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# Asian Journal of Government Audit

## April 2013

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.

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# Editorial

Dear Colleagues,

I am pleased to bring out the April 2013 issue of the Asian Journal of Government Audit. I am extremely grateful to the SAls of Bhutan, China, Cambodia, Iran, Russia, Singapore and Turkey for their contribution to the Journal. I also thank the Secretary General (SAI Korea) and Training Administrator (SAI Japan) of ASOSAI for their contribution.

Readers will find information on new heads of SAls, information on the various activities in ASOSAI, as also news on developments in INTOSAI, apart from updates on ASOSAI's training programmes and other planned activities. The Journal also includes material on specific initiatives taken in different countries, such as participation in international/national meetings, signing of agreements, and training programmes undertaken.

We hope that these articles 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](mailto:ir@cag.gov.in) and [sao5ir@cag.gov.in](mailto:sao5ir@cag.gov.in)



**(JAGBANS SINGH)**



# Contents

|   | Page No. |
|---|----------|
| ① <b>FROM THE DESK OF SECRETARY GENERAL OF ASOSAI</b>   | 06       |
| ② <b>MESSAGE FROM MR. VINOD RAI, CHAIRMAN OF ASOSAI</b>   | 08       |
| ③ <b>ARTICLES</b>   |          |
| ■ Accountability of Executive to Legislature through financial audit: SAI India                       | 09       |
| ■ Parallel Audit of Disaster Preparedness: Experience of SAI India                                    | 12       |
| ■ Report on Assessment of Large Environmental Audit Projects: SAI Iran                                | 19       |
| ■ Boundaries between Audit and Counseling of SAIs and Concurrent/Internal Audit: SAI Korea            | 24       |
| ④ <b>NEW HEADS</b>  |          |
| ■ SAI China   | 30       |
| ■ SAI Japan   | 31       |
| ■ SAI Singapore   | 31       |
| ⑤ <b>INTOSAI NEWS</b>   |          |
| ■ Meeting for framing IT Audit Guide and Handbook at Mumbai and New Delhi                             | 32       |
| ■ 5 <sup>th</sup> meeting of the ISSAI Harmonisation Project Group at Chandigarh from 8-11 April 2013 | 32       |
| ⑥ <b>ASOSAI NEWS</b>  |          |
| ■ ASOSAI-sponsored workshop   | 33       |
| ■ IDI-ASOSAI Cooperation Programme  | 34       |
| ■ 1 <sup>st</sup> meeting of the 10 <sup>th</sup> ARP   | 35       |
| ⑦ <b>ACTIVITIES IN MEMBER SAIS</b>  |          |
| ■ Royal Order of Bhutan on Supreme Audit Institution of Bhutan  | 36       |
| ■ Seminars and Activities by CNAO (SAI China)   | 36-41    |
| ■ 3i Management Workshop hosted by SAI Cambodia   | 42       |
| ■ Discussion on Bilateral cooperation between SAIs of India & Cambodia                                | 43       |
| ■ 19 <sup>th</sup> Indo China Seminar, India  | 44       |
| ■ 13 <sup>th</sup> Indo-Polish Seminar, India   | 45       |
| ■ 17 <sup>th</sup> ECOSAI Governing Board Meeting hosted by SAI Iran                                  | 46       |
| ■ MoU between SAC & TCA   | 47       |
| ■ Delegation from Kuwait visited BAI of Korea   | 48       |
| ■ SAI of Russia conducted peer review of SAI of Kazakhstan  | 49       |
| ■ New name of BSA in the Republic of Iraq   | 49       |
| ■ Activities of SAI Kuwait  | 50       |
| ⑧ <b>EMAIL/ WEBPAGES OF MEMBER SAIS</b>   | 51-52    |
| ⑨ <b>OTHER IMPORTANT EMAIL/WEBPAGE ADDRESSES</b>  | 53       |
| ⑩ <b>ASOSAI CALENDAR - 2013</b>   | 54       |

# From the desk of the Secretary General of ASOSAI



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

March, 2013

I wish all the best for my colleagues in 2013.

The 46<sup>th</sup> ASOSAI Governing Board meeting was held successfully on February 19<sup>th</sup> and 20<sup>th</sup>, with 58 participants from 14 countries including 11 Governing Board member countries. In this issue, I would like to briefly introduce the 46<sup>th</sup> ASOSAI Governing Board meeting results.

