA as the sole external audit body, transforming the audit process carried out only on accountancies into auditing on activities, transactions and resources of public administrations and adopting the principle of performing audit in line with international auditing standards. As a result of these provisions made in the PFMC Law, the Law of the TCA dated 1967 has also been subject to efforts in favor of amending and harmonising it with the PFMC. And finally, new Law of the TCA was adopted and put into practice in December 2010 with a view to enhancing the scope and quality of the audits in line with EC requirements and internationally accepted standards.

Before going into detail of the highlights made in the new TCA Law, it is worth giving a brief information about the Twinning Project of "Strengthening the Audit Capacity of the TCA" signed between the TCA and the European Commission at 2004. The main purpose of the Project was to enable the TCA to fully assume its role as external auditor in line with international standards and leading European Union best practices. As a start point of the Project, a Situation Analysis was carried out for the assessment of the TCA's current audit processes, organizational structure and personnel system. Next, the results were evaluated within the framework of European Union practices and the international standards to ensure that the TCA fulfils its role in the field of external audit thoroughly and the actions to be taken have been identified. One of the most important outputs of the Twinning Project which was completed in 2007 has become the "Financial Audit Manual" prepared in line with the international auditing standards, which are INTOSAI Auditing Standards, European Implementing Guidelines for the INTOSAI Auditing Standards and, IFAC International Standards on Auditing. Besides the Financial Audit Manual, two additional guidelines namely "Performance Audit Guideline" and "IT Audit Guideline" were also prepared for facilitating the effective implementation of the international standards in the national audit work.

Getting back to the highlights of the new TCA Law related to mostly the assimilation of the ISSAIs, it can be seen that under the heading of "General Principles of Auditing", in Article 35, it

is stated that “The audit shall be carried out in accordance with the generally accepted international auditing standards.” Moreover, in Article 37 which is about the audit process, it is emphasized that the issues pertaining to the audit process shall be governed by implementing regulations, standards and guides to be prepared by considering laws and benefiting from the generally accepted international auditing standards.

There are also clear attributions to the principles of independency, transparency and accountability in the new Law. For instance, independency is dealt with in a specific article as an indicator of importance attached with due regard to Mexico Declaration (ISSAI 10) and thereby the Lima Declaration (ISSAI 1) which states that the SAIs can accomplish their tasks only if they are independent of the audited entity and are protected against outside influence. In independency article, it is stated that TCA shall have functional and institutional independence in carrying out its duties of examination, audit and taking final decision conferred by this Law and other laws. Furthermore, the principles of transparency and accountability which are the basic elements of good governance and democratic functioning are highlighted in the new Law of the TCA in order to meet the principles set forth in ISSAI 20 “Principles of Transparency and Accountability”.

TCA has been also taking decisive steps for harmonising the auditing guidelines presented in the level 4 of the ISSAI framework into its own auditing methodology by developing audit manuals and guidances for the practical use of these standards. Because it is known that audit manuals are not necessary and helpful only for auditing the accuracy of the financial statements of the auditees and the legality of the underlying transactions but also for assessing the rationality of the mechanisms that produce those transactions and statements and for assessing whether they work effectively and efficiently. For this purpose, “Regularity Audit Manual” prepared in accordance with the generally accepted international auditing standards was adopted in June 2011 by the TCA Presidency. It consists of summary, planning, implementation, reporting, follow-up and annexes and determines the main principles of auditing to be applied in all the institutions in the audit field. As the first step of a comprehensive reconstruction period anticipating new audit methodology based on international auditing standards, it is also a quick implementation of the Provisional Article 2 of the new law which states that the implementing regulations, standards, guides and other arrangements envisaged by this Law shall be issued within at the latest one year.

One of the outstanding regulations published in line with the aforementioned Provisional Article 2 was on the code of ethics which is designed to guide the auditors throughout their audits. It is based to a large extent on the INTOSAI Code of Ethics (ISSAI 30) which is seen as a necessary complement for the INTOSAI Auditing Standards and considers the ethical requirements of government auditors including their professional obligations. It is worth drawing attention at this point to a unique article included in this regulation with the heading “Kindness and Respect” since it is a kind of ethical rule which is very rarely included in national code of ethics. The Article 13 states that “Auditors shall not have insulting, pejorative and arbitrary behaviours, shall not act oppressively, offensively and minaciously and shall behave kindly and respectfully to the all related people working with them.” This is perceived by the TCA as a significant step for promoting trust and confidence in the auditors and their work.

As the last point about the TCA's perspective on the ISSAIs and ongoing assimilation process, it should be noted that the TCA, being aware of the importance to have all the ISSAIs available in national language, has been continuing the translation process of them into Turkish to further promote the implementation of these standards.

Overall Benefits and Challenges of the Assimilation and Implementation of the ISSAIs

The adoption and implementation of the international standards in public sector auditing involves both significant benefits and challenges for the SAIs. It is beneficial because it poses a great opportunity for the SAIs to maintain and sustain qualified and professional audit mechanisms in line with the international standards. On the other hand, it is a challenging process since there are differentiated dynamics in each SAI in terms of their national legislation, audit mandate, institutional structure and all kinds of resources.

Going into detail of the overall benefits of using the ISSAI framework, it should be at first place reemphasized that globally accepted standards serve as a common language among the SAIs and related organizational structures in terms of using similar audit approaches or structures. Since this is perceived as an important step for achieving professionalism in a field, it can be concluded that using the ISSAIs and performing audits in compliance with them will enhance the level of professionalism.

Using ISSAIs will also significantly contribute to the credibility and quality of the audit work carried out by the SAIs since it will be easier with common standards at global level to attain a high level of transparency and therefore gain the stakeholders' confidence. One of the most important prerequisites for reaching high quality in auditing is getting use of the best practices available at international level and the ISSAI framework serves as a unique resource for presenting these best practices and providing a ground for benchmarking both within the year to year audits of an individual SAI and also within the world SAI community. In this sense, especially through the benchmarking mechanism, communication among the SAIs will be facilitated and SAIs, with audit processes based on the same framework, will feel more confident in initiating parallel/joint audits thereby improving the international cooperation.

Besides these underlined benefits, implementation of the ISSAIs is not a straightforward process due to its complex but at the same time flexible structure and therefore it poses many challenges. Constraints in the national legislation and the mandate with regards to the extent that the ISSAIs be complied, or limitations in the capacity, skills or resources can be put forth as the main challenges faced by the SAIs. It is known that international standards have a general guiding role rather than specific references to differentiated organizational structures and audit approaches. This less specific nature may represent a real challenge for the SAIs that are trying to decide the extent of the assimilation of the ISSAIs into their national auditing. Especially assimilating Auditing Guidelines at level 4 of the ISSAI framework into national audit manuals necessitates great efforts and resources since the issue is not only the preparation of them but also their effective implementation which is only possible through extensive training programs for the auditing staff. By organizing relevant seminars or workshops, auditors may be provided with the opportunity to have a clear understanding of and analyze the ISSAIs on a brainstorming ground. This process will also be helpful for sharing the opinions and giving feedbacks to the current ISSAI framework for further updating initiatives.

Auditors' resistance to new developed methodologies and audit approaches may pose another kind of a challenge for many SAIs since the change of an organizational structure is not an easy process. But this resistance can still be got over by providing a clear understanding of the benefits of the ISSAI implementation. In this respect, INTOSAI, INTOSAI Development Initiative (IDI), INTOSAI Regional Working Groups and all individual SAIs should take joint responsibility to carry the effective implementation of the ISSAIs one step further. To talk briefly about the ISSAI Roll Out Model developed by INTOSAI, its first stage is about raising awareness about ISSAIs, second stage focuses on facilitating decision making by an SAI and

implementation and the third stage propose to support the ISSAI implementation. As also depicted by this Roll Out Model, effective implementation of the ISSAIs as a common framework among SAIs necessitates strong cooperative and supportive initiatives carried out by the providers of these standards.

Conclusion

Understanding, analyzing and implementing ISSAIs as well as deciding the way to carry out these phases is a challenging and rather long-term issue since it is an ongoing process that SAIs should always be keeping track of. For devoting their resources such as experts, time, money or other technical means for a process which is in nature not compulsory, SAIs must be decisive about the expected benefits of the assimilation of the ISSAIs and be confident about getting over the challenges. And apparently, the efforts of the SAIs in favor of the assimilation and implementation of the ISSAIs are to a large extent affected by the level of the support provided by the international development organizations in order to develop capacity and comply with these standards. This is also in line with the INTOSAI's motto of "mutual experience benefits all" that confirms the mutual efforts in multiple domains. As an institution open to integration with the global SAI community, the TCA will continue to take promising steps for further adoption and implementation of the ISSAIs bearing in mind that this process will certainly maintain its importance in the coming period.

The Positive Role of Audit in Public Debt Management in China

Mr. DONG Dasheng

Deputy Auditor General of National Audit Office of China

Introduction

Since 2008, the financial crisis triggered by the US sub-prime crisis has swept the globe. Some countries have launched a large scale of economic stimulus plan to promote the economic growth through the use of appropriate fiscal and financial policies. However, as many economies are gradually recovering from the negative impacts of financial crisis, a new crisis is unnoticeably approaching us---the sovereign debt crisis. Recently, the US Congress and White House had a long-term debate on raising the debt ceiling. In order to cope with the sovereign debt crisis, the European Union also launched the second bailout plan of 159 billion Euros to Greece. From the global perspective, the potential risk of public debt still exists. This risk will inevitably spread fear and panic around the world, which will become a "hidden killer" to hamper the balance of global economy and sustainable recovery. As an emerging economy, China plays an important role in the sustained development of the world economy. Many experts and friends who have concerns about the economic development of the world and China are also interested to know the status quo of public debt in China. In particular, what's going on with Chinese local government debt?

The Chinese government attaches great importance to the public debt management. From March to May 2011, the National Audit Office of the People's Republic of China (to be abbreviated as the CNAO) organized the audit offices at all levels to have a comprehensive and unified audit over local government debt nationwide. In July 2011, the audit results released by the CNAO attracted great attention of the Chinese society as well as the world. Although the CNAO report was generally well received, a bit of doubt was also casted upon the report. I would like to use this occasion to share with you the results of this audit over local government debt nationwide combining with the illumination of positive role and performance of the CNAO in public debt management.

I. A Summary of Chinese Public Debt and the Role of the CNAO in Public Debt Management

1. A Summary of Chinese Public Debt

Before the implementation of the policy of reform and opening-up, the Chinese government adopted the fiscal policy featured "zero foreign and domestic debt". In 1981, the central government of China started to introduce the concept of government debt with the issuance of treasury bond. Meanwhile, the Chinese government also started to make borrowing from international financial organizations like the World Bank. The funds sourced from the public debt plays an important and active role in supplementing financial insufficiency, enhancing infrastructure construction, coping with international financial crisis, combating natural disasters, improving people's livelihood and eco-environmental protection, and promoting the comprehensive and sustainable development of economy and society.

The central government debt mainly consists of national debt and loans from international financial institutions, which are issued and managed by the Ministry of Finance, and governed by the strict budgetary control under comprehensive systems and regulations with higher transparency. As of the end of 2010, the total outstanding central government debt was RMB 6.752691 trillion, including outstanding foreign debt of RMB 447.907 billion (equivalent to USD 67.63 billion).

But local government debt is rather complex. According to the present "Budget Law of the People's Republic of China" and "Guarantee Law of the People's Republic of China", the budgets of local governments shall not contain deficit, nor do they raise funds in form of direct borrowing or be guarantors for the debtors (except as otherwise prescribed by laws or the State Council). The legal-prescribed and regulated methods for local governments to borrow are few, mainly including government bonds issued by the central government on behalf of local governments, and foreign debt or national debt transferred from the Ministry of Finance to local governments. However, a fast economic and social development was witnessed in recent years. In order to improve the investment environment and people's working and living conditions, local governments have made large investment in the infrastructure construction (e.g. highway, railway and subway) and municipal facility construction. Since 2008, local governments have also increased new investments as part of China's stimulus efforts to cope with the financial crisis. In order to meet the demand for funds, many local governments circumvent the legal restrictions and turned to Local Government Financing Vehicles (LGFVs) or by other measures to take on debt in a disguised form, resulting in a sharp increase of other forms of local government debt. This part of local government debt has been neither managed by the unified system nor included in the government budget. The result has been that the borrowing and use of local government debt becomes neither transparent nor visible. It is hard to estimate the actual size of debts and measure the potential risks of debt default, leading the central government, local governments at various levels and the whole society to be more concerned.

2. The CNAO Continuously Paying Attention to Public Debt

In recent years, with the aim to safeguarding the national economic security, and disclosing the fiscal and financial risk inherent in public debt management, the CNAO has taken the following measures to exercise a comprehensive supervision upon public debt. First, the management and use of national and foreign debt has been listed as one of the priorities in the audit over central government budget implementation. In addition, special-purpose audits or investigations have been conducted over the use of national and foreign debt transferred from the central government to local governments. Second, with great attention paid to local government debt, the CNAO is one of the authorities who make the earliest warning to the State Council and the National People's Congress on the risk of local government debt. In recent years, local government debt has been listed as one of the priorities in both the audit over local government revenues and expenditures and the accountability audit over the provincial (municipal) governors. In 2010, the CNAO conducted a special audit over local government debt in 70 regions. Third, the CNAO requires that various forms of public debts should be included in the audit scope when conducting the audits over such fields as enterprises, financial institutions, investment projects, environment protection, education and medical care. The audit offices at local levels also attach great importance to the supervision of public debt.

All these efforts taken by audit offices have been widely recognized by the society, and government debt has further come to the forefront with attention and concerns by the Congress, government and public at various levels.

II. The Introduction about the Audit over Local Government Debt Nationwide Carried out in This Year

1. Clear Audit Objectives

In view of the status quo of the management of local government debt, auditors set the following five-fold objectives: first, detailing the size, structure and development trend of local government debt for each government level and year; second, classifying local government debt by differing liabilities; third, analyzing the ability to serve the debt and revealing the potential risks; fourth, disclosing and reporting the prominent problems in the debt management; fifth, analyzing main causes of debt and proposing the opinions and suggestions on strengthening the debt management, mitigating and preventing risks.

2. Rational Classification of local government debt by Differing Liabilities

A rational classification of local government debt shall serve as a foundation to reasonably define the scope of government debt and accurately identify risks for serving debt. During the audit, local government debts are broken down into three categories according to the different payment obligations held by local governments: first, debts with a direct government obligation to pay back, namely, debts borrowed by local governments or government departments and to be paid back with government revenues; second, debts with a government guarantee, namely debts guaranteed or counter-guaranteed by local governments but not to be paid back with government revenues. For this type of debt, local governments, as the guarantors, were not liable for performing the debt directly, but if the debtor defaults, shall perform the debts or bear the joint liability according to the agreement; third, other government-related debts (debts with a potential government obligation), namely debts borrowed by enterprises or public institutions for the non-profit projects and not guaranteed by local governments which were to be paid back by the revenues generated by the debtor or from the projects. For this type of debts, local governments were not held for any contractual obligations. However, if the debt default might occur to the debtor, local governments might need to offer bailout aids.

3. Huge Input of Audit Resources with Extensive Audit Scope

The total staff of audit offices nationwide at various levels totals around 80,000. In this year's audit over local government debts, 41,300 auditors from audit offices at various levels were mobilized for the audit. According to the principle of "examining the accounts, people and materials, and inspecting each debt and each item", the auditors inspected the debt situation of governments of 31 provinces (autonomous regions and municipalities directly under the central government), 5 cities with independent budgetary status, 392 cities and 2779 counties with the total number of debts amounting to 1.87 million. Only one county was skipped due to the occurrence of earthquake. The audit involved 25,590 government departments and institutions, 6,576 LGFVs, 15,721 units and 373,805 projects.

4. Elaborate Management and Implementation

First, the CNAO established a Task Force for leading the audit over local government debt nationwide to enhance the management and implementation of the audit, local audit offices also set up related leading groups with the heads of audit offices taking the leading responsibility. Second, it adopted the methods like "auditors at higher levels inspecting debts of governments at lower levels" and "cross inspection" to guarantee the independence of auditing. The resident offices of the CNAO were responsible for the audit

over the provincial governments and governments of provincial capitals. The provincial audit offices organized the municipal and county audit offices to carry out audit with the manners such as “auditors at higher levels inspecting debts of governments at lower levels”, “cross inspection” or “joint audit over other cities and counties’ debt. Third, the CNAO attached great importance to the training on the audit topic. It conducted 4 training programs on the audit over local government debt and IT, and local audit offices at various levels also provided multi-level trainings to ensure that over 40,000 auditors could be clear about auditing requirements and audit methodologies. Fourth, the CNAO reinforced the real-time management for the whole process of auditing. Audit Newsletter and other media were introduced to clarify the doubts and questions incurred in the audit process and correct the deviation in a timely manner. Fifth, the CNAO also provided the guidance to the field audit. Teams headed by the top management of the CNAO or experts were dispatched to the audit sites of 25 provinces (autonomous regions and municipalities directly under the central government) for investigation and supervision. The supervisory teams were also established in some places.