As advised by the Audit Committee at the 44<sup>th</sup> Governing Board meeting in 2012, the Secretary General has reported a draft of “Financial Rules” and “Accounting Policies,” which would be applied regardless of leadership change within the ASOSAI Secretariat. After discussion at the Governing Board meeting, it was decided to establish a task force to incorporate various comments about the drafts from member SAIs. The Task Force includes the SAIs of India, Japan, Korea, Malaysia, Pakistan, Saudi Arabia, Jordan, and Turkey. The Task Force will be responsible for drafting the Financial Rules for the ASOSAI and Accounting Policies for the ASOSAI, reflecting member SAIs' opinions. The revised drafts will be discussed at next year's Governing Board meeting and for submission to the ASOSAI Assembly in 2015 for approval.

The Governing Board has decided to set up a task force for the next version of the ASOSAI Strategic Plan (2016~2021). The Task Force, with participants from China, India, Japan, Korea, and Malaysia, will prepare a draft strategic plan, which will be discussed at next year's Governing Board meeting for submission to the ASOSAI assembly in 2015.

One of the matters of concern at this Governing Board meeting was the nomination of new representatives of ASOSAI to the INTOSAI Governing Board. India and Pakistan have served as the representatives, but will conclude their terms in October 2013, opening spots for new representatives to be nominated. Japan, Malaysia, Pakistan, and the Philippines were candidates for the two seats. It was a heated election to the level that the voting went for two rounds and still had to draw lots for the final decision. Japan and Pakistan were selected as the new representatives of ASOSAI for the INTOSAI Governing Board.

The first meeting of the 10<sup>th</sup> ASOSAI Research Project under the theme “Audit to Detect Fraud and Corruption: Evaluation of the Fraud against Corruption and Money Laundering” was held in Shenzhen, China in December 2012. During the meeting, the roadmap for the research, the scope of the project, and project logistics were discussed. In 2013, subsequent meetings will be held in Vietnam, Thailand, and Russia consecutively.



## From the desk of the Secretary General of ASOSAI

An ASOSAI Workshop (Theme: Performance Audit) will be held in Thailand in November 2013 and an ASOSAI Seminar (Theme: Quality Assurance in Audit) will be held in Vietnam in December 2013. As for the establishment of ASOSAI Training Centers, the Training Administrator has laid out the basic requirements for being designated as training centers. Training facilities of member SAIs that fulfill the listed conditions will be considered for being designated as ASOSAI Training Centers. The selection will be based on user satisfaction survey and facilities assessment.

I would like to take this opportunity to thank Ms. Maria Gracia M. Pulido-Tan, Chairperson of the Commission on Audit of the Philippines for successful hosting of the 46th ASOSAI Governing Board Meeting. I would also like to congratulate the SAI of Japan and the SAI of Pakistan for being nominated as the representatives of ASOSAI for the INTOSAI Governing Board. I strongly believe that both will contribute significantly to the future development of ASOSAI.

# Message from Chairman of ASOSAI



## **Mr. Vinod Rai**

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

It must be a matter of satisfaction for all of us to see the cooperation among member institutions grow over the years. With growing opportunities for imparting training and continuing education for public auditors and the creation of physical infrastructure for such capacity building initiatives, the quality of their performance is bound to improve. The increasing participation of SAIs in various research topics and the quality of research being done is remarkable. The publication of professional articles in auditing and related fields in the ASOSAI region are being widely commended and I am glad to note that the ASOSAI journal is one of the vehicles for dissemination of knowledge, experience and skills.

We had a very fruitful meeting of the Governing Board of ASOSAI at Manila, Philippines from 19<sup>th</sup> to 20<sup>th</sup> February, 2013. I congratulate Ms. Gracia Maria Pulido Tan, Chairperson of the Commission on Audit of the Philippines for successfully organizing the 46th Governing Board Meeting.

Under the joint initiatives of IDI and ASOSAI, the 3i Programme for the implementation of level 2 and level 4 ISSAIs in SAIs of developing countries in the ASOSAI region are being successfully organised. While the IDI and ASOSAI are responsible for supporting ISSAI implementation, the implementation itself is the decision and responsibility of individual SAIs. As a part of this Programme, the IDI and ASOSAI had organised the 3i Management Workshop in Phnom Penh, Cambodia from February 27 to March 1, 2013 with the administrative support of the National Audit Authority of Cambodia for the SAI top management to raise awareness related to ISSAI Implementation. At the end of the workshop, representatives of 20 SAIs, ASOSAI and the IDI signed the Statement of Commitment which detailed the roles and responsibilities of each SAI, ASOSAI and the IDI in implementing ISSAIs. As Chairman of ASOSAI, I wish this Programme all success.

I would also like to congratulate the Auditor General of Bhutan on his office being conferred 'Druk Thuksey' – the Royal Order of Bhutan, by His Majesty, the King of Bhutan, on the occasion of Bhutan's 105th National Day celebrations on 17th December 2012, in recognition of the services rendered by the Royal Audit Authority to the nation. I consider this honour to the Royal Audit Authority (RAA) a matter of pride for the entire ASOSAI community.

## Accountability of Executive to Legislature through financial audit: SAI India

### Interest paid on the amount of refunds of taxes, not treated as expenditure.

By : Mr. Jayant Sinha  
Principal Director, SAI India

In a parliamentary form of Government, the executive is accountable to the legislature. It is incumbent upon the Government to obtain authorization of Parliament/Legislature for levy of taxes and for incurrence of expenditure for the financial year. As part of financial audit, the SAI India examines the entire gamut of expenditure and receipts to inter alia make a determination whether the classification of transactions of the Government are in accordance with the generally accepted accounting and classification principles. The instant case dealing with the classification of interest paid on refunds of excess direct taxes by the Government of India brings out how SAI India through financial audit and consequent reporting to Parliament through its Audit Report brought the issue to the focus of the Public Accounts Committee of the Indian Parliament. The Committee, which is the leading financial oversight Committee of Parliament, in turn after concerted examination and deliberations confirmed the position brought out by SAI India and recommended correction of a long held practice that was violative of a basic postulate of the Constitution of India.

### Rules/provisions

- The Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India for incurring expenditure without legislative authorisation.
- Payment of interest by the Government is to be treated in the books of the Government as an item of expenditure.

### What we noticed in audit

The Department of Revenue, in the Government of India makes collections of direct taxes and indirect taxes. In the case of direct tax collections, there is each year a substantial amount of excess collection of taxes. This excess collection is then subsequently refunded to the entities who have in the course of the year paid amounts in excess of the assessable tax. During the financial year 2010-11 the magnitude of excess collection which was refunded was of the order of ₹ 752 billion (US\$ 13.67 billion). While making refunds of excess tax collected, which occur with some time lag, the Department of Revenue as per the rules also makes payment of interest on the excess tax collected. The Department of Revenue was correctly treating refunds of excess tax as a reduction from gross tax revenue collected by it. However it was also treating interest paid on refunds of excess tax, an item of expenditure, in the same manner as it treated refunds of excess tax, instead of treating it as an item of expenditure. In doing so it failed to obtain legislative authorisation for an item of expenditure.

The Department of Revenue had been engaging in this practice for a number of years.

It was accordingly pointed out to the Department of Revenue that expenditure on interest on refunds of taxes amounting to ₹ 105 billion (US\$ 1.91 billion) was incurred by the Department, in

breach of the constitutional requirement which enjoins that no money shall be spent from the Consolidated Fund of India except with legislative authorisation. Expenditure of the order of ₹ 374 billion (US\$ 6.79 billion) on interest payment on refund of excess tax had been incurred over a period 2006-07 to 2010-11 without obtaining authorisation of Parliament.

### What did the Government say

The Department of Revenue stated that the amounts to be paid as interest on refund of excess tax was highly variable in nature and its estimation would lead to inaccuracies. Therefore, the Department of Revenue was of the view that obtaining legislative approval for making interest payment on refund of excess tax through the budgetary process would be administratively burdensome. The Department of Revenue stated that it had, from time to time, been obtaining the approval of the Finance Minister to continue with the practice to treat interest on refunds on excess tax as an outgo from the gross tax collection and not to treat it as 'expenditure'.

### What did we report to Parliament

SAI India through its Audit Report brought to the notice of Parliament that no legislative authorisation for payment of interest on refunds of excess tax had been obtained in the financial year 2010-11, as in the past, by the Department of Revenue.