5. Making Full Use of the Advanced Information Technology

To effectively manage and supervise this large-scale audit and ensure audit quality, the CNAO and local audit offices at various levels have made full use of advanced information technology. First, a dynamic interacting information platform was established on the Audit Office Network to realize the real-time, interactive communicating between the task force of the CNAO and the field audit sites to ensure the efficiency and effectiveness of unified management. Second, a number of audit tool software for data verification, data analysis systems and analysis models were developed. The databases of local government debts nationwide were also established to ensure that audit data were recorded, totaled and analyzed in an integrated, regulated and standard manner, resulting in a full set of complete, accurate and reliable audit data.

III. The Results of the Audit over Local Government Debt Nationwide in This Year

1. Fully Identifying the Situation of Local Government Debt

As of the end of 2010, the total outstanding local government debt stood at RMB 10.717491 trillion. Among them, debts with a direct government obligation to pay back were RMB 6.710951 trillion, accounting for 62.62% of total amount. Contingent Debts with a government guarantee was RMB 2.336974 trillion, accounting for 21.8% of the total amount. The amount of other government-related debts (debts with a potential government obligation to offer bailout aids) amounted to RMB 1.669566 trillion or 15.58% of total amount. The bank loans were the main source of local government debt. By the end of 2010, of total outstanding local government debt, approximately 79.01% (RMB 8.4679998.5 trillion) is in the form of bank loans.

As of the end of 2010, of outstanding local government debt, a total amount of RMB 9.613044 trillion has been taken out by local governments and used to finance the following projects: transportation, municipal infrastructure and energy development (RMB 5.946689 trillion, or 61.86%); land purchase and reserve (RMB 1.020883 trillion, or 10.62%); people's livelihood such as education, medical care, science and culture, low-income housing, agriculture, forestry and water conservation (RMB 1.375312 trillion, or 14.31%); energy conservation, emission reduction, ecological development and industrial development (RMB 401.602 billion, or 4.18%); and other areas (RMB 868.558 billion, or 9.03%).

2. Objectively Reflecting the Positive Role of Local Government Debt

First, the use of local government debt to finance and accelerate the construction of infrastructure development projects such as local road, railway and airport, as well as municipal facilities projects like urban rail transit, city road and bridge, has formed a large number of high-quality assets, and laid a foundation for the sustainable economic and social development of China. Second, the use of local government debt provides an important support for the improvement of people's livelihood and eco-environmental protection and promotes the eco-environmental development and transformation of the pattern of economic development. Third, the use of local government debt provides financial support for combating crisis and natural disasters. Local governments provide financial support for implementing a series of economic stimulus plans and coping with international financial crisis through multiple financing methods such as the LGFVs. Sichuan and Gansu provinces have also managed to promote successful implementation of post-earthquake reconstruction plans through financing by local government debt.

3. Objectively Disclosing the Risks of Local Government Debt

Through the audit, the CNAO summarized the following opinions about public debt situation in China: First, the overall debt burden was not heavy. As of the end of 2010, local debts with a direct obligation to pay back by the provincial, municipal and county level governments reached the amount of RMB 6.710951 trillion, equivalent to 16.86% of China's 2010 GDP (RMB 39.79833 trillion), while total debt figure was put at 33.83% of 2010 GDP after accounting for outstanding central government treasury bond of RMB 6.752691 trillion. Both figures were lower than 60%, the European control ratio for debt-to-GDP. In terms of the ratio of outstanding local government debt against local government's comprehensive financial resources (debt to financial resources ratio), if we calculate the amount of debt by the debts with a direct obligation to pay back by the provincial, municipal and county governments, the ratio would be at 52.25%; but if also accounting for contingent debts with the guarantee held by local governments, the ratio was 70.45%. Second, both ratios of overdue debts in the contingent debts with the guarantee held by local governments and other government-related debts with a potential government obligation to offer bailout aids were not high, equivalent to 2.23% and 1.28% respectively in 2010. Third, the maturity profile of local government debts is mixed (some coming due soon and others not due until years later) with relatively even distribution in years onward. It would be less possible for the peak year of serving the debt to come. Out of the outstanding local government debts by the end of 2010, 24.49% and 17.17% of debts would come due in 2011 and 2012 respectively, while 28.13% of them would mature between 2013 and 2015 and 30.21% not due until after 2016.

In addition, indeed some individual localities and institutions may be faced with crippling debt burdens and potential risk of debt default. As of the end of 2010, For 78 cities and 99 counties, the ratio of debt with direct obligation to repay to financial resources of local governments is higher than 100%. Some LGFVs are running with a loss and some localities have been relying on land sale revenues to perform the debt repayment.

4. Proposing Constructive Opinions on Preventing Debt Default Risks and Strengthening Management of Local Government Debt

Based on the audit findings, the CNAO has made the audit recommendations on the following three aspects. First, the outstanding debt should be actively and prudently dealt with on the merits of each case. For the debts incurred due to the need to finance projects

with market-competitive power or non-profit projects with revenue-generating power, or the debts of enterprises with market-competitive ability, revenues generated from the projects or enterprises should be taken as main channel of performing the debt, while local government should be exempted from the direct liability to repay and may only provide some proper financial subsidy if necessary. For the debts incurred due to the need to finance non-profit projects without revenue-generating power, and local government held liable for repayment, a plan of performing the debt should be instituted by local governments to ensure the budgetary funds arranged for the repayment.

Second, the LGFVs should be further straightened out and standardized and the act of providing guarantee in violation of laws or regulations by local governments should be strictly prohibited. The LGFVs shall be integrated and regulated by local governments through various measures including reorganization and transformation of the LGFVs and the introduction of private investments, with the aim to promoting the diversification of investors for the LGFVs and improving the corporate governance. The act of providing guarantee in violation of laws or regulations by local governments for the debts of LGFVs and other institutions should be strictly prohibited. The launch of new projects should also be strictly controlled to prevent the risk of failing to accomplish the project under construction.

Third, a standardized financing mechanism through debts by local governments should be established and a dynamic supervision for all dimensions of local government debts should be realized. The granting of the right for local governments to raise funds in form of debts on a rational scale should be considered, provided that the plan to raise the debts should be examined and approved by the State Council, and the budget of local debts should be compiled and included in the local budget, and submitted to the local People's Congress at the corresponding level for examination and approval. A strict procedure for examining and approving other government-related debts that governments are not liable for performing the debt directly should be introduced and implemented, with the aim to controlling the size of this type of debt. The assessment upon debt situation should be included in the performance evaluation upon local government in order to prevent the acts of raising debts in violation of laws and regulations or in an excessive manner.

5. Providing a Reliable Foundation for Decision-making of the Central Government

With the provision of instructive classification of local government debts by differing liabilities, and full set of relevant basic data, the audit has laid a solid foundation both for the enhancement of local government debt management and decision-making of the central government. The State Council and the Standing Committee of the National People's Congress attach great importance to the audit recommendations which shall be used for promoting the improvement of financing mechanism through debts by local governments. For the problems disclosed in the audit, the related departments and local authorities are studying and formulating the systems and measures to reinforce and improve the management of local government debt.

To conclude, the results of this audit has responded to the public concerns and provided a foundation for strengthening local government debt management. The immunity-building function of auditing in the governance at national level has been fully played, and it shall produce a significant and far-reaching influence on the management of public debt in China. The CNAO will continuously exert further efforts to establish a standardized, transparent and effective management system of public debt.

Measuring the Local Government's Performance Enhancing the Role of the Audit Board of Indonesia

Aurora Magdalena

SE. MforAccy, CFE, Ak¹

Introduction

The decentralization in Indonesia was intended to bring public services closer to the citizen, especially due to the demand from regions in Indonesia greater autonomy. International experiences on decentralization prove that decentralization made the government provides more effective and efficient services, and increase public sector accountability. However, since its implementation back in 2001, there are indicators, related to the performance of the local government on achieving their goals, which shows that the local government needs improvement.

The first indicator is from the financial measurement perspective, local governments conducted by The Audit Board of Republic of Indonesia ("The Audit Board") in 2010 shows local governments needed improvement of financial accountability. The financial audit also shows only 3% from 445 numbers of local governments received "unqualified" audit opinion (IHPS, 2010).

Another indicator is from the integrity index received by the regency/municipality. The integration survey carried out by The Indonesia Eradication Commission (Komisi Pemberantasan Korupsi/KPK) in 49 regencies/municipalities showed that the average value of Regency/Municipality Level Public Sector Integrity in 2009 at 6.46 satisfied the minimum value for integrity set by KPK (6.0). Such value illustrates that the act of gratuity still exists at the regency/municipality level. Further analysis on the survey result and the audit opinion result, it can be concluded that even though a regency/municipality had a qualified opinion on its financial statement, it does not guarantee it had a good integrity in giving service to the public. Take the 9 regencies/municipalities of the 49 regency/municipality which are below the minimum value as example (shown in table 1). It can be seen from the table that Kuningan regency received lower integrity index than Manado Municipality, eventhough its financial report statement get a qualified opinion. Therefore, financial statements audit opinion, should not be a sole indicator in measuring the local governments performance.

In Audit Board Strategic Planning 2011-2015, the Audit Board is planning to increase the amount of performance audit, which is focusing on the audit of programs or activities mentioned in "2010-2014 National Governments mid Term Planning (RPJM)". This means the Audit Board performance audit will be focusing on government goals achievement. It would be a challenge for the Audit Board to measure government performance based on the income-outcome basis due to overlapping funds from national and local program that might cause a dilemma to decide whether or not the program outcome achievement resulted from certain related activities or other factors. Moreover, until today, the Audit Board has not had a performance indicator tool to perform the performance audit. What being used so far is the best practices criteria agreed by the auditees.

¹ The writer is a researcher at Sub Directorate of Research and Development, The Audit Board of the Republic of Indonesia

Articles

The objective of the paper is to give the information of measuring government performance practices specifically the local government and in the hope it will also provide an insight for the Audit Board in developing the performance indicators tool. The practices are also suggesting that when performing the performance measurement might not be accurate if focusing on the program alone, without considering the macro-micro perspective. Along with the indicator examples being adopted or proposed, the paper also discussed about what the Audit Board should address in measuring local government performance.

No.	Cities Government	Integrity Index*	Audit Opinion 2009**
1.	Garut Regency	5,99	Qualified
2.	Makasar Municipality	5,89	Qualified
3.	Gowa Regency	5,86	Qualified
4.	Manado Municipality	5,86	Adverse
5.	Deli Serdang Regency	5,84	Disclaimer
6.	Maros Regency	5,70	Disclaimer
7.	Samarinda Municipality	5,65	Adverse
8.	Bandar Lampung Municipality	5,59	Qualified
9.	Kuningan Regency	5,08	Qualified

Source: * Indonesia Public Sector Integrity 2009, Corruption Facts in Public Services (Corruption Eradication Commission)

** Ikhtisar Hasil Pemeriksaan Semester I and II 2010, The Audit Board.

Theoretical Context

In order to understand the performance measurement, first we have to know the framework of measurement. Pollanen, R (2005) stated that performance measurement in the public sector is concerned with the assessment of performance organizations, organizational units, and programs. Its primary function is to monitor the achievement of organizational and managerial objectives and thus serve as an important planning, control, and the decision making device, which can be seen either as promoting managerial accountability (internal accountability) or enhance public (external) accountability through the external reporting of performance measurement.

Furthermore, Pollanen, R (2005) suggested that performance measurement in public sector needs to be verified by internal or external regulators. Research conducted by Pollanen, R (2005) found that 90 percent of all respondents agreed that performance measures should be verified, with 76 percent desiring verification by auditors. Among the 76 percent, 41 percent desired audit by both internal and external auditors. Malan, et.al. (1984) defines performance auditing as a systematic process of objectively obtaining and evaluating evidence regarding the performance of an organization, program, function, or activity.

The Audit Board of Republic Indonesia responsibility as mentioned in the Laws 15/2006 regarding "The Audit Board" is to assess the state finance management and accountability conducted by central government, local governments, other state institutions, central bank, state owned companies, local governments' owned companies and other bodies that manage the state government finance. Laws 15/2004 regarding the Audit of Management and Accountability of Financial State mentions that state finance management is the overall state

manager activities, that are within his authority and responsibility, including planning, implementing, monitoring, and reporting (accountability). While the state finance accountability is the government responsibility to comply with regulation, efficiently, economically, effectively, and transparently administer state finance. Based on that, it can be said that the Audit Board has a responsibility to assess the overall activities of state manager in handling the state finance, whether **or not** it is **being** managed efficiently, economically, effectively, and transparently.

Based on the theoretical context above, it can be summarized that performance measurement in public sector is related to organizational performance unit along with the program to evaluate the organization effort in achieving its objective economically, efficiently and effectively. Performance measurement conducted by the public sector is required to be evaluated through performance audit either by internal or external auditors. This paper will focus on the role of external board in measuring the local government performances thus the role of Audit Board of Republic Indonesia as the supreme audit board in reviewing/auditing the local government performances will be discussed further in this paper.

Lessons from International Experience and Cases

The Audit Board 2011-2015 Strategic Planning will increase the Performance Audit and focus on programs in the Mid Term “National Planning” (Rencana Pemerintah Jangka Menengah Pusat/RPJMP) and Mid Term “Local Governments Planning” (Rencana Pemerintah Jangka Menengah Daerah/RPJMD). The performance audit will be evaluating the process of planning, implementation, and monitoring of the RPJMP and RPJMD. However, until now the Audit Board does not have the performance indicators to assess the RPJMP and RPJMD. So far the performance audit was built based on best practices; however what being used as an indicators must have been agreed by the Audit Board and the Auditee. Most of the time, performance audit result is more similar to the compliance audit, where the auditor only mention on what regulations being violated by the auditee.

As being mentioned in theoretical context, the verification on performance measurement done by internal and external agencies is essential to improve government accountability. The application of performance measurement's verification by external board can be learned from the “accountability index framework” developed by “Jabatan Auditor Negara” in Malaysia, “report on government service framework” developed in Australia and “local government performance measurement” initiated by the World Bank institution.

1. The Accountability Index

The audit board in Malaysia, Jabatan Auditor Negara, has an accountability index (AI) which ranks the government's institutions based on their financial management performance. The rationale of introducing the AI is to respond to the concern of the Malaysian Government over the instances of non-compliance and internal control weaknesses that were repeatedly mentioned in the annual audit reports. Through the implementation of an objective and transparent star rating system that formed the basis of the AI, it is hoped that agencies will be sufficiently induced to take corrective actions on the weaknesses on a timely basis and to undertake the necessary corrective action on shortcomings highlighted in the audit report. Thus, it will motivate heads of ministries, departments and agencies to walk the talk in ensuring accountability and integrity in their respective ministries/departments/agencies and to diligently resolve the persistent weaknesses in their financial management.

Based on the AI framework, the quality of financial management performance will be evaluated on 8 elements which include organizational management control, budgetary control, receipts control, expenditure control, trust funds/trust account and deposit accounts management, asset and inventory management, investment management, loans management and financial statement. The AI provides scores and ratings on how the ministries, departments and agencies perform the best practice principles in those financial management elements.

The AI, ever since its implementation back in 2007, has been a great contributor to Malaysia government performances. The auditees whom received lower score in 2007 had improved their performance and get better score in the next following year.

The Audit Board has had an opportunity to do AI feasibility study to JAN in Malaysia. The AI is viable to implement and help in measuring local governments performances. The Audit Board needs to develop an indicators tool based on repetitive inadequacy found during the annual audits. However, the AI will not measure the service and the outcome from the local government activities but the insight on their financial management.

2. Report on Government Service

In Australia, the Report on Government Services (RoGS)² function is as the key tool to measure and report the product efficiency and cost effectiveness of government services. The RoGS has been used for strategic budget and policy planning and evaluation; demonstrate government accountability to assess the resource needs and resource performance of government agencies; identify jurisdictions in which to share service information. The three main reasons for reporting comparative performance information across jurisdictions in Australia are: 1) to verify high performance and identify agencies and service areas that are successful; 2) to enable agencies to learn from peers that are delivering higher quality and/or more cost effective services; 3) to generate additional incentives for agencies and services to improve performance. The other reason is to facilitates inter jurisdictional learning, particularly where governments have adopted different policy approaches. Even though this RoGS does not extend to recommendations on how best to provide government services, the information in the RoGS assists governments to make such assessments.

The RoGS compares government's services that have common or similar key objectives across jurisdictions and have significant contribution to the community. The similar key objectives are necessary in order for the services can be compared, while significant contribution means the community will benefit from the efficiency and effectiveness of the services. Moreover, the services are important because they absorb a significant level of government expenditure. In the 2011 RoGS, there are 15 services are included in the RoGS, some of them are school education, police service, public hospitals, aged care services, etc. Those 15 services accounted for approximately \$150.5 billion or 69.4% of total government expenditure. Therefore the focus of the RoGS is on the government spending rather than the government income support from the service provided.

² The RoGS is produced by Steering Committee for the Review of Government Service Provision (SCRGSP). A Steering Committee, comprise of senior representatives from the central agencies of all governments, manages the Review of Government Service Provision (the Review). This review was established in 1993 by Heads of government (now the Council of Australian Governments or COAG) to provide information on the effectiveness and efficiency of government services in Australia. COAG is the peak intergovernmental forum in Australia, comprising the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association (ALGA).