An expenditure on interest on refunds amounting to ₹ 105 billion (US\$ 1.91 billion) was incurred by the Department of Revenue in the financial year 2010-11 and was incorrectly treated as part of refunds as a reduction from gross revenue. Over a period of 2006-07 to 2010-11, interest on refunds of excess tax amounting to ₹ 374 billion (US\$ 6.79 billion), was paid without obtaining legislative authorisation for incurrence of this expenditure, in violation of the provision of the Constitution of India.

### How did the Parliamentary Committee go about the issue

The Public Accounts Committee of Parliament as part of examination of the issue raised by SAI India, through the Audit Report, sought detailed explanations from the Department of Revenue, advice from the Ministry of Law and further consulted SAI India in this regard. After receiving the detailed explanation from the Department of Revenue, it summoned a range of officials from the Ministry of Finance dealing with matters pertaining to tax administration, tax collection & accounting and expenditure authorisation. "The objection taken by the Comptroller and Auditor General with regard to the practice followed in relation to payment of interest on refunds of excess tax is completely justified. The proper procedure would be to clearly indicate the tax collection as a receipt and estimate the interest payable on refund of taxes as an expenditure. I agree with the view of the C&AG that the reason given with regard to administrative difficulties is not tenable". Based on the reference made by the Public Accounts Committee of Parliament to the Ministry of Law, the highest law officer, the Attorney General of India, in his opinion to the Committee, unequivocally confirmed the position taken by the SAI India.

"The objection taken by the Comptroller and Auditor General with regard to the practice followed in relation to payment of interest on refunds of excess tax is completely justified. The proper procedure would be to clearly indicate the tax collection as a receipt and estimate the interest payable on refund of taxes as an expenditure. I agree with the view of the C&AG that the reason given with regard to administrative difficulties is not tenable".

Based on the explanation sought by the Committee in the course of examination of officials from the Ministry of Finance, a clear acknowledgement emerged of the need for ensuring compliance to the postulates of the Constitution. Appearing before the Committee, the Secretary, Department of Revenue confirmed the same.

"Obviously it has not been the intention of the Department anyway to bypass the Constitution. The Constitution is supreme. There is no doubt about it and no amount of administrative difficulty can be cited in order to say that we will not follow the Constitution."

### Observations and recommendations of the Parliamentary Committee

The Public Accounts Committee of Parliament after examination of the replies of the Department of Revenue, the opinion of the Ministry of Law and the deposition by officials in the Ministry of Finance, in its Report tabled in Parliament observed:

"Mindful of the mandatory Constitutional provisions governing the financial procedure, the Committee reiterate that a mandatory Constitutional provision requiring specific Parliamentary approval cannot be disregarded with Ministerial approval on ground of administrative constraint or difficulty."

In its report the Public Accounts Committee went on to state/recommend:

- that there was no valid ground as to why the Department could not make broad estimates of expenditure on interest liability on tax refunds based on the studied trends of the past.
- the need to ensure compliance to constitutional requirement that all expenditure should be incurred only with prior legislative authorisation.
- the Department of Revenue to work out a proper accounting procedure in conformity with constitutional provisions and financial rules with regard to payment of interest on refunds.

### Outcome of oversight by SAI India/Public Accounts Committee

Accountability of the executive to Parliament is the very essence of parliamentary democracy. The instant case of expenditure being incurred by the Department of Revenue without authorisation of the legislature was reported by SAI India. The subsequent comprehensive and focused examination of the matter by the parliamentary oversight committee confirmed the long held position of SAI India and set into motion the processes that will lead to correction of the infringement by the Department of Revenue.

### **Parallel Audit of Disaster Preparedness: Experience of SAI India**

A parallel audit on Disaster Preparedness was conducted in 2012-13 by SAI-India in coordination with 9 other SAIs. This was at the initiative of the INTOSAI Working Group engaged in the preparation of guidelines on Audit of Disaster Related Aid. The article presents how this parallel audit proved to be an enriching experience for the SAIs.

#### **Defining Disaster Preparedness**

Disaster Preparedness, in recent years has emerged as an umbrella concept and includes risk assessment, disaster prevention and disaster mitigation. It includes organizational activities which ensure systems, procedures and resources required to confront a disaster are in place and available. Essentially it includes all aspects ranging from the institutional and legal set up to funding arrangements for dealing with a disaster situation. It also includes early warning and communication systems to pre-positioning of stocks and evacuation plans.

#### **Auditing Disaster Management and Preparedness:**

Disasters lead to disruption of normal life. They can also result in significant loss of infrastructure, population and government facilities. Besides natural disasters, the potential of manmade disasters is increasing manifold with increased urbanization and development. In this setting, the importance of disaster preparedness, more specifically, disaster mitigation and prevention efforts cannot be overstated. It is a subject which transcends national boundaries in its importance and effect. The Tsunami of December 2004, which affected 14 countries and had a death toll of more than 230,000 people, was a watershed event. The world wide community donated more than us\$14 billion in humanitarian aid for reconstruction and rehabilitation activities in the Tsunami affected areas. In many countries issues of efficient and effective use of this aid were raised. Several SAIs undertook comprehensive audits of disaster management after this event. SAI India also conducted a **Performance audit of Tsunami Relief and Reconstruction in 2005-06**.

In 2005, INTOSAI decided to contribute its collective auditing experience to the international community to enhance the accountability for disaster related aid. An INTOSAI *task force on the Accountability and Audit of Emergency Aid* was accordingly established in 2005. The Task force highlighted the need for international agreement on a single information structure to allow for audit trail. The opportunities for the application of new technologies such as GIS were also noted. In 2007, INTOSAI set up the Working Group on *Accountability for and Audit of Disaster Related Aid*. The working group was mandated to develop guidelines and best practices for SAIs auditing disaster related Aid.

The working group deliberations included the audit of disaster preparedness, disaster related aid and the audit procedures to take account of the increased risk of fraud and corruption in the emergency phase following a disaster. The use of GIS as an audit tool was also identified as topic requiring specific guidance.

## Beginning of the Parallel Audit:

INTOSAI recognizes several kinds of collaborative audits amongst member SAIs. It can be a Joint audit, Parallel Audit or a Coordinated audit.

A Parallel audit is one where **similar audits** are undertaken with **shared methodology and common audit approach** by **multiple teams in multiple autonomous auditing bodies** or SAIs. The audits are conducted **more or less simultaneously**. The results of these audits are presented in national reports for each SAI as well as a Joint report of all participating SAIs. The Joint report also provides a regional/ global view of a subject across national boundaries. These audits can be immensely useful in trans-border themes on subjects related to environment, health, crime prevention and even development.

The Turkish Court of Accounts (TCA) was responsible for the development of ISSAI 5510- Audit of Disaster Preparedness or Disaster Risk Reduction. The TCA also coordinated the parallel audit on Disaster Preparedness. The Parallel audit was undertaken to test the draft guidelines and to improve its content. Ten SAIs participated in this audit viz. Turkey, Indonesia, India, Pakistan, Romania, Ukraine, Netherlands, Philippines, Chile and Azerbaijan.

The first step of this parallel audit was the Kick off meeting held in October 2011 in Turkey. In this meeting, the planning, implementing and reporting stage milestones were specified and TCA shared a study proposal with the participating SAIs. The second meeting in April 2012 led to modifications in the draft guidelines so that a broad understanding was reached for the audit. Issues of audit design, conduct and perspective were also discussed. TCA meanwhile conducted its first survey of participating SAIs on the design of the parallel audit and on the matter of common questions and criteria. The Survey also sought feedback on the first draft of ISSAI 5510.

### Chronology of Events for the Parallel Audit

- Kick Off meeting at Antalya , Turkey – October 2011- Agreement of the SAIs to undertake parallel audit
- First Survey by TCA
- Meeting at Ankara, Turkey, April 2012
- Second Survey by TCA
- Meeting at Istanbul February 2013

On the basis of survey results, TCA shared a draft common audit design matrix along with common questions to form the basis of the joint report and provide comparability. After taking feedback, these documents were finalized and the field work of the parallel audit was initiated by the participating SAIs. An additional theme on making urban area disaster resilient was also added after some deliberations. This theme was of utmost importance as with increasing urbanization, building laws in urban areas were expected to ensure disaster resistant buildings. This theme also emphasized the importance of having an evacuation and a disaster management plan for public buildings.