The RoGS reflects the service process through which service providers transform inputs into outputs and outcomes in order to achieve desired service or program objectives. For each service, governments have a number of objectives that **associate with** desired outcomes for the community. To achieve these objectives, governments provide services and/or fund service providers. Service providers transform resources (inputs) into services (outputs). The rate at which resources are used to make the transformation of input into output is known as 'technical efficiency'. The impact of these outputs on individuals, groups and the community are the outcomes of the service. In RoGS, the rate at which inputs are used to generate outcomes is referred to as 'cost effectiveness'. Often, outcomes (and to a lesser extent, outputs) are influenced by factors external to the service.

The RoGS framework will give great contribution for the Audit Board, especially when the Audit Board focus of on the performance audit in the future for governments programs/services that supporting the RPJM/RPJMD. The challenge for the Audit Board is on defining the effective areas for the governments programs where overlapping program between the central government and local government exist.

3. Local Government Performance Management (LGPM)

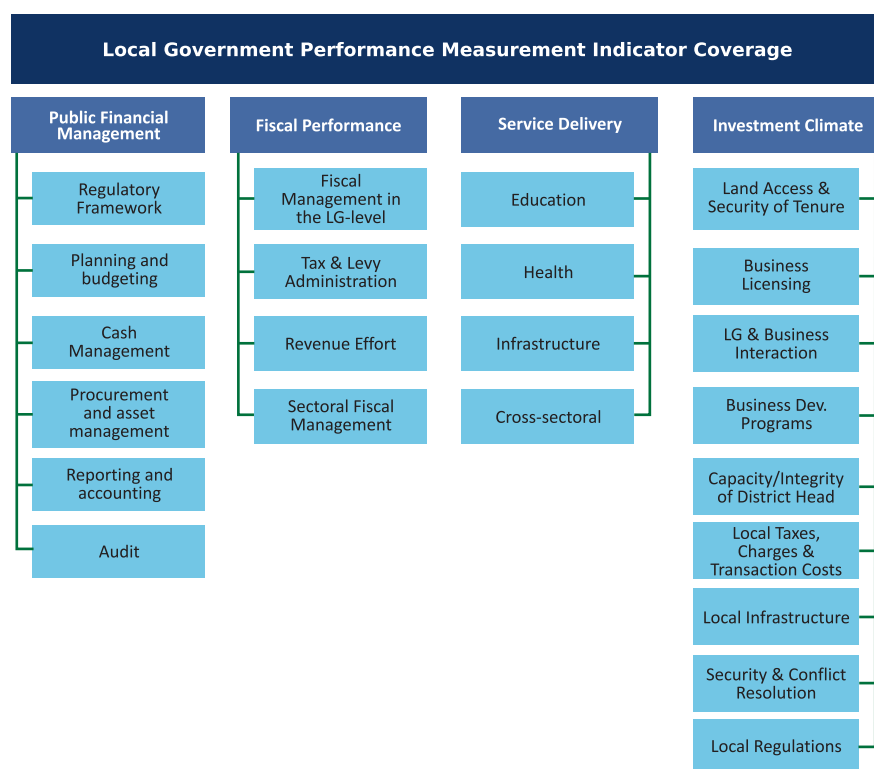
Different from the RoGS which focus on the governments program or services, the World Bank has developed frameworks that focus on local government's (as a whole) performance measurement. The local government performance management (LGPM) tool has been developed as an initiative to measure the performance of local governments since the decentralization. The LGPM tool has 4 pillars covering overall LG performance, which are 1) public financial management, (2) fiscal performance, (3) service delivery, and (4) the investment climate.

The World Bank considered the Public Financial Management (PFM) pillar as a crucial area for improvement because since the decentralization local governments have a control over very substantial financial resources. The PFM pillar then cascaded into sub indicators, which are regulatory framework, planning and budgeting, cash and management, procurement and assets management, reporting and accounting and audit.

The second pillar is the fiscal performance should be taken into account in order to measure the local governments' performance in generating local revenues. Most of the revenues in the local governments are from the national budget, in the form of general allocation fund (Dana Alokasi Umum/DAU) and special allocation fund (Dana Alokasi Khusus/DAK). The fiscal performance pillar seeks to capture how well LGs are doing in fiscal administration, in raising revenues, and spending these resources.

The third pillar is to measure the local government's service performance on education, health, and infrastructures. It aims on tracking the outcomes of the government's spending on these three sectors. The investment climate pillar aims to measure the local government performance on increasing the local economic growth and revenue-raising potential. The 4 pillar of LGPM and the performance indicators measurement can be seen in the bellow.

The 4 Pillar of LGPM and the performance indicators measurement



Source: Decentralization Support Facilities, 2008, pg. 10

The LGPM framework will contribute to the measurement of the local government as organizations. This framework is more applicable since it was developed based on the Indonesian local governments system. The challenge for the Audit Board is on the availability of the human resources infrastructures.

The Audit Board can use those three performance measurement practices in order to measure the local government's performance. The result can be compared among the local government which will motivate the local governments to increase their performance and learn from other local government practices on managing their government. However, in order to create the measurement tool which is inspired from those frameworks, there are several things that need to be addressed by the Audit Board, which are the institutional condition, funds, the local organization willingness and the overlapping probability with other bodies that might happened.

How to Implement

While we have considered the contribution to performance management from the three application of performance measurement mentioned in chapter 3, it is important to emphasize that the implementation of those systems by the Audit Board will depend on several factors, which are the institutional condition, funds, the local organization willingness, the probability of overlapping with other bodies.

1. Addressing the Institutional Issues

Performance auditing is a knowledge-based activity and high quality work is of great importance. Therefore, human resources and performance measurement tool are considered as critical issues.

a. Human Resources

The general requirements for performance auditors are hold a university degree and have a personal competences like creativity, receptiveness, integrity, and oral and written skills. It is also necessary for the performance auditor to be familiar with methods applied in social sciences as well as other relevant methods/skills. Good knowledge of organizational management also helps to ensure that performance auditors make realistic and achievable suggestions for improvements.

In order to achieve that, the Audit Board has been training its auditors for performance audit and conducting certification for those auditors. Until today, it has 2.717 auditors; among them 386 are certified performance auditors. There are 2.547 number of entities should be audited, with 530 number of local governments (provincial, regency, and municipality). Based on that numbers, if the local government performance measurement was conducted, it will need more auditors. Normally, one audit team for auditing local government needs 4 people, therefore in auditing 530 local governments needs at least 2.120 auditors. It means, the Audit Board has 1.734 shortfalls on the number of performance auditor

One of solutions for the shortfall is by increasing the number of certified performance auditors. However, this can be applied if the Audit Board plan to utilize the Public Accountants Firms conducting the audit of financial statements on behalf of the Audit Board is implemented. So far the Audit Board has been preparing the infrastructure needed to use the public accountant firms.

The other solution is coordinating with the financial audit teams. Financial audit teams, with their broad coverage and access to state and local agencies, should be integrated into the performance audit process. Financial audit teams can be helpful, not only in auditing performance measures for the agencies with which they are engaged, but in analyzing whether measured performance is increasing, decreasing or remaining relatively stable. By this method, the AI performed by the Malaysia, can be used if the Audit Board already has the tool to measure and ranks. Within the financial audit, one or two performance auditors can be added to the financial audit team to conduct the performance measurement.

However it is important to ensure that competence and the number of auditor are built up step by step, therefore it takes some time in order for the performance audit on the local government could be conducted.

b. Performance Measurement Tool

To perform performance audit needs measurement tools to make the measurement effective, efficient and comparable. The Audit Board already has Performance Audit Technical Guidance and How to Choose Key Areas Technical Guidance. However, in my opinion, those manuals contents are general theory where the performance auditor has to develop their own indicators using benchmark that is agreed with the

auditees. In the performance audit of local governments, it needs special indicators designed for the local governments. The three examples of performance measurement mentioned before can provide ideas on developing the performance measurement tool.

1) The Accountability Index

The first step for the Audit Board to develop accountability index tool, is by compiling financial management related regulations that the local governments should comply with. The compilation of the regulations in the local governments would be easier since these regulations have been asked and documented by the auditor during the annual financial audit. By knowing the regulations, and compared with the repeated shortcomings in the financial audit reports, the Audit Board would know which areas should be measured or scored.

2) The Report of Government Service

The RoGS framework will give great contribution for the Audit Board, especially when the Audit Board focus of the performance audit in the future is on the governments programs/services that supporting the RPJM/RPJMD. The challenges for the Audit Board is on the defining the effectiveness areas for the governments programs, since there are lots of programs overlapping between the central government and local government. What the Audit Board should do is making analysis what programs or services that absorbs the state and local government finance and contributes to the wealth fare of the community. Then, the indicators related to those areas can be defined.

3) The Local Government on Performance Measurement

The framework will give more benefit for the local government measurement because it measures the local government as a whole even though it focuses on the 4 pillars.

The Audit Board can assess the LAKIP that has been sent by the local government regularly each year. From the LAKIP the Audit Board can develop indicators that considered practical yet effective to be performed. However, the Audit Board should not rely heavily on the LAKIP, since the practice of making LAKIP by the local government is considered as an administrative requirement. Moreover, the indicators in the LAKIP only based on the how much input (budget) has been absorbed, not based on the output or even outcome.

Other performance measurement tool that should be developed is the performance audit guidelines. In this guideline, the procedures on performing performance audit should be addressed. Timelines, number of people, requirement for the competencies, code of conduct, reporting mechanisms are among many that should be mentioned in the guidelines. The timeline practice on performance audit in The Audit Board is 20 days, however this amount of days is considered insufficient for the auditor to come up with the recommendation for the auditees improvement. Therefore an increase of the audit time for the performance audit on local government should be considered by the Audit Board.

2. Budget

The issue of budget is also critical to be considered. If numbers of the performance audit increased, the audit budget is also increased. Based from the audit budget for the financial audit of local government, one local government audited needs roughly around USD 25 thousand. Since the financial audit is compulsory for all the government entities, then the numbers of local government to be audited in financial audit will be the same with the performance audit, if the Audit Board decided to do so. Therefore, in order to audit all local governments performance would need roughly around USD 13 millions. This calculation is also with assumptions that the audit team will consist of 4 people and the days of audit will be 30 days. In order to fulfill the budget, the Audit Board shall propose to the Ministry of Finance and House of Representative and convincing them on the urgency of performance audit in order to increase the accountability and integrity of the local government.

3. Local Governments

Communication with the local governments is essential in order to get their commitment to be measured. So far, the commitment of the local government is for the financial statements audit. They are willing to hire consultants to prepare their financial audit statements in order to get an increase in the audit opinion. It is because the false thought that great audit opinion reflecting the local government performance. The Audit Board should socialize the importance of the local government measurement in increasing the local government accountability.

4. Other Agencies

The Audit Board should also coordinate with other agency such as the Ministry of Administrative and Bureaucratic Reform, BPKP (The Government Board of Internal Audit), the Ministry of Internal Affairs, the Eradication Corruption Commission. These government agencies are also conducting measurement of the local government performance, but with different focus. The Ministry of administrative and Bureaucratic Reform which is work together with the BPKP, assess the LAKIP report whether the report has been comply with the regulations³. While the Eradication Corruption Commission focus on the perception of corruption in the public service delivered by the local government. By coordinating with these agencies, the Audit Board might have more efficient and effective performance audit. The Audit Board can also coordinate with private institution that concern with the accountability of local governments, such as The Fajar Institute of Pro Otonomi (FIPO). FIPO has a great concern on monitoring and evaluating the implementation of decentralization. This institution is initiated by the Fajar Metro Newspaper. It ranks the municipalities and regencies based on 9 categories, which are, economic growth, economic equality, empowerment of the local economy and poverty alleviation, health care, education, administration and population, public participation and political sustainability, and accountability public and environmental management (Makkatutu, 2010). The local governments who received the award are proud even though it does not come from the government. They are proud because their achievement will be written in the Fajar Media, the ceremony itself is aired in the national television, and their achievement will be witnessed by the ministry of internal Affairs who is attending the ceremony.

³ Ministry of Administrative and Bureaucratic Reform Regulation Number: PER/09/M.PAN/5/2007 on 31 May 2007 regarding the Establishment of Government Performance Indicator Guideline and Ministry of Administrative and Bureaucratic Reform Regulation Number 13/2010 regarding Technical Guidance on the Performance Accountability Evaluation.

By coordinating with these institutions, government or non government, the Audit Board task on conducting performance audit might be easier. The local government would not be burdened to much if they have providing similar data over and over to different institutions.

Conclusion

The performance measurement of local governments is needed in order to increase the accountability of the local governments. Financial measurement conducted by the Audit Board through the audit of local government financial statements is not enough to measure the local government accountability. The Audit Board is necessary to consider auditing the local governments as a whole to give ranks or comparison with other local government. It can adopted performance framework like AI, RoGS, or LGPM that have been developed by Malaysia, Australia or World Bank. However, it also needs to consider challenges in the Audit Board institutional in order to conduct the performance measurement/audit.

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The Relationship between the Ministry of Finance and the Supreme Audit Institution

Hary Purwaka

Deputy Chief Auditor of SAI of Republic of Indonesia

Introduction

Public finance management reform has delivered three laws of the state finance, which are Law Number 17 of 2003 on State Finance, Law Number 1 of 2004 on State Treasury, and the Law Number 15 of 2004 on the Audit of the State Management and Financial Responsibility. The legislation Package has been put BPK and the Ministry of Finance as the two important institutions in encouraging accountability and transparency of public finance management.

President as the Head of Government has power over State Financial Management as part of governmental power. Yet, fundamental changes in the legislation package is the establishment of the Ministry of Finance as an assistant to the President in the financial sector as Chief Financial Officer (CFO) of the Government of the Republic of the Republic of Indonesia as well as a General Treasurer State (BUN). Whereas, every minister/head of institution as Chief Operational Officer (COO) for a particular area of government.

In the implementation of control over fiscal management, the Minister of Finance has the following tasks:

1. Set fiscal policy and macroeconomic framework;
2. Plan budget and budget changes;
3. Authorize the implementation of the budget document;
4. Conduct of international agreement in the financial sector;
5. Collect the state revenue that has been established by law;
6. Carry out the state treasurer functions;
7. Prepare financial statements of State Budget;
8. Perform other tasks in the areas of fiscal management under the provisions of law.

Thus the Ministry of Finance is the major institution in the planning implementation and accountability of public finance management.

Another fundamental change is, BPK became an independent institution to audit financial management and accountability of the state. By law position of BPK is set in the 1945 Constitution in Article 23E, 23 F, and 23G as well as Act Number 15 of 2006 of BPK. To carry out the duties and responsibilities, BPK is supported by set of laws in public finance, namely Law Number 17 of 2003 on State Finance, Law Number 1 of 2004 on State Treasury, and the Law Number 15 of 2004 on the Audit of the Management and State Financial Responsibility. These legislation regulations, together, confirmed the strong position and role of BPK as a free and independent state.

BPK has a mandate to conduct an audit of management of state finances by the central government, local government, other State institutions, Bank Indonesia, State-Owned Enterprises, Public Service Board, Regional Owned Enterprises, and other institutions or agencies that manage state finances.

BPK conduct three types of audit, consisted of:

1. Financial Audit, in order to provide an opinion on the fairness of the financial information presented in the government's financial statements;
2. Performance Audit, including economic aspects, efficiency, and effectiveness of government programs, activities and management; and
3. Audit with specific purposes, other than financial audit and performance audit. For example audit on other matters relating to financial, investigative audit and audit upon request (audit on call).

In order to bring transparency and accountability in the management of state finances, the Finance Minister has a duty to prepare the State Financial reports timely according to generally Accepted Government Accounting Standards. This Financial Reports must be audited by BPK and afterward the Audited Financial Report should be submitted to parliament no later than six months after the end of the fiscal year.

The forms of cooperation and coordination

BPK RI has a vision to become a credible audit institution which upholds the values to play an active role in fostering Accountability and Transparency of State Finance management.

To realize this vision, BPK has to reform the bureaucracy. One area of bureaucratic reforms of BPK is to improve relationship and cooperation with stakeholders. BPK's bureaucratic reforms have changed the pattern of relations with the audit entities. Relationships with Ministry of Finance, who previously only limited cooperation in the completion of BPK recommendations, now change to serve as partners in fostering accountability, transparency and better management of the finance within government area.

Furthermore, BPK try to transform paradigm change of audit from an "obligation" to a "necessity". This paradigm is achieved through the expansion of the scope of the audit through the use of information technology extensively in obtaining and analyzing information held by the government, especially Ministry of Finance (via electronic-audits) and information derived from the previous audit done by BPK. Implementation of e-audit is expected to increase the synergistic relationship within BPK and between the BPK with external parties so that the optimization of management and financial responsibility of the State can be achieved.

The form of cooperation and coordination between BPK and Ministry of Finance include the development and implementation of e-audit, the audit results follow-up, and human resource development.

1. Synergistic relationship and cooperation in the development implementation of e-audit

BPK has taken strategic steps to build an e-audit system By setting Supervision over the BPK data center that combines BPK's electronic data (e-BPK) with the auditee's data or other electronic data examined by BPK, such as ministries, local governments, state enterprises, and others.

Within the framework of e-audit, duties and functions of the Minister of Finance as General State Treasurer play significant role related to documentation and database of planning, implementation and accountability of public finance management. Therefore, BPK RI has signed joint agreement with Minister of Finance on the Development and Management Data Access Information System of the Ministry of Finance in the Audit of State Financial Management.

By the formation of BPK Synergy, BPK audit effectiveness can be realized so as transparent and accountable state finance management. Through BPK synergies BPK expects benefit on:

- a. Reduce systemic corruption;
- b. Support the optimization of state revenues;
- c. Improve the efficiency and effectiveness of state expenditures;
- d. Optimize follow-up audit recommendations; and
- e. Optimize the performance audit.

With this agreement, BPK RI has made an e-audit piloting of the interim financial statements of the first semester of State Budget Fiscal Year 2011.

2. Relationship and cooperation in following-up audit results

The Ministry of Finance is the lead institution that coordinates other state institutions to following-up of BPK recommendations that were consolidated in audited State Financial Report. For the effectiveness of following-up BPK recommendations, BPK and Ministry of Finance has built relationship and conduct coordination meeting periodically to monitor every step made by Ministry/Agency in follow up BPK's recommendations.

With this cooperation in following-up audit recommendations, the Government has made significant improvements on some of the findings, which include:

- a. Debt management and record keeping is now improved;
- b. Better control of assets through the inventORIZATION and valuation of inventory and fixed assets;
- c. Better Control of Balance Over Budget;
- d. Better control of Cash and cash equivalents through the enforcement of less Government Account.

3. Cooperation and relation in Human Resource Development

Cooperation between BPK and Ministry of Finance also increase in the human resources capacity and competence building which are implemented in the form of education/technical training and workshops. The officials from the Ministry of Finance who are expert in the field of public finance will be invited as guest speakers at several workshops and technical training within BPK. For example, workshop on audit preparation of Financial Statements of the Central Government which is held every January each year prior to the State Financial Report Audit. Also Education/training on audit on Treasury State Office held in 2010, Dissemination of government accounting standards, education/training in cash management and treasury held in 2008, and education/training on asset management held in 2008.

Articles

In addition, some officials and auditors of BPK are also valuable speakers in education and training for human resources development in Ministry of Finance, especially related to internal control in business processes in the Ministry of Finance.

Conclusion

By building Relations and cooperation between BPK and the Ministry of Finance has improved state financial management accountability, as reflected by increasing quality of BPK opinion in the State Financial Report with disclaimer opinion in 2008 to be qualified opinion in 2009 and 2009, and the Ministry/Institution Financial Statements, as Follows:

BPK Opinion	YEAR		
	2008	2009	2010
Unqualified Opinion	35	45	53
Qualified Opinion	30	26	29
Disclaimer Opinion	18	8	2
Adverse Opinion	0	0	0
Total Audit Entities	83	79	84

Although BPK and Ministry of Finance has better relationship and cooperation, BPK still perform audit in accordance with the values of BPK which are independency, professionalism, and integrity.

Environmental Audit of Caspian Sea

Abbas Mirnajafi

Supreme Audit Court of I. R. Iran

Introduction

Before the disintegration of the former Soviet Union, the Caspian Sea used to belong to Iran and the Soviet Union. After the collapse of the Soviet Union and the emergence of new countries, the number of Caspian Sea countries has increased to five countries. Based on the geographical position these include Islamic Republic of Iran in the south, Turkmenistan in the east, Kazakhstan in the east and northeast, Russia in north and Azerbaijan in south west.



The valuable resources in Caspian sea has affected the interest of the regional and supra regional countries. Therefore, the proper interaction and cooperation of the neighboring countries in accessing Caspian Sea interest as well as cooperation for the protection of the sea water from pollution and environmental monitoring can bring peace and economic stability to the region.

Caspian Sea is the largest sea in the world and therefore has all kind of pollutions. Environmental laws and regulations as well as international conventions including the convention on the protection of Caspian Sea Environment (Tehran Convention) have assigned the sea bordering countries to do activities for the stabilization of the sea and combating pollution. However, industrial sewages, oil pollutions, rubbish, agricultural pesticides for gardens and plantations etc., which fall into the Sea, have increased the amount of the Caspian Sea pollution. Generally speaking, the industrial and oil pollution pours in the north and western part of the Sea and the pollution from sewages and agricultural wastes pours in the southern part.

Background and Audit planning

a) The importance of the subject:

Due to the following reasons, the Supreme Audit Court of I. R. Iran chose the "Environmental Audit of Caspian Sea" as a pathological approach:

1. In Islam water has a special status. In Holy Koran Allah has emphasized that the life of all creatures is dependent on water and that Man has to think about it and be thankful to this blessing. One of the ways to be thankful about the blessing of Allah is the proper use of water and avoidance of polluting it.

2. From both the quantity and quality point of view, water is the most important part of ecosystem. Caspian Sea as the largest ecosystem contains almost 40% of the water existing in the worlds' lakes. Lack of connection between Caspian Sea and other lakes has made it a special ecological area. The unique characteristics of the Caspian Sea have created a situation where it has been seriously damaged by oil, industrial and chemical pollution as well as city and home sewages.

With the objective to preserve it from different pollutants and achieving the sustainable development of environment, the environmental audit of Caspian Sea is necessary.

b) Objectives:

1. Examining the enforceable and accepted conventions for the Caspian Sea.
2. Examining the existence of required standards and guidelines for the evaluation of the Caspian Sea water pollution.
3. Examining the share of each bordering country regarding the pollution of Caspian Sea.
4. Examining the sufficiency of the mutual actions by the Caspian Sea countries regarding the control of water pollution.

c) Criteria

1. Inclusiveness of the governing conventions regarding the Caspian Sea.
2. Ratification of the content of Tehran Convention by either the government or the Parliaments of the sea bordering countries in order to make it enforceable.
3. Compiling the related regulations regarding the implementation of the convention on the protection of Caspian Sea Environment (Tehran Convention)
4. Preparation and approval of conventions on the protection of Caspian Sea Environment (Tehran Convention)
5. Preparation of common index and standards governing "the quality of Caspian Sea water" by the bordering countries.
6. Preparation of common criteria and guidelines regarding the "evaluation of the pollution of Caspian Sea" by the bordering countries.
7. The share of pollution of Caspian Sea by the bordering countries based on the population per capita residing next to the Sea.
8. The sufficiency of the common actions of the Caspian Sea countries regarding the control of water pollution.
9. Preparation of criteria and guidelines for "evaluation of Caspian Sea pollution" by the Iran's Department of Environment.
10. The sufficiency of the measures taken by the Iran's Department of Environment regarding the control of water pollution in Caspian Sea.

d) Audit Scope:

Review of the measures and activities taken regarding the Caspian Sea pollution in the form of objectives and using the presented criteria since 2003 when the Tehran Convention was ratified.

Methodology:

Supreme Audit Institutions as the most important supervision organizations have the ability to identify problems regarding the systems, procedures, rules, regulations, etc and as the result reflect such problems to their respective governments and therefore help them to achieve their environmental objectives.

The Supreme Audit Court of I. R. of Iran in its country paper to the 14th meeting of INTOSAI WGEA, instead of dealing with a small problem in Caspian Sea, decided to consider the problem of the whole Caspian Sea in terms of:

- The pollutions made by the sea boring countries
- The common measures taken by the same countries in controlling the water pollution
- The challenges facing the environmental audit of Caspian Sea and finally
- present some recommendations for the improvement of the marine environment of the Caspian Sea based on the audit findings.

The SAC believes that if such measures are taken properly, the problem of Caspian Sea water pollution will be considerably reduced. For the preparation of this country paper, all necessary documents were received from Iran's Department of Environment. The same organization is one of the signatory members of Tehran Convention which has been implementing common works and projects with other Caspian Sea countries including holding training workshops, compiling protocol drafts, compiling the Tehran Convention documents, studying the share of each sea border country regarding water pollution, etc.

3/1 The concept and objective of pathological study:

- By problem we mean an obstacle that hinders the system from achieving its objectives
- A pathological study requires a systematic outlook to the whole process and it aims at diagnosing the nature and type of the problem. The identification of the risk areas and finding a solution for such risks can gradually lead to the improvement of the whole process.
- A pathological study is the first step for pushing programs/activities towards the legal channels and prevention from irregularities and also solving the problems

3/2 Steps used in pathological study includes:

- a) In the pathological method, the structure, interactions, procedures and methods governing the system are given much attention. Therefore, the first step would be the identification of the nature and tools which in this article include: identification of conventions, protocols, guidelines, standards, interaction mechanisms etc. governing the Caspian Sea.
- b) In the pathological study, the risk areas are identified (the second step: diagnosis of symptoms of risks/problems). In this article, we have mentioned urban, industrial and river pollutions poured into Caspian Sea, accumulation of different oil, industrial, chemical pollutants, urban and home sewages poured into the sea, lack of realization of Tehran Convention in combating sea pollution etc.
- c) Problem causing factors creates disorders and lack of discipline in the structure or work process of the systems; therefore at this stage the cause of problems are

investigated (the third step: identification of the causes of problems). As an example we can mention lack of proper interaction among Caspian Sea neighboring countries regarding the implementation of Tehran Convention, non-approval of the protocols related to the same Convention, lack of standards for preservation of the quality of sea environment, lack of standards or criteria for measuring the quality of Caspian Sea water, lack of common guidelines for combating Caspian Sea pollution, etc.

- d) After the identification of the problems that the system is facing then solutions are found for fighting the problems at the last stage. At this stage, necessary recommendations are made for solving the problems.

Findings and recommendations

Based on the studies made:

4/1 considering the fact that the Caspian Sea is land locked, it is considered an international sea rather a lake belonging to the sea border countries. Therefore, it is excluded from the legal rights of the world seas. For this reason, international conventions such as London Convention, the 1982 law of the Seas Convention and other conventions could not be applied to the Caspian Sea.

4/2 The "convention about the protection of the environment of Caspian Sea" was formed on November 4th, 2003 and later was approved by either the government or the Parliaments of the bordering countries on 12 August 2006. The official copy of the same document handed over to the Government of I. R. of Iran is the only governing and enforceable convention on the Caspian Sea.

4/3 After the ratification of the Convention on "the protection of the environment of Caspian Sea" known as Tehran Convention, a legal framework accepted by the Caspian Sea countries as well as international organizations was created and as the result the regulations of the same convention became enforceable.

4/4 Based on Tehran Convention⁴, the approval of proper laws regarding the responsibility and damages incurred to the environment has been predicted but the study made in this regard shows that the Caspian Sea countries have taken no action in this regard. This lack of action by the same countries challenges the pollution preventive measures in the Caspian Sea and the enforceability of the same convention.

4/5 The realization of the commitments of Tehran Convention is possible through the related protocols. Accordingly, the preparation and approval of a few protocol in this regard has been predicted by the Caspian Sea bordering countries⁵. Each of the same protocols, inspired by the objective of Tehran Convention, focuses on major goals such as prevention and reduction of water pollution and protection of the environment of Caspian Sea. Unfortunately, due to the multiple number of the same protocols and the different views of the 5 bordering countries, the same protocols have not been approved yet and consequently the above mentioned objectives have not been realized yet.

4/6 currently the draft of 4 protocols of the Tehran Convention have been prepared. The delay in compiling and approval of the same protocol has reduced the effectiveness of the measures

⁴ Article 29 of Tehran Convention

⁵ Article 24 of Tehran Convention

taken by the bordering countries in prevention , reduction and control of pollution as well as the preserving the environment of Caspian Sea.

4/7 With regard to the fact the Tehran Convention can not be realized through its protocols, the mere approval of Tehran Convention is not sufficient for protection and restoration of the environment and combat against water pollution.

4/8 The Tehran Convention⁶ has focused on the cooperation of the signatory countries in developing standards, procedures and policies in reduction of water pollution, protection and restoration of the environment in Caspian Sea but the result of studies shows that since the approval of Tehran Convention, no standard or index regarding "the quality of sea environment" as well as " the Caspian Sea water quality " has been developed. Furthermore, there are no common guidelines for combating the water pollution in Caspian Sea.

4/9 Totally 2204380 tons of city, industrial and river pollution resulting from the special pollutants (including BOD, nitrogen, phosphate, petroleum and its products) is poured into Caspian Sea by the sea bordering countries. Out of the same amount, the share of water pollution is as follows: Russian Federation 1813900 tons (82/29%), Islamic republic of Iran 200810 tons (9/10 %), Azerbaijan Republic 142800 tons (6/8 %), Kazakhstan 33700 tons (1/53 %) and Turkmenistan 13 170 tons (0/6 %)⁷.

4/10 The amount of the per capita special pollutants (including BOD, nitrogen, phosphate, petroleum and its products) by the sea bordering countries is as in the following:

Russian federation: 518/23 kilo (first rank), Azerbaijan Republic: 40/8 kilo (second rank) Islamic Republic of Iran: 28/6 (third rank). Due to the lack of sea coastline population in Kazakhstan and Turkmenistan the statistics regarding these two countries has not been mentioned⁸.

4/11 River currents are the major factor in making the Caspian Sea polluted. Generally speaking, out of the yearly pollutants which is 2204380 tons, the amount of 1913400 tons (86/80 % of the total pollutants) enter into the Caspian Sea from the rivers located in Russian Federation (80/45 %), Iran (2/86 %), Azerbaijan Republic (2/57 %) and Kazakhstan (0/91 %).

4/12 One of the most important pollutant of Caspian Sea is petroleum. Almost 4 % of the world oil reserve exists in Caspian Sea out of which Iran has no share in oil extraction and only shares the pollution of the same sea.

4/13 According to Tehran Convention⁹, The Caspian Sea counties have committed themselves, either individually or collectively, to take all necessary measures to prevent, reduce and control pollution and at the same time protect the Caspian Sea environment.

Studies show that the most common measures taken by the bordering countries are limited to holding meetings and training programs. In case s where other measures (developing plans and projects) have been taken by the Caspian Sea countries (including doing common research regarding the pollution of Caspian Sea, evaluating the sea waste etc.), such measures are not sufficient.

⁶ Articles 6 and 18 of Tehran Convention

⁷ This statistics is based on the Version State of the Environment Repot (SOE)

⁸ the resource is SOE

⁹ Article 4 of Tehran Convention

Articles

4/14 Studies show that during the past two years Iran's Department of Environment has developed some water pollution guidelines. It is developing some other guidelines and standards including the guidelines regarding emptying sewages, waste water poured into the Sea as well as compiling the index to evaluate the severity of the pollution of heavy and toxic elements of Caspian Sea.

4/15 The first step to combat sea pollution is to identify the pollution sources and the preparation of pollution map. Iran's Department of Environment has started the identification of pollutant sources/spots in provinces bordering the Caspian Sea but it has not taken any actions regarding the preparation of pollution map.

4/16 The subject of organizing the sea areas has been specified in laws in I. R. of Iran and such laws are being implemented at the moment.

4/17 The government of Islamic Republic of Iran is either implementing or studying home and city waste water filtration system in some of the cities bordering the Caspian Sea. Such plans can play a major role in reduction of Caspian Sea pollution.

4/18 The measures taken by Iran's Department of Environment regarding the combat against Caspian Sea pollution has been both proper and necessary but such actions have never been sufficient due to the severity of the pollution.

Recommendations:

5/1. In order to strengthen the enforceability of Tehran Convention and determining the responsibility and damages to the Caspian Sea environment, which arises out of lack of the possible violation of the content of the same convention, it is necessary to compile the regulations and by-laws related to Article 29 of Tehran Convention as a preventive measure in reducing the Caspian Sea pollution.

5/2. With regard to the fact that Tehran Convention is not sufficient and in order to realize the commitments of the Caspian Sea countries, it is recommended that the same countries accelerate their efforts in developing, approving and implementing the Convention protocols as well as compiling the related common standards and indexes regarding the "quality of environment" and "the Caspian Sea water quality" through expert interaction.

5/3. It is necessary for the Caspian Sea countries to promote the effectiveness of their measures regarding the combat against "Caspian Sea pollutions" and at the same time develop the common standards and guidelines.

5/4. Considering the fact that the major factor in polluting the Caspian Sea is the "River currents", it is recommended that Supreme Audit Institutions in the Caspian Sea countries conduct the common environmental audit in order to assist their respective countries in reducing pollution.

5/5. With regard to the fact that new oil fields are being developed in the Caspian Sea, which is serious threat to the environment, it is necessary for Caspian Sea countries to compile and approve the protocol on "preparation, combat and regional cooperation regarding the oil spill accidents and related technical guidelines"

5/6. Considering the fact that Iran has no share of oil extraction in Caspian Sea and due to the Sea steep, oil pollutions of some of the bordering countries arrives at Iran's sea coast, it is recommended that SAls of Caspian Sea countries conduct common environmental audits.

5/7. With regard to the fact that a major source of Caspian Sea pollution is the arrival of city and human sewages into rivers and coast waters, it is necessary to implement the comprehensive plan of "home and city waste water filtration system" in the Caspian Sea area.

5/8. With regard to the severity of the water pollution in Caspian Sea, the bordering countries should take more important common measures for protection of environment and combating the Caspian Sea pollution through interaction and cooperation with each other.

5/9. To take common actions by the Caspian Sea countries, sufficient fund is necessary. In order to complete common projects, it is essential for the same countries to increase their annual membership fees.

5/10. With regard to the fact that the first step to combat sea pollution is to identify the pollution sources/spots and the preparation of pollution map. Iran's Department of Environment must prepare and update such maps. Furthermore, it is recommended that Caspian Sea countries to exchange information with each other regarding the pollution sources/spots in order to increase the transparency of their operations in this regard.

Impacts and results:

6/1 The audit results is submitted to Iran's Department of Environment as one of the signatories of Tehran Convention. In addition, the SAC is planning to submit such results to SAls in Caspian Sea region.

6/2 The environmental benefits of this paper will be obtained on the condition that enough attention is given to audit results and audit recommendations by Iran's Department of Environment and the efforts of other Caspian Sea countries in implementing the same recommendations.

Challenges:

With regard to the fact that the criteria and indexes of performance evaluation of Caspian Sea countries is taken from protocols, regulations, standards, by-laws and other common guidelines, it is therefore necessary to develop such important documents. Some of the major challenges could be overcome through cooperation and exchange with all Caspian Sea countries. These challenges include:

7/1 Lack of approval of protocol related to the protection of Caspian Sea environment as a criteria for evaluating the amount of commitment of the signatory countries to the same convention.

7/2 The Caspian Sea legal regime is not finalized yet and as the result there is no balance between the amount of pollution and the share of each country.

7/3 The Caspian Sea pollution index has not yet been developed by the bordering countries.

7/4 The proper guidelines and criteria for combating the Caspian Sea pollution by the bordering countries is non existent. .

7/5 The Caspian Sea countries have not yet developed the quality standards of the Sea environment.

7/6 The Caspian Sea countries have not yet developed the quality standards of the Sea water.

Lessons learned:

8/1 Through the pathological method applied in this paper we could not only identify problems but also conclude that in case all the governing conventions and protocols related to Caspian Sea are applied and implemented precisely and quickly, the pollution of Caspian Sea will be improved gradually.

8/2 Since the objective of environmental auditing is to ensure the application and implementation of the proper processes and policies in order to achieve the objectives of sustainable development, the Caspian Sea countries should give priority to compiling the proper processes, policies and guidelines.

8/3 Environmental auditing can provide the Caspian Sea countries the necessary opportunities to create an effective plan to protect the environment of the same Sea.

In the end, it is noteworthy to mention that the present paper was prepared based on the generally accepted types of environmental auditing. With regard to the fact that the Supreme Audit Court of I. R. of Iran has recently joined the INTOSAI Working Group on Environmental Auditing, it is ready to apply most of the guidelines developed by the same working group.

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Some Thoughts Introducing Risk Based Approach in Performance Auditing

Ramu Prasad Dotel

Asst. Auditor General, SAI Nepal

Background

Performance Auditing is highly demanded by stakeholder particularly parliamentarian. Number of internal and external factors such as increased awareness on public accountability and good governance, growth in international co-operation, willingness from the public, professionalism in auditing sector has contributed to the evolution of this concept. It emerged mainly due to the increasing need of seeking efficiency, economy and effectiveness in the utilization of public resources. The concept of performance auditing i.e. examining the efficiency of operational system has been commenced since 1960s. But it was materialized only when the International Congress of Supreme Audit Institution (INCOSAI) Sydney, 1986 passed the resolution on "An Audit of economy, efficiency and effectiveness with which audited entity uses its resources in carrying out its responsibility."

Likewise, the INTOSAI Auditing Standards (1992) spells out about Performance Auditing that is concerned with the audit of economy, efficiency and effectiveness. Another milestone in Performance Auditing was laid down in INCOSAI, Montevideo (1998) when it was agreed to develop guideline for the implementation of the INTOSAI Auditing standard on performance auditing. After the hectic exercise within the working group Implementation Guidelines for Performance Auditing was developed and forwarded to implementation in July 2004. Same was endorsed by INCOSAI XX as *Standard and Guideline for Performance Auditing* (ISSAI 3000). Another foundation in the performance auditing was laid down by 8th ASOSAI assembly on October 2000 by issuing Performance Auditing Guide.

Meaning of Performance Auditing

ISSAI 3000 defines "Performance Auditing is an independent examination of the efficiency and effectiveness of government undertakings programs or organizations with due regard to economy and the aim of leading to improvement." Elements of Performance Auditing "Economy" is the acquisition of the appropriate quality and quantity of human, financial, physical and information resources at the appropriate time and at the lower cost, 'Efficiency' focuses on output maximization by minimizing input or resource and "Effectiveness" evaluates the relationship between expected and actual impact from the implementation of program / project / function activities.

Risk based approach and its rationale

Audit risk is the probability or risk that the auditor will arrive at an inaccurate audit conclusion and recommendation by: failing to detect significant weaknesses that exist in the

operations of an auditee; or concluding that a significant weakness exist when it does not. As like in financial auditing, such risks are equally important in performance auditing too. While conducting performance auditing, risks are analysed in two stages: one in strategic level and other in operational level. Strategic level risk analysis is conducted to identify or select the topics to be audited. However, operational level analysis is conducted to identify the potential matter to be audited in detail. The rationale or purpose of using risk based approach in performance auditing is to:

- assess and minimize audit risk by focusing the audit on high risk areas;
- optimum use of available resources;
- perform a preliminary control assessment;
- detect significant weaknesses in the operation of the programme/project;
- develop and document the auditor's risk assessments, considering both, management's risk prospective and the auditors' own objectives risk prospective;
- increase the creditability of audit;
- help the audited entity / project / programme in achieving value for money;
- promote economical and efficient audit;

In the above prospective, the concept of using risk based approach is equally important in performance auditing.

Determining Strategic Level Risk:

Several guides suggest numerous criteria to select topic by conducting strategic level risk analysis. Broad selection criteria may be **audit impact, materiality, visibility and significant and auditable**. Overall risk rating is determined by assigning individual weighted to each topic considering the selection criteria. Following question matrix can be used widely to determine the overall risk rating of the topics:

Audit Impact

- Does audit makes visible difference?
- Does audit improve service delivery, financial management, Organizational capacity and programme implementation?
- Does audit can contribute by reducing cost and control wastages?
- Does there is possibility of increasing output and reducing duplication of work as well as improving coordination?
- Could audit contribute for the effective implementation, management and achievement of target?
- Does audit contribute for planning controlling and promoting public accountability?

Auditable

- Does audit team have required competency and expertise to complete audit?
- Are there sufficient and appropriate criteria for evaluating project/programme/entity?
- Does audit evidence and information are available to evaluate the project or programme?
- Does audit location of the audit topics are accessible?
- Does audit team have knowledge and skill to deal with the complexity and coverage of audit?
- Does Office have received act, regulation, agreement related to the audit topics?

Materiality

- Is management aware about the weakness and introduce certain corrective measures to overcome the situation?
- Does parliament and media has given comment on the performance of the entity/project?
- Is there any indication of non achieving target or objectives?
- Does project/entity has vacant position and staff turnover?
- Does audit get any instances of overspending, under spending, variation, sudden obstruction, expansion from various sources?
- Does audit get the information of overlapping and confused responsibility in the respective project or programs?
- Is that issue is burning in the present context?
- Is there any political and social controversial debate?
- Does the volume of budget material?
- Is the project/programme running by using participative, decentralize approach and transferring power and responsibility?
- Do the topics contribute widely in administration and management?
- Is the programme/ project/activity complex to manage and operated in an uncertain environment?

Visibility and significance

- Does previous audit identified significant issues?
- Is the topics is significant for the success of any project or periodic plan or policy?
- Does the topic is the main portion of the project/ programme?
- Does the weakness identified also affect similar type of such project/programme?
- Is the irregularity and weakness effect extensively in public accountability?
- Does general public raise interest to the topics?
- Does suggestion significantly affect the operation of programme /project?
- Does the legislature raised interest to the topics or requested to the Auditor General for performance audit?

Topics which score higher are considered as high risk rating topics and selected for performance audit. After conducting strategic level risk analysis, Supreme Audit Institution (SAI) may prepare broad risk profile or strategic planning for performance auditing. This helps SAI management to make appropriate resource allocation and conduct performance audit using risk as a determinant factor.

Risk Assessment

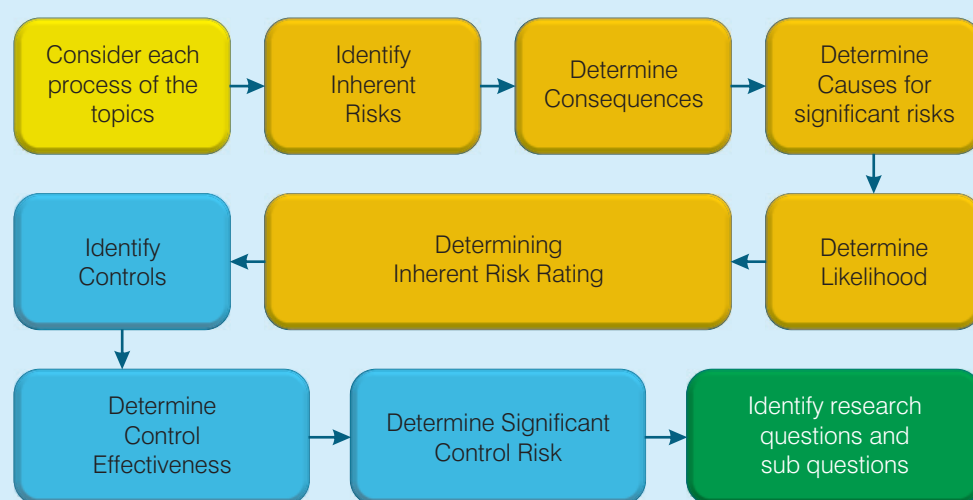
Strategic risk is analysed to identify the potential topics for performance audit. After selecting topics, operational risk needs to be analysed in the planning process. This process is called risk assessment. While assessing risk, auditor needs to understand the business of the entity being audited, to gather up-to-date information and identify the core operational processes designed to accomplish the objectives of the organization/project/programme. Each core operational process comprises risk. Just like in financial audit, risk are of different type, performance auditor should consider inherent risk and control risk.

Inherent risk is the auditor's expectation of failing to achieve economy, efficiency and effectiveness in the absence of preventive internal controls. Inherent risk is expected higher in

the construction of hydropower project by the Electricity Generation Government Company which has little experience of executing tunnel and underground power house construction work. In this connection the company expects the inherent risk of non-completion of construction work in targeted time with desired quality.

Control environment and procedures are designed so as to mitigate the inherent risk. For example- to control the risk of non-completion of construction work in desired quality and time on above mentioned case, the Electricity Generation Government Company may engage the technical expert, design appropriate procedure to test the quality of construction work, sign agreement with the competent contractor to complete work in appropriate quality and time by instructing the contractor to submit work schedule, and monitoring construction work as per schedule.

Control risk is the risk that a control environment of the project/entity to be audited will not prevent or detect and correct on a timely basis in achieving 3Es. In the case of Electricity Generation Government Company, control environment was found ineffective because quality test of construction work was not reliable, monitoring was lacking and work schedule was not followed by the contractor. In such case, the control risk of non-completion of construction work in desired quality and time is rated higher, which needs to be further investigated designing research question and sub research questions. Detail process of assessing risk is given in the diagram.



Risk Assessment Process

Case study

The techniques or approaches that an auditor can use in conducting risk assessment are workshop and interview. For example, while conducting the performance audit of infrastructure project, the most significant core operational process is "contract management" which comprises of several activities such as contractor selection, contractor mobilization, supervision and monitoring, quality control, certification and payment and handover of the contracted work. Each activity has separate inherent risk. Auditor needs to identify inherent risk associated with all processes and activities separately. An example of risk assessment of "contractor selection" the key activity of "contract management" process is depicted in the table.

Inherent risk rating of activity "Contractor selection"

Inherent risk	Cause	Cause	likelihood	Inherent risk rating
Selecting contractor without competition	■ poor training in procurement	■ uneconomical procurement	Likely	Significant
Direct procurement instead of open competition	■ lack of reward and punishment mechanism	■ wastage of resources	Likely	Significant
Breaking the contract package to evade the provision of law	■ corrupted practice	■ increase project cost	Almost certain	High
Collusion between the contractors	■ lack of financial discipline	■ transparency and accountability problem non-completion of work in time	Rare	Low

Inherent risk rating is determined on the basis of consequences and likelihood of the respective risk. Risk which has catastrophic and major consequences and certainty of happening are rated as significant risk. But those risk which has minor consequences and rare in happening are rated as low risk. After rating inherent risk, low rating risks are omitted from this stage whereas significant and high rating risks are evaluated further in a manner as mentioned in the matrix below so as to identify research questions.

Inherent risk	Controls	Effectiveness of controls	Control Risk	Research questions
Selecting contractor without competition	■ legal provision ■ procurement plan ■ public notice ■ internal audit	■ Controls are not effective due to:	Lack of competition in procurement	Is there adequate competition has been maintained by the project in the procurement or not
Direct procurement instead of open competition	■ extent of direct procurement given in law ■ approval	■ Legal provisions are not complied and internal audit is not effective.	Uneconomical procurement	Is the procurement economical?
Breaking the contract package to evade the provision of law	■ procurement unit ■ capacity development	■ lack of capacity to implement the procurement procedures ■ procedural delay compel the entity to choose the direct procurement		

Auditor tries to identify the preventive controls designed to prevent error and detective controls which are designed to identify an error already occurred. If there are adequate and appropriate controls in place and effectively working in the project, the control risk will remain in the acceptable level which does not require further research. In contrary, if the existing controls are not appropriate and ineffective, detail audit work will be warranted and research questions and sub-questions are designed and documented in the audit planning memorandum.

Conclusion

The performance auditing has created worldwide acceptance. This is separate discipline of audit, but the methodologies and approaches are same as in financial audit. Likewise in financial audit, auditor cannot review hundred percent programme or activities or process in performance audit. It is not economical and viable too. Thus, risk based approach needs to be introduced in performance audit. Neither International Standard of Supreme Audit Institution (ISSAI) nor Asian Organisation of Supreme Audit Institution (ASOSAI) guideline clearly suggest about application of this approach. However, some Supreme Audit Institutions are using this approach in performance auditing. While using this approach, risk are assessed in two stages: strategic level and operational level. Strategic level risk analysis suggests broad risk profile which is important to select performance audit topics. Whereas, operational level risk analysis deals with identifying focus areas of audit or research questions and sub-questions within the selected topics. Research questions identified applying risk based approach in planning stage is linked to the audit programme and evidences are collected to answer those questions. Such procedures help the auditor to accomplish audit by using limited resources and add value to the performance of the audited entity without jeopardizing the responsibility of auditor.

Exposure of the Incumbents' Roles in the Preliminary Audit Report

Janak Raj Gautam

Assistant Auditor General, Office of the Auditor General, Nepal

Background

Transparency and accountability are not governments gracious concessions; instead, they are the legal, ethical and moral obligation that no one can overlook ' according to Arturo Gonzdleg Aragon, former chairman of INTOSAI Governing Board. Mr Claes Norgen, Auditor General of Sweden has also expressed in his article that 'Supreme audit institutions (SAI) help their governments improve performance, enhance transparency, ensure accountability, fight corruptions, promote public trust and foster efficient and effective receipt and use of public resources for their citizens. The both statements are tuning the same line that every bureaucratic system aims at creating responsive environment to citizen. Therefore, the Office of the Auditor General (OAG) of Nepal has already introduced its vision as enhancing good governance through financial discipline, accountability and transparency in economic transactions on the mobilization of government fund. Likewise, the mission of the OAG is to be trustworthy, effective, independent audit for finding out the efficient management and utilization of public resources.

With respect to examining and checking the financial transactions and books of accounts of government funds, the audit findings like noncompliance, wrong doing, irregularities, malpractices etc may be identified during the course of auditing. In this connection, the preliminary audit report should tie up those audit findings with pertinent incumbents' duties, authorities, responsibilities, functions, accountability, answerability and other structural common assignments. The changes may take place for the professional and personal development as well as a part of practical sense by the incumbents in a responsible behavior.

Why to Change

Transformation has been a need of the hour for good governance, transparency, accountability and well-being of people. Therefore, the practice of disclosing the incumbents role to be linked with the financial transactions if criteria is not followed. Real change corrects not only our behavior but also our needs, reality, assumptions and practical actions. An auditor should also regard as some of the changes, while in auditing, certain fundamentals and phenomenon as specified below:-

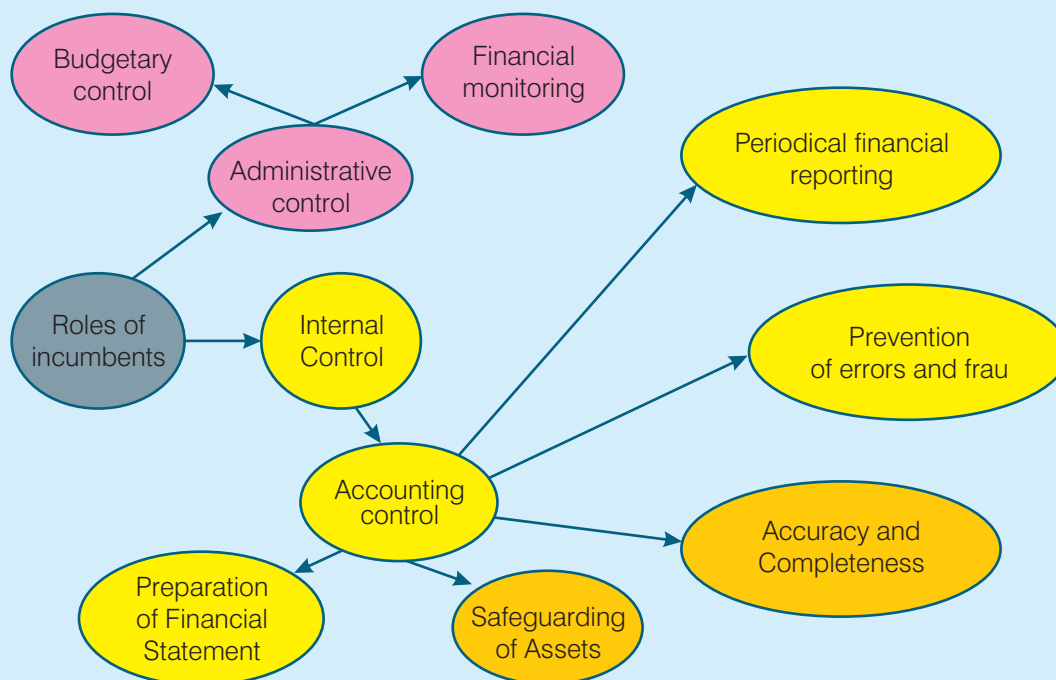
Traditional practice	Modern thinking
1. Structures - Hierarchical relation vertically.	Team based relation horizontally with well defined structures.
2. Access to - Conventionally all transactions.	Transactions through risks based analysis.
3. Emphasis - Improving service to the entity.	Greater assurance to the Legislature
4. Focus - Merely on financial statements and books of accounts.	On entire organizational images including behaviors of office-bearers also.
5. Incumbent - On position.	On knowledge.
6. Response - Be reactive.	Be proactive.
7. Verification - Compliance, calculation and attention to process.	Substantive, analytical and attention to results also.
8. Adherence - Act, rules, regulation, internal control; then work is felt dull and tedious because of rules (de-jure).	Empower mindsets, inspire insights; then the result is smart and dynamic with reasons (de-facto).
9. Higher authority - How to control and regulate.	What to focus and coordinate.
10. Behavior - Fear, mistrust, buck-passing and compliance.	Fair, trust, responsibility, integrity and constructive.
11. Organization - Fitting people into structures.	Individuals joyfully participating in self-created networks.
12. Route - Corridor approach of accounting.	Realm of general management also.
13. Recruitment - Minimal selection criteria.	Formal job criteria.
14. Approach - Procedure-driven audit.	Process-orientation audit.
15. System - Unwritten internal control system.	Documented internal control system.

Rationale

The division and sub-division of tasks, appropriation, span of management, unity of command, equivalence of authority, delegation of authority may be reorganized if there is substantial attention to incumbents' roles. It is also meant to protect the members of organization from the perils of overwork and under work, duplication of work, unnecessary of works, confusion, inter-positional clashes, status quo, harassment and so on.

- Civil service prize would not be awarded to those who have their names attaching with audit objections.
- Management audit guidelines, 2011 of Nepal requires a query on deficiency in delegation of authority.
- Internal control explains the role of the office-bearers. Audit act, 1991 also gives the scope of audit to the functional linkages with the office bearers.

Following internal control diagram depicts the roles of incumbents through which an auditor may enter and identify the roles to make linkage with the financial transactions.



Role of incumbents

Bureaucratic organization is a type of functional-rational dimension. The characteristics of our association seems a complex nature of organism and power comprising with objectives, functions, optimization of process, discretionary power and propriety elements. Followings are normally a few examples of authority, responsibility, accountability, functions, duties and assignments of office-bearers which should be exposed, if any irregularities or wrong, in the auditors' reports.

S. No.	Main tasks in fiscal rules	Responsibility	Function	Authority	Duty	Presentation
1.	Approval of tender regarding procurement of for consultancy services.			●		Auditor' Report
2.	Technical supervision of a infrastructures development activities.				●	
3.	Record keeping of income or revenue.		●			
4.	Preparation of work action plan for completion on time.		●			

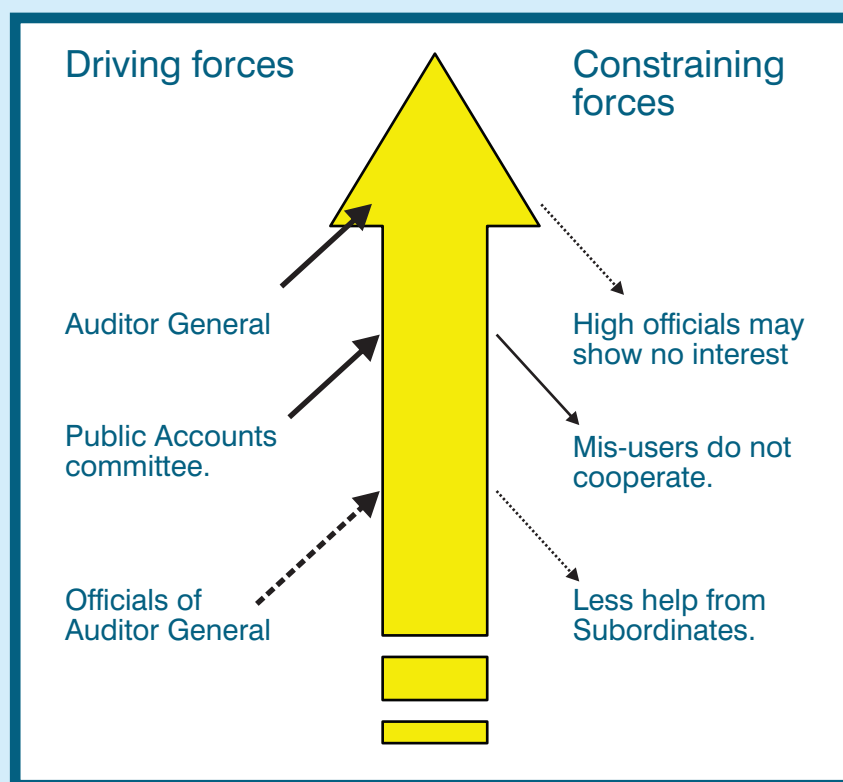
Articles

S. No.	Main tasks in fiscal rules	Responsibility	Function	Authority	Duty	Presentation
5.	Formation of consumers' committee.			●		Auditor' Report
6.	Timely release of budget				●	
7.	Accounts keeping with vouchers and other evidences.		●			
8.	Adherence to capital expenditures control procedures.				●	
9.	Implement Internal auditor's report.				●	
10.	Transfer or virement of budget.			●		
11.	Monitoring and evaluation on the application internal control system.		●			
12.	Custody of certain goods.				●	
13.	Delegation of Authority.			●		
14.	Clearance of internal audit objections within stipulated time before final audit by the responsible persons.	●				
15.	To transfer all the goods, capital items, cash, deposit, any liability when someone is transferred, promoted, or retirement.				●	
16.	If any accounts officer puts financial opinion before making any decisions .	●				
17.	Every ministry shall submit the expenses of unusual items along with statements to the Comptroller General and Finance Ministry.				●	

Support and Resist Analysis

The audit queries may be fruitful, if the same are linked with the incumbents' roles like duties, authorities, functions and other common structural grounds. In this connections, this diagram is for analyzing a few of the related persons who are in favor of the change or against in such audit practice. People may resist change because of close-mindedness, misunderstanding, lack of trust, fear of losing power and regarding other benefits. Additionally, it also helps find out the effects of their behaviors in the changing process.

Support and resist analysis



Segregation of roles

It is difficult to tracing out the organizational and structural objections attaching to the incumbents' functions, duties, authorities, accountability mechanism and their common structural linkages to financial transactions. Basically, an auditor has to know the following aspects of segregation generally.

Segregation of Roles

Aspects of segregation	Objectionable ground
1. Program and Activity	meeting with stakeholders by the technical, professional and functional incumbents., keeping core functional records, visiting sites.
2. Accounting work	Recording of transactions with supporting details and keeping financial records, evidences, financial statements.
3. Custodial function	Safeguarding of store goods and assets under the ownership of entity through counting, checking, scrutiny, existence and ownership.
4. Administrative system	Authorization of transactions and making financial decisions on basis of act, rules, authority, orders.
5. Monitoring and evaluation	Checking of transactions on periodical or non-routine basis to assure whether those are in adherence to internal control system.
6. Internal auditing	Reviewing of transactions consistently for correction and rectification if any errors or wrong is there.

Articles

Delegation of authority

An auditor should pay substantial attention whether the delegation is compatible clearly with purpose, scope, space, field, time, position and subject matters. Additionally, once delegated authorities can be re-back if properly not worked. According to the fiscal rule, procurement rule, and other rules of Nepal the following are under the subjects of absolute authority and cannot be within the purview of delegation of authority:-

The Authorities that can not be delegated

1. Amendment of cost estimation	2. Amendment of procurement agreement
3. Extension of tenure of procurement agreement	4. Issue order of variation
5. Amendment in Agreement	6. Make relax on the recovering ineligible and embezzlement of amount
7. Acceptance of planning	8. Regularize the audit objections
9. Partners in joint venture when once agreed then can not be delegated other.	10. when any position is specifically assigned in the legal document for making decision, action and use of authority
11. The matters of verdict is within the judicial scope.	12. Any subject that should be implemented after the decision of the one upper post than the responsible post.

Conclusion and Recommendation

Eventually, objectives, scope, financial implications, and strategic alignment is to be done to make a successful story of change. The incumbents may be in a different position in any capacity in the organizational set up. Their roles may be in line with the top, middle and operational level management. Any work should be completed by one person or a team or any section according to their administrative setup. In this way, no work of financial transactions can be done without the actions of people in the organization. These changes makes auditors have pre-knowledge on objectives, working procedures, volume of transactions, feeling of responsibility and accountability. Auditing can convey for some changes with regard to governance, structures, system, human resources and the ways to perform the roles of the incumbents that have to be done in an organizational situation.

Integrating Ethics and Integrity into the Auditor-General's Office's Auditing Practices

Ms. Sabrina Fok
Assistant Director, SAI Singapore

Why Ethics and Integrity are Important to AGO

Accountants and the accountancy profession exist as a means of public service; the distinction which separates a profession from a mere means of livelihood is that the profession is accountable to standards of the public interest, and beyond the compensation paid by clients.

—Robert H. Montgomery, Founding partner of Lybrand, Ross Bros. & Montgomery

The above states in essence why ethics in the accountancy (and in the same vein – auditing) profession is important. Auditors owe ethical obligations to the public who place reliance on their work.

This duty to uphold public trust in auditing is all the more vital for SAls. As the national audit institution, the Auditor-General's Office (AGO) is one of the pillars in the public accountability framework of Singapore, which holds the Government accountable to the citizens through Parliament for the use of public funds (parliamentary democracy). AGO acts as a “watchdog” of Parliament, carrying out independent audit checks of the Government administration and reporting the outcome of its audits to Parliament. It is therefore important for AGO to put in place a system to integrate ethics and integrity into its auditing practices so that Parliament and the public can have trust and confidence that the work of AGO is carried out fairly and objectively, without fear or favour, and meets the highest professional standards.

The rest of this article elaborates on how AGO has done so, primarily via its Core Values, Quality Assurance Framework and a Code of Conduct and Ethics, and the challenges that it faces in doing so.

Core Values

The core values of AGO are Independence, Professionalism, Integrity and Excellence. In discharging their professional responsibilities, AGO auditors are guided by these core values to meet the duty of serving public interest and honouring public trust.

These core values are embodied in the *AGO Pledge* which is taken by auditors upon confirmation of their employment by AGO, after one year of probationary service. The pledge was introduced in 2008 and the inaugural pledge-taking ceremony was witnessed by the Chairman of the Public Accounts Committee¹⁰. Subsequent pledge-taking ceremonies are witnessed by the Auditor-General and other senior AGO officers.

¹⁰ The Public Accounts Committee (PAC) is a select committee formed by Parliament to examine the various accounts of the Government. The PAC also reviews the annual Report of the Auditor-General and conducts inquiries into selected issues.

Quality Assurance Framework

AGO instituted its Quality Assurance Framework (QAF) in July 2010. The QAF is a system of policies and procedures that is designed to provide reasonable assurance that AGO auditors adhere to professional auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI) and the Institute of Certified Public Accountants of Singapore (ICPAS), in ensuring quality of its audit work. This framework helps to ensure that its auditors maintain competence, integrity, objectivity, and independence in planning, conducting and reporting on their work.

AGO's core values have been incorporated into the management and work processes so that the values are manifested by auditors when carrying out their duties in accordance with the QAF. It is important to embody the values in the auditing practices and not simply through articulation of what is expected of the auditors for the values to be effectively inculcated.

Code of Conduct and Ethics

AGO established a Code of Conduct and Ethics ("Code") in April 2010, which is an integral part of its QAF. The Code incorporates the ethical principles set forth in the INTOSAI Code of Ethics (ISSAI 30) and also provides additional guidance to supplement the Government's instructions on conduct and discipline for civil servants. The Code is also in line with the guidelines on auditing precepts established under the Lima Declaration (ISSAI 1). All auditors are required to conduct themselves in a professional manner consistent with the Code.

The Code is not intended to be exhaustive in covering all ethical issues that an AGO auditor may face. It is designed to communicate the expected conduct of auditors and provide a broad perspective of how auditors should approach their work. AGO's core values are enshrined in the Code to remind auditors that their conduct as national auditors should be beyond reproach at all times.

The Code covers areas such as integrity, independence and objectivity, professional competence and the need to preserve confidentiality of information. Two key components of the Code are elaborated below:

(i) Entrenching core value of independence

The core value of independence is enshrined in the AGO Code as independence is the cornerstone of the auditing profession. It is the foundation for the public's trust in the audit function and underpins AGO's auditing practices. The adoption and application of the Code promotes trust and confidence in the auditors and their work.

AGO and its auditors must be free from personal, external, and organisational impairments to independence, and must avoid the appearance of such impairments to independence. Any actual or perceived bias or conflict of interests could undermine AGO's credibility.

The Code requires auditors, including the Auditor-General, to make an annual declaration on any interests or relationships that they may have which could improperly influence the performance of their duties and responsibilities as an auditor of public entities. In addition, an auditor is required to consult his supervisor if he feels that there is potential conflict of interests in his deployment to audit a public entity.

AGO has also put in place procedures to ensure that an auditor who was employed by a public entity prior to his joining AGO would not be assigned tasks related to that public entity within a “cooling-off” period in order to avoid a conflict of interests situation. In addition, Group Directors (audit-engagement partners equivalent in AGO) cannot be appointed as the audit engagement partner or engagement quality control review (EQCR) partner for a financial statements audit in which he has been the partner (whether in capacity of audit engagement partner or EQCR partner) for 5 years or more, or has not had a break of at least 2 consecutive years since or during the period covering his last 5 appointments. This is to address the possible “familiarity” threat to objectivity.

The Code also covers post-employment restrictions for auditors. For the more junior level auditors, for a one-year period after the last day of service, he should not join an entity that he had audited in his last 12 months of service with AGO. For senior management staff, the restriction period is also one year and is applicable to all entities subject to AGO's audit. Furthermore, for the Auditor-General, the restriction period is two years for all entities subject to AGO's audit.

(ii) Upholding the integrity of AGO

As stated in the Lima Declaration, SAs and their audit staff must have the moral integrity required to carry out their tasks. In this regard, AGO's core value of integrity is the foundation of its reputation and underlies and guides its work. Auditors are expected to uphold the integrity of AGO by performing their audits with honesty, fairness, diligence and responsibility and in doing so, promote public confidence in AGO. The auditor should avoid becoming beholden to any person or organisation.

As part of the Civil Service, AGO auditors are required to make an annual “non-indebtedness” declaration. This is to ensure that an auditor is not in a position where his integrity may be compromised on account of his being in debt.

Challenges

AGO has faced relatively few challenges in integrating ethics and integrity into its auditing practices. By and large, it has been able to meet the following challenges:

(i) Principles-based code

Increasingly, we have noted that professional Codes of Conduct and Ethics are placing more emphasis on a principles-based approach and AGO is working towards adopting such an approach for its Code such that its auditors would be required to make decisions based on broad fundamental ethical principles.

Such an approach is preferred over a rules-based approach which cannot provide for all circumstances. A rules-based approach may also lead to unquestioning compliance to the letter of the rules which may not meet the spirit of the fundamental ethical principles and may also result in inefficiency in audit work.

With a principles-based approach, it is critical that auditors be trained and be empowered to make judgements and decisions based on the broad ethical rules. In this regard, new AGO auditors go through a month-long induction and foundation training where AGO core values are imbibed. Actual examples of ethical dilemmas are discussed during the courses for illustration.

There is also a feedback mechanism in place where auditors are encouraged to consult their supervisors on ethical issues. Supervisors may also bring such issues up for discussion at management meetings held twice a month.

AGO auditors also attend “fireside chats” and talks by senior AGO officers, through which the core values are imparted.

(ii) Enforcing post-employment restrictions

The AGO Code of Conduct and Ethics is not legally binding. Hence AGO does not have any legal remedies with regard to non-compliance with the Code by officers. This lack of legal bite becomes a pertinent issue when it comes to enforcing post-employment restrictions in the Code. As the officer would already have left AGO, there is little recourse for AGO to penalise the officer for not abiding by the Code.

In this regard, AGO can only inform the entity concerned (if AGO is privy to information on the new employer) that their new hire had disregarded the AGO Code. It is heartening to note that to date, AGO is not aware of any non-compliance with the post-employment restrictions.

(iii) Ensuring confidentiality of information

In this age of new media, it has become relatively easy to share information and opinions with a large audience within a short period of time. AGO has a fairly high percentage of young auditors who are “new media” savvy and may participate in online forums, blogs and social networking sites in their personal time. It would not be easy to police what information the auditors share online, especially since they can choose to hide behind a veil of anonymity.

In this regard, AGO auditors are required to complete an annual undertaking that they would comply with requirements on safeguarding official information under the Official Secrets Act. One of the principles embodied in the Code is the maintenance of confidentiality of information acquired as a result of the auditors' work. Auditors should not disclose any such information to a third party unless there is a legal duty to do so. Guidelines are provided on what is acceptable with regard to public communication, which includes online activities.

(iv) Relationship with audited entities

To paraphrase the ICPAS' Code, an auditor's responsibility is “not exclusively to satisfy the needs” of an audited entity but is instead his “responsibility to act in the public interest”. However, a good working relationship with the audited entity is essential for ensuring smoothness in the audit process.

It is important that auditors maintain cordial but not cosy relationships with audited entities. A cosy relationship may give rise to actual or perceived conflict of interests situations. Auditors should always be cognizant that their duty is to serve the public interest and hence should remain objective in all their dealings with the audited entity. One of the safeguards that AGO has put in place is the rotation of audit engagement partners as mentioned earlier.

In Conclusion

As the scope of audits and the auditing environment become increasingly complex and difficult, it is essential that auditors adhere to professional ethics and continue to deliver work that can be relied upon by the public. It is not enough to issue timely audit reports; the process of reaching the audit conclusion is just as important. Auditors must internalise and apply fundamental ethical principles. Core values must be entrenched throughout AGO. Only by doing so can AGO build on its reputation and take the SAI to greater heights.

Cooperative Environmental Audit on The Mekong River Basin Management

SAI Thailand

The Office of the Auditor General of Thailand as the team leader of the environmental audit theme under funding support from German International Cooperation (GIZ) and expertise support from INTOSAI and ASOSAI organized the workshop on Cooperative Environment Audit on Water Issue Focusing on the Mekong River Basin Management in Bangkok during 12 - 16 March 2012.

The project aims to be the first step for developing and implementing transnational audit approach by conducting cooperative environmental audit on water issue focusing on the Mekong River Basin Management among SAIs of the countries located along Mekong River which are National Audit Authority of Kingdom of Cambodia, State Audit Organization of Lao P.D.R, Office of the Auditor General of Thailand and State Audit of Vietnam. The Audit Board of the Republic of Indonesia and Jabatan Audit Negara Malaysia are also participated in sharing their best practice on environmental audit. At present, Mekong River is being faced the serious problems arising from both the unsustainable use of water and the effects of climate change. Therefore, it is a challenged matter for the government of all countries along Mekong River Basin to form overall management practices for cooperation and transboundary water management. This aims to ensure that water and other natural resources related to water within Mekong River Basin will be managed and used sustainably and equitably. As for the project objectives are as follows;

1. to enhance the capability of ASEAN Supreme audit Institutions (ASEANSAI), which was already established in November 16, 2011 in Bali, Indonesia, in conducting environmental audit
2. to enhance the capability in conducting the cooperative environmental audit
3. to share knowledge among ASEANSAI members
4. to strengthen the network and the cooperation among ASEANSAI members

The audit approach is carried out similar to the one adopted in INTOSAI WGEA Parallel Audit. The project's timeframe starts from January and will be finished by December 2012. There will be 3 meetings. The first meeting was held in Thailand during 12 – 16 March 2012. The environmental audit workshop on water issues was conducted with assistance of the experienced instructor from the National Audit Office of China, and the common audit topic as well as participated SAIs' individual audit programs were also prepared during the first meeting. of the participating SAIs. As the project leader, Office of the Auditor of Thailand already hosted

After completion of all individual audits, the second meeting will be held in August and the audit findings will be individually presented including discussion. From September to October, the participated countries will develop their countries' audit reports. Then, the comprehensive audit report will be prepared by OAG Thailand, and eventually be presented to GIZ and ASSOSAI in the final meeting taken place in December 2012.

New Heads of SAls

Papua New Guinea

Mr. Philip Nauga, Auditor-General of Papua New Guinea



Mr. Philip Nauga was appointed Auditor-General on 28 March 2012 for a six year term. The Auditor-General of Papua New Guinea is a Constitutional Officer under section 213 of the Constitution, appointed by the Head of State. Section 213 provides for the independence of the Auditor-General in terms of planning, executing and reporting on audits performed by the Auditor General's Office (AGO). In the performance of his functions under the Constitution, the Auditor-General is not subject to the control or direction of any person or authority.

Mr. Nauga has been with the AGO since 1980, having progressed from audit trainee to Deputy Auditor-General in 2008. He has worked in all areas of the AGO, including Corporate Services, and the Statutory Bodies, Provincial Government and National Government audit branches.

Mr. Nauga is a graduate of the University of PNG in 1986 with a Bachelor of Arts (Commerce) degree and has a Master of Business Administration from the Central Queensland University in 1996. Mr Nauga is also a PNG Certified Practicing Accountant. A key focus area for Mr Nauga's term will be an expanded role for performance audits.

For more information, please contact the Auditor-General's Office of Papua New Guinea – Email: agopng@ago.gov.pg Website: www.ago.gov.pg

UN General Assembly adopted Resolution A/66/209 on SAI independence

In a major achievement for INTOSAI, the 66th United Nations General Assembly adopted the Resolution, "Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions" on 22 December 2011.

4th INTOSAI Donor Steering Committee meeting



SAI India hosted the 4th INTOSAI Donor Steering Committee meeting at Jaipur from 23rd to 25th February 2012. Meetings of various stakeholders were held, such as Pooled Fund Task Force Meeting, INTOSAI Coordination Meeting, Donor Coordination Meeting, Steering Committee Leadership Coordination meeting etc. Apart from the meetings, a visit to International Centre for Environment Audit and Sustainable Development (iCED) was also organised.

Upcoming events

- The 4th meeting of the Steering Committee of the INTOSAI Knowledge Sharing Committee will be hosted by the European Court of Auditors at Luxembourg on 25th and 26th September 2012.
- The 12th meeting of the Steering Committee of INTOSAI Working Group of Environment Audit is scheduled to be held in Jaipur, India from 3rd to 6th October 2012.
- The 63rd INTOSAI Governing Board meeting is to be hosted by SAI China from 20th to 21st November 2012.

ASOSAI News

The 44th and the 45th Governing Board meetings as well as the 12th Assembly of ASOSAI were held in Jaipur, India from 28 February to 3 March 2012.

The Assembly drew the largest number of participants ever in the history of ASOSAI Assemblies: 181 delegates from 42 SAIs and 16 observers from various organizations, i.e. INTOSAI, EUROSAI, IDI, World Bank, etc., gathered in Jaipur.

44th Governing Board Meeting (28 February 2012)

During the meeting, reports on the various activities of ASOSAI were presented. These included the Secretary General's Reports on the Secretariat activities, ASOSAI financial management and Implementation of the ASOSAI Strategic Plan for 2011-2015. There were also reports on the ASOSAI Journal, INTOSAI Professional Standards Committee, INTOSAI Working Group on IT Audit, INTOSAI Finance and Administration Committee, ASOSAI Working Group on Environmental Audit, ASOSAI-EUROSAI cooperation, the progress of the UN-INTOSAI Initiative 2010 and report on the results of the 9th Research Project. The Governing Board also approved the extension of the term of SAI of Japan as the Training Administrator of ASOSAI for the period 2012-2015.

The 12th Assembly (29 February and 3 March 2012)

Election for deciding the members of the Governing Board and the Audit Committee for the period 2012-2015 was held. 12 SAIs, namely the SAIs of Bangladesh, Bhutan, China, Iran, Iraq, Jordan, Mongolia, Philippines, Russia, Saudi Arabia, Thailand, and United Arab Emirates contested for the six positions on the Governing Board. The SAIs of Bangladesh, Jordan, Mongolia, Myanmar, Nepal and Turkey ran for election for the two positions on the Audit Committee.

While the SAIs of Bangladesh, China, Philippines, Russia, Saudi Arabia and Thailand were elected to the Governing Board, the SAIs of Jordan and Turkey succeeded in securing the two seats on the Audit Committee.

The SAI of Malaysia was approved as the host SAI for the 13th Assembly to be held in 2015. The Assembly also approved a second term for Dr Kun Yang as Secretary General of ASOSAI for the period 2012-2015.

The Financial Statements for the FY 2009-2011 and the three-year rolling budget plan for FY 2012-2015 were approved. The Audit Committee gave an unqualified opinion on the Financial Statements for FY 2009-2011 as a result of its external audit. Further, the Audit Committee recommended that the current Secretariat formulate a unified accounting policy applicable to any country even in the case of the change of the Secretariat.

The Training Administrator delivered a triennial report on the results of the ASOSAI capacity-building programmes. In addition, the SAI of Japan reported on ASOSAI's new regional drive to expand the training opportunities, tentatively called "Establishment of the ASOSAI Training Centres."

Evaluation of the mid-term implementation of the ASOSAI Strategic Plan (2011-2015) was approved.

The Secretary General reported on the 1st ASOSAI-EUROSAI Joint Conference and the Memorandum of Understanding on Cooperation signed between ASOSAI and EUROSAI. To facilitate specific cooperation activities, the Assembly agreed to suggest to EUROSAI that ASOSAI and EUROSAI: (a) share information on each other's training programs and the pool of training experts; and (b) invite each other's training experts to their respective training programmes.

The final report of the 9th ASOSAI Research Project on "Evaluation and Improvement of Internal Audit Systems and Relationship between the IAUs and SAIs" was adopted.

The award for the best article among the articles contributed to the ASOSAI Journal over the past three years went to Dr Batbayar Badamdorj, Deputy Auditor General of Mongolia.

Mr. Hadi Poernomo, Chairman, Audit Board of the Republic of Indonesia, presented a special report on the establishment of the ASEAN Supreme Audit Institutions (ASEAN SAIs), a sub-regional auditing community composed of 10 South East Asian SAIs.

5th ASOSAI Symposium (2nd March)

On the sidelines of the Assembly, on 2 March, the 5th Symposium was held on the theme, "Assimilating the International Standards of Supreme Audit Institutions (the ISSAIs)." The Symposium served as a meaningful platform to exchange views on the benefits the implementation of ISSAIs would bring to the Supreme Audit Institutions.

Following keynote speeches by the SAIs of India and Sweden, Special Reports were delivered by the SAIs of China and Russia on their national experiences in assimilating the ISSAIs into their domestic auditing environment.

In the panel presentation session, the SAIs of Australia, Bhutan, Cyprus and Pakistan shared their views on implementing the ISSAIs.

The 45th Governing Board meeting (3rd March)

"Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering" was chosen as the topic of the 10th ASOSAI Research Project.

Mr Ambrin Bin Buang, Auditor General of Malaysia, announced that the 13th Assembly would be held in Kuala Lumpur, Malaysia in February 2012 and also briefed the Governing Board about the preparations in this regard.

The SAI of Philippines was selected as the host SAI for the 46th Governing Board meeting to be held in 2013 and the SAI of Russia was selected as the host SAI for the 47th Governing Board meeting as well as the 2nd ASOSAI-EUROSAI Joint Conference to be held in 2014.



Igniting the 'flame of knowledge' during the opening ceremony of the XII Assembly



Comptroller and Auditor General of India, Vinod Rai
addressing the XII Assembly as the incoming Chair of ASOSAI

ASOSAI-sponsored workshop on “Audit of Public Debt” (Beijing, China in November 2011)

An ASOSAI-sponsored workshop on “Audit of Public Debt” was held in Beijing, China from November 7 to 18, 2011 with the administrative support of the National Audit Office of the People's Republic of China. Five instructors from SAIs Bangladesh, China, India, Nepal and Philippines delivered the courses of the workshop with the technical guidance of a Subject Matter Expert (SME) from USA. A representative of the Training Administrator of ASOSAI (SAI Japan) also attended for organizing the workshop. Thirty-three participants from 33 SAIs participated in the workshop, and actively discussed and exchanged their views and opinions on the workshop topic.

Through the workshop, the participants acquired the basic knowledge of Audit of Public Debt along with the skills for effectively auditing these issues by using the course materials which reflect the International Standards of Supreme Audit Institutions (ISSAI), the guidelines of INTOSAI and ASOSAI. All the participants actively got involved in every session, and shared their views and experiences, which greatly contributed to enrich the quality of the workshop.

The course materials of the workshop are also available on the ASOSAI website.



IDI-ASOSAI Cooperation Program Instructors' Design Meeting for Program on Development and Implementation of Strategic Plan

(Seoul, Korea in December 2011)

Instructors' Design Meeting for the Program on Development and Implementation of Strategic Plan (SP) was organized inviting a resource team comprising three ASOSAI training specialists from SAls India, Philippines and Turkey, an experienced auditor (Deputy Auditor General) of SAI Mongolia and an IDI Program Manager in Seoul, Korea from December 12 to 22, 2011 with the local administrative support of the Board of Audit and Inspection of Korea. A representative of the Training Administrator of ASOSAI (SAI Japan) also attended the meeting. During this meeting, the resource team designed and developed the course materials to be used during the SAI Needs Assessment Workshop and the Strategic Planning Workshop for the SP program based on the updated IDI Capacity Building Needs Assessment Handbook and the Strategic Planning Handbook.



Activities in Member SAs

The State Duma Gave a Hearing to the Report of the Accounts Chamber of Russia

At its plenary meeting on 13 March 2012, the State Duma of the Russian Federation gave a hearing to the Report of the Accounts Chamber of the Russian Federation on its activities for 2011. The Report was presented by Dr. S.V. Stepashin, the Chairman of the Accounts Chamber.

While summing up the results of the last year's work, S.V. Stepashin in particular noted that 370 audits were carried out last year, including 294 planned ones; 3 audits – following to the request of the President of the Russian Federation; 33 audits – following to the request of the Federal Assembly (Parliament); 40 audits – following to the requests of Deputies of the State Duma and members of the Council of Federation of the Federal Assembly.

In addition, 131 expert and analytical activities were carried out.

A number of audits attracted wide public attention. They include the audits of: the transport system of Moscow; the largest airports of Domodedovo and Sheremetyevo; the use of forest resources; the Foundation for Housing and Utility Support; the housing construction for military service personnel; the acquisition of medical equipment; the solution of environmental issues of Sochi. The revealed law violations totalled to 718 billion roubles.

176 materials were sent to prosecution agencies and other law enforcement agencies; 72 criminal cases were initiated. 762 administrative punishments were imposed based on the results of the audits, including punishments imposed on high level public officials – deputy ministers and directors of departments. The Government of one of the Republics had to resign following the results of the audit.

The Accounts Chamber is also takes an active part in the implementation of the National Anti-Corruption Plan. The anti-corruption activities are carried out in two areas: inside the Accounts Chamber itself, as well as in executive authorities by means of active interaction with law enforcement agencies and establishment of joint operational and investigation groups.

In 2011, there were 16 performance audits; among them, we can emphasize those that were related to the implementation of investment programmes in a number of the largest Russian corporations. The following drawbacks in the implementation of these programmes were common: the absence of criteria of effectiveness of the budget fund use; substantial volumes of construction in progress; placing orders without tendering.

The Accounts Chamber expresses its concern about the 10% increase in the aggregate foreign debt, which totalled to 539 billion US dollar and exceeded the volumes of the reserves, as well as about the irregularity of funding the federal budget expenditures, which resulted in 35.2% of the total amount of expenditures falling on Q4 2011.

After the discussion, the State Duma approved the annual Report of the Accounts Chamber of the Russian Federation.

The Topic of National Audit and National Governance Becoming the Focus of the Audit Seminar for African Countries - The Fourth Sino-African Audit Seminar Hosted in China



The fourth of the series of the Audit Seminar for African Countries, following the predecessors of 2006, 2008 and 2009, was hosted by the National Audit Office of China (the CNAO) in Beijing and Jiangsu Province of China during the period of October 16-25, 2011.

More than thirty auditors from SAls of English-speaking countries, including seventeen Auditor-General-level officials, have gathered in China for discussion with top management of the CNAO on various topics of auditing, especially the core issue of the interrelation between audit work of SAls and governance when it is applied to a nation-state.

A keynote speech titled as National Audit and National Governance was delivered by Mr. LIU Jiayi, Auditor General of China during the seminar. Mr. LIU pointed out that confronted by challenges including globalization, information technology and the diversified needs of the public, it has become a main trend for countries around the world to improve on national governance and attain good governance, so as to live up to the challenges and increase efficiency.

Mr. LIU further explained that national audit is a key aspect of governance at the national level as well as an act of the State to check on powers by powers. He added that by performing its function of checking on powers by powers in accordance with the law, and playing its immunity-building roles, national audit helps deliver various principles and concepts, like accountability, transparency, rule of law, integrity, equity and justice, with the aim to promoting democracy and the rule of law, and safeguarding the national security, thus playing a positive role in improving national governance and achieving sustainable development of the country.

Several Deputy Auditor Generals of the CNAO also joined the discussion on other concerned topics of the seminar, such as the development of auditing, auditing standards and IT audit.

Activities in Member SAIs

Representatives of the SAIs of African countries presented their own experiences and views on real time audit, auditing over public debt and international convergence of auditing standards.

The Sino-African Audit Seminars hosted since 2006, have invited more than 130 participants from SAIs of 40 African countries to come to China. It has functioned as one of the effective channels for China and African countries to improve mutual understanding and increase the sharing of audit experiences and practice.

At the closure of the fourth seminar, both the CNAO and the SAIs of African countries have reaffirmed their continuous interest and commitment to further promote the cooperation and exchanges in the field of capacity-building efforts.

Activities of SAI Kuwait

First : SAB participated in a seminar on "How to Integrate Ethics and Integrity into the Auditing Practices of a SAI", which aimed at enhancing participant's auditing knowledge and skills and enabling them to exchange experiences . The seminar was held during 14 – 16 October 2011 in Seoul, Korea.

Second : SAB participated in " Audit of Public Debt " workshop during 7 – 18 November, 2011 which was held in Beijing, China . The workshop was mainly about developing the auditor's efficiency in conducting audits of public debts in various vital fields i.e. planning, internal audit and preparing reports on debts.

Third : Within the framework of the Cooperation Agreement with the Office of Comptroller and Auditor General of India, aiming at developing the auditor's skills of both countries , exchanging experiences in the field of reporting state's financial matters and various other fields related to auditing process between both SAIs , SAB participated in the 3rd joint Symposium on "Preparing Reports on State's Financial Matters" . The symposium was held in Chandigarh, India during 14 – 18 November 2011. SAB`s official delegation recommended to consider the proposal of the establishment of a specialized training and educating academy affiliated to SAB.

Forth : SAB participated in a training program on "Environmental Audit" which was directed to provide participants with knowledge and skills related to environmental audit , audit techniques on environmental diversity and case studies. The training was during January 9th to February 3rd , 2012 in Delhi, India.

Fifth : SAB will participate in the 12th meeting of ASOSAI General Assembly , the 44th meeting of ASOSAI Governing Board , ASOSAI 5th symposium on "Assimilating the International Standards of Supreme Audit Institutions (ISSAIs)", and ASOSAI training committee during the period from February 27th to March 3rd , 2012 in Jaipur , India .

Sixth : An official delegation of SAB will visit the Office of the Auditor General of Malaysia to effectuate the bilateral cooperation relations and exchange experience between SAB and the Office of the Auditor General of Malaysia during 13 – 15 of March 2012 .

Seventh : SAB will take part in the International Intensive training program on "Performance Audit" which aims at qualifying participants with up-to-date performance audit tools and techniques used in public sector development projects and programs, during the period March 1st – April 5th, 2012

The Auditor General's Office (AGO), Maldives

The Auditor General's Office (AGO) has signed Memorandum of Understanding (MoU) with Maldives Police Services (MPS) on 18th April 2012. The objective of this MoU is to help prevent financial crimes against the laws and regulations of the country by extending mutual support and assistance towards the work of both organisations, identify and expose such fraudulent schemes, and extend assistance in investigation and prosecution of such cases, share intelligence and information, extend technical assistance and provide expert advice in forensic, accounting and audit related areas. The MoU will help Maldives in its fight against fraud and organised financial crimes and money laundering activities. It would also help to develop the institutions and technical capabilities in the forensic accounting and audit related areas, and also provide a mechanism to provide shared training and technical resources.

AGO and MPS has similar MoUs signed with Anti-Corruption Commission (ACC), the institution responsible for the investigation of fraud and corruption against the state.

After signing the MoU, the Auditor General, Mr. Niyaz Ibrahim handed over the first fraud audit report and related audit evidence files to the Commissioner of Police, Mr. Mohamed Riyaz in order to conduct the forensic investigation necessary to prosecute the parties responsible.

The audit report which was handed over to MPS has been made public after getting the no objection from MPS to do so.

The fraud audit report handed over to MPS was a result of a special audit investigation undertaken by AGO which was initiated from a suspected fraud uncovered during the financial statements audits of the Ministry of Health and Family and that of the Special Budget of the Ministry of Finance and Treasury (MoFT).

The special audit report was on a contract to supply medical and laboratory consumables to Atoll Hospitals and Health Centres signed between Ministry of Health and Family and F-Tech Solutions Pvt Ltd (The Contractor). The audit report covered the anomalies within the bidding process, contract management and payment for invoices submitted by the contractor.

The AG's Report noted that in the bid evaluation process collusive practices by three companies were observed, whose bids were rejected by Tender Evaluation Board of MoFT, and final evaluation was done between two parties and the contract was awarded to F-Tech Solutions who did not poses the technical and financial capabilities to undertake such a contract as stipulated in the tender documents. The contract was awarded in spite of the fact that the Tender Evaluation Board knew that the contractor provided false information and a misrepresentation in its company profile by claiming to have undertaken projects of similar nature with the Ministry of Health and Family in the past which in fact was false. Furthermore the contract was awarded to F-Tech Solutions despite ACC's order to Ministry of Finance not to award the contract to F-Tech Solutions as the company did not meet two specific bid criteria stipulated in the bid documents.

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The audit report stated that although the full payment of MVR 12.7 million was paid through a Local Letter of Credit Facility, the contractor did not supply goods to the value of MVR 11.8 million that was unwound after the AGO obtained independent confirmations from Ministry of Health and the hospitals in atolls. The report stated that some of the invoices and goods delivery notes submitted by the contractor to claim payment contained forged signatures and the falsified documents which were submitted with the intention to deceive and commit fraud. The LC payments were approved by Ministry of Finance and Treasury official who did not observe proper procedures and due care while approving the payment.

The AGO has also provided further circumstantial evidence to prove this case sighting that the contractor has not imported any medical or laboratory consumables to the country as confirmed by Maldives Customs Services, and that the Netherlands based company that submitted the joint proposal along with F-Tech Solutions also confirmed that they did not supply any goods for this contract. Further upon getting confirmations from 4 local based companies dealing pharmaceutical products, AGO has come to know that the medical and laboratory consumables that were supplied to the value of MVR 0.9 million, were supplied on credit term to the contractor by a local company.

The Supreme Audit Institutions Summit of ASEAN Member States Held in Bali, Indonesia

The Supreme Audit Institutions Summit of ASEAN Member States which consisted of the Declaration of ASEANSAI and the First Assembly of ASEANSAI was held on November 16 to 17, 2011 in Nusa Dua, Bali, Indonesia.

The Summit was attended by the Heads of SAIs of ASEAN Member States, namely:

- 1.) Auditor General Pengiran Hj. Mat Salleh of Jabatan Audit Brunei Darussalam;
- 2.) Auditor General Kimsour Som of the National Audit Authority of the Kingdom of Cambodia;
- 3.) Chairman Hadi Poernomo of the Audit Board of the Republic of Indonesia;
- 4.) President Bouasy Lovanxay of the State Audit Organization of Lao People's Democratic Republic;
- 5.) Auditor General Tan Sri Dato' Setia Ambrin Buang of the Jabatan Audit Negara Malaysia;
- 6.) Auditor General Lun Maung of the Office of the Auditor General of the Union, the Republic of the Union of Myanmar;
- 7.) Chairperson Maria Gracia Pulido Tan of the Commission on Audit of the Republic of the Philippines;
- 8.) Auditor General Soo Ping Lim of the Auditor General's Office of Singapore;
- 9.) Deputy Auditor General Acting Auditor General Suwattanawong Sukanya of the Office of the Auditor General of Thailand; and

- 10.) Auditor General Dinh Tien Dung of the State Audit of Vietnam. Special guests were H.E. Dr. H. Susilo Bambang Yudhoyono, the President of the Republic of Indonesia

Other attendees were Heads of State Institutions of the Republic of Indonesia; the Auditor General of Pakistan, as the Chairman of the Asian Organization of Supreme Audit Institutions (ASOSAI); Ministers of the Republic of Indonesia and Representatives of ASEAN Secretariat and other entities associated with ASEAN. Also in attendance were member delegates accompanying the Heads of SAIs of ASEAN Member States; Representatives from China National Audit Office and Representatives from World Bank and other international agencies.

The Agreement of the Establishment of ASEANSAI was signed by all the Heads of Supreme Audit Institutions of ASEAN Member States. The objectives of the ASEANSAI are the following:

- 1) to build capacity and promote cooperation and understanding among the Members of ASEANSAI through the exchange and sharing of knowledge and experience in the field of public sector auditing so as to strengthen the audit institutions;
- 2) to provide a conducive environment and facilities to promote research, training, and continuous education among the Members of ASEANSAI through the sharing of best practices and exchange of lessons learned ; and
- 3) to serve as a center of information and as an ASEANSAI link with other international organizations and institutions in the field of public sector auditing.

Chairman Hadi Poernomo of the Audit Board of the Republic of Indonesia was appointed as the Chairman of ASEANSAI for 2011-2013. Likewise, the Secretary General of the Audit Board of the Republic of Indonesia was appointed as the Head of Secretariat of ASEANSAI for 2011-2013. Based on the ASEANSAI Agreement Article 6 paragraph 3, the Assembly agreed to the appointment of the Vice Chairman in alphabetical order, thus, the Auditor General of Brunei Darussalam was appointed as Vice Chairman of ASEANSAI for 2011-2013.

All members of ASEANSAI agreed that the meeting in Bali on November 16, 2011 during the SAIs Summit of ASEAN Member States was the first Assembly of ASEANSAI. The Assembly approved the establishment of four committees, namely:

1. Strategic Planning Committee with SAI of Vietnam as the Chair and the SAIs of Indonesia, Malaysia, and the Philippines as members;
2. Rules and Procedures Committee with SAI of Singapore as the Chair and SAIs of Brunei, Lao, Malaysia, and Thailand as members;
3. Knowledge Sharing Committee with SAI of Malaysia as the Chair and SAIs of Brunei, Cambodia, Lao, Myanmar, Philippines and Thailand as the members; and
4. Training Committee with SAI of the Philippines as the Chair and SAIs of Brunei, Indonesia, Malaysia and Thailand as the members.

The Assembly agreed that the amount of financial contribution was USD700 per year and it effectively would be settled by 2013. It was also agreed that the Auditor of ASEANSAI is SAI of Malaysia. The proposed activities by SAI of Indonesia to host a training/ workshop/conference

Activities in Member SAIs

for all members in 2012 was also approved. Other initiatives were raised to be adopted as the ASEANSAI activities such as training in investigative and performance audit; informal meeting during the ASOSAI and INTOSAI Assembly; and secondment program among SAIs. The Assembly likewise agreed to notify the Ministry of Foreign Affairs of the Republic of Indonesia to endorse this organization to become an associated entity with ASEAN.



Email/Webpage addresses of member SAIs

SAI		Home page
Afghanistan	cao@cao.gov.af	www.cao.gov.af
Armenia	vpal@parliament.am	www.coc.am
Australia	ian.mcphee@anao.gov.au ag1@anao.gov.au	www.anao.gov.au
Azerbaijan	office@ach.gov.az chairman@ach.gov.az	www.ach.gov.az
Bahrain	info@nac.gov.bh	www.nac.gov.bh
Bangladesh	international@cagbd.org	www.cagbd.org
Bhutan	auditorgeneral@bhutanaudit.gov.bt	www.bhutanaudit.gov.bt
Brunei Darussalam	jbaudbd@brunet.bn	www.audit.gov.bn
Cambodia	naakh@naa.gov.kh sg.audit@naa.gov.kh uthchhorn@naa.gov.kh	www.naa.gov.kh
China	cnao@audit.gov.cn	www.audit.gov.cn
Cyprus	cao@cytanet.com.cy	www.audit.gov.cy
Georgia	chamber@gol.ge, chamber@geomail.ge	www.control.ge
India	cag@cag.gov.in pdir@cag.gov.in	www.cag.gov.in
Indonesia	asosai@bpk.go.id	www.bpk.go.id
Iran	pria@dmk.ir	www.dmk.ir
Iraq	diwanirq@uruklink.net	
Israel	sco@mevaker.gov.il	www.mevaker.gov.il
Japan	liaison@jbaudit.go.jp	www.jbaudit.go.jp
Jordan	Audit.b@nic.net.jo	www.audit-bureau.gov.jo
Kazakhstan	esep_k@kazmail.asdc.kz	www.esep.kz
Korea	koreasai@koreasai.kr bai_kor@hotmail.com	www.bai.go.kr
Kuwait	president@sabq8.org, training@sabq8.org	www.sabq8.org
Kyrgyzstan	kyrsai@mail.ru, esep@esep.kg	www.esep.kg
LAO-PDR	sao@etllao.com	

Email/Webpage addresses of member SAIs

	Email address	Webpage
Malaysia	jbaudit@audit.gov.my ag@audit.gov.my	www.audit.gov.my
Maldives	info@audit.gov.mv, maldago@dhivehinet.net.mv	
Mauritius	auditdep@intnet.mu	http://ncb.intnet.mu/audit/index.htm
Mongolia	mnao@mnao.mn	www.mnao.mn
Myanmar	AUDITORGENERAL@mptmail.net.mm	
Nepal	oagnep@ntc.net.np, infoag@most.gov.np	www.oagnepal.gov.np
New Zealand	oag@oag.govt.nz; information@oag.govt.nz	www.oag.govt.nz
Oman	irdep@sai.gov.om	www.sai.gov.om
Pakistan	saipak@isb.comsats.net.pk	www.agp.gov.pk
Papua New Guinea	agopng@ago.gov.pg, gsullimann@ago.gov.pg, agois@ago.gov.pg	www.ago.gov.pg
Philippines	gemcarague@coa.gov.ph, lbdimapilis@coa.gov.ph	www.coa.gov.ph
Qatar	info@abd.gov.qa	www.abd.gov.qa
Russia	zylis@ach.gov.ru, intrel@ach.gov.ru	www.ach.gov.ru
Saudi Arabia	gab@gab.gov.sa	www.gab.gov.sa
Singapore	ago_email@ago.gov.sg	www.ago.gov.sg
Sri Lanka	oaggov@slt.net.lk	www.auditorgeneral.lk
Thailand	int_rela@oag.go.th	www.oag.go.th
Turkey	Sayistay.baskan@sayistay.gov.tr	http://www.sayistay.gov.tr
U.A.E.	president@saiuae.gov.ae	www.saiuae.gov.ae
Vietnam	vietnamsai@hn.vnn.vn	www.kiemtoannn.gov.vn
Yemen	coca@y.net.ye; gtz@y.net.ye	

Electronic communication between Supreme Audit Institutions is increasing rapidly. In view of this, a list of e-mail and World Web Site Address of ASOSAI members (as available with us) have been compiled and shown in the above table. It is requested that addresses of those SAIs that do not in appear in the table may please be intimated to the Editor for incorporating in the future issues of the Journal. Please also let us know in case there are any modifications to the addresses listed above.

Other Important Email/Webpage Addresses

	Email address	Webpage
INTOSAI	intosai@rechnungshof.gv.at	www.intosai.org
ASOSAI	koreasai@koreasai.kr	www.asosai.org
EUROSAI	eurosai@tcu.es	www.eurosai.org
OLACEFS	omral@contraloria.gob.pa	www.olacefs.org
PASAI	enquiry@oag.govt.nz	www.pasai.org
ARABOSAI		www.arabosai.org
INTOSAI Development Initiative (IDI)	idi@idi.no	www.idi.no
INOSAI Working Group on IT Audit (WGITA)	ir@cag.gov.in	www.intosaiitaudit.org
Working Group on Environmental Auditing	info@wega.org	www.environmentalauditing.org
Working Group on Privatisation, Economic regulation and Public Private Partnership (PPP)	Tim.burr@nao.gsi.gov.uk	www.nao.gov.uk/intosai/wgap/home.htm
International Journal of Government Auditing	intosaijournal@gao.gov	www.intosaijournal.org
Asian Journal of Government Audit	ir@cag.gov.in	http://asosai.org/documents/doc_journal_list.jsp

ASOSAI Calendar April 2012-March 2013

Year	Date/Month	Event
2012	16 - 28 April	SAI Needs Assessment workshop, IDI-ASOSAI Cooperation Program on "Development and Implementation of Strategic Plan" at Hanoi(Vietnam)
	28 May - 6 June	JICA-sponsored ASOSAI seminar on "Improvement of Audit Process for More Effective Audit" at Tokyo(Japan)
	2 - 13 July	Instructors' design meeting for ASOSAI-sponsored workshop on "Dealing with Fraud and Corruption" at Tokyo(Japan)
	30 August - 6 September	Strategic Planning workshop, IDI-ASOSAI Cooperation Program on "Development and Implementation of Strategic Plan" at Ulaanbaatar (Mongolia)
	18-20 September	ASOSAI, Working Group on Environment Audit (WGEA) Seminar at Penang, Malaysia
	November	ASOSAI-sponsored workshop on "Dealing with Fraud and Corruption" at Manila (Philippines)
	December	Review meeting and Operational Planning workshop, IDI-ASOSAI Cooperation Program on "Development and Implementation of Strategic Plan" at Phnom Penh (Cambodia)
2013	19-20 February	46th Governing Board meeting at Philippines