TCA conducted its second survey before the third meeting held in February 2013. In this survey data collected included audit findings, recommendations, examples of good practices. The assessment of the participating SAIs about the policy gap, improving international and regional collaboration and promoting efficiency of the SAIs were also obtained. In the third meeting at Istanbul, individual audit studies and the structure of joint report were subjects of discussion.

### Common Questions and Guidelines

The exposure drafts of the ISSAI were a critical component in the preparation of the national guidelines. The common questions and matrix designed by TCA were immensely useful in the preparation of guidelines for the national audits. The response given by SAIs in the Working group meetings were also taken into account. Other audits conducted by SAIs in this field were also consulted specially TCA's study on *"How well is Istanbul Getting Prepared for the Earthquake"* 2002. The use of GIS Data in this report was insightful.

For the parallel audit, SAIs of Azerbaijan, Chile, India<sup>1</sup> and Pakistan carried out the performance Audit studies with common questions and criteria. The SAI of Indonesia used different questions and criteria. SAI of Romania conducted the flood related audit with common questions and the audit for earthquakes with different questions. The SAIs of Philippines and Ukraine carried out mixed/ compliance audits.

### Participation of SAI India:

SAI India enthusiastically agreed to participate in this coordinated exercise as the importance of this subject has been fully recognized. SAI India believed that this was an opportunity to learn by sharing experience and methodologies with other SAIs. Such an audit was also expected to create public awareness and strengthen political interest in accountability both domestically and worldwide.

After the first meeting of the group, SAI India carried out a feasibility study and its synopsis was shared with the TCA. The plan for the study was subsequently developed and the scope and objectives were defined.

The following themes provided the objectives for the study:

- Planning for disaster Preparedness
- Identification of Disasters and Establishment of early warning systems
- Establishment and effectiveness of Institutional mechanisms
- Resource utilisation and funding arrangements
- Risk assessment and Mitigation efforts
- Capacity building efforts

In India, vulnerabilities to disasters vary from region to region. Coastal states face the threat of cyclones and tsunamis while the northern states have vulnerabilities to landslides. Drought and floods occur annually in some regions. Preparedness work for each natural and manmade disaster is handled by separate

#### Progress of the Audit at SAI India

- Preparation of feasibility Report (Synopsis)
- Preparation of audit plan- defining scope
- Obtaining inputs from State Audit offices
- Preparation of audit guidelines
- Entry Conferences
- Field audit at various organisations
- Midterm discussions with audit teams
- Consolidation of findings at National level
- Issue of Draft Report

<sup>1</sup> In addition to common questions, SAI India also used some country specific questions and themes for the audit.



ministries. The Disaster management Act provided for a three tier system corresponding to Union, State and District government levels. In view of these variations, a representative sample of 8 states and one Union territory was selected. In the selected States and UT, 20 multi hazard prone districts were selected based on the vulnerability profile.

The Tamilnadu state audit office provided the questions and sub-questions for the study design matrix for the state level audit. In the final design matrix, all common questions as decided in the working group meeting, were included with additional country specific issues.

While the national and state legislations provided excellent criteria on several aspect of disaster preparedness, we also took note of scheme guidelines developed by the Government at different levels for benchmarking.

SAI India decided to look into specific cases of response as opportunities for testing preparedness. Audit teams also visited the sites of control rooms and relief shelters to assess their actual condition. Equipment purchased for relief and communication work was also inspected by the audit teams. There were multiple levels of discussions and expert opinions were sought on technical subjects. The guidelines for the audit and the audit plan outlining the scope and objectives of the audit assignment, the areas of concern to audit and time frame were then prepared. The audit of entities carrying out activities that involved significant scientific inputs was carried out by a specialized audit formation dealing exclusively with scientific matters. This included the Ministries of Earth Sciences, Environment and Forest and the Departments of Atomic Energy and Space.

#### Inputs of SAI India to the Parallel audit

- Synopsis
- Matrix and audit questions
- Survey questionnaire
- Feedback on ISSAI
- Material for Joint report:
- Appraisal comments
- Audit Matrix (Comments on Common audit questions and criteria)
- Summarized national audit report
- National Audit Report and Epitome

### Disaster Preparedness in India:

United Nations General Assembly declared the decade of 1990s as the 'International Decade for Natural Disaster Reduction'. Following the UN Declaration, a permanent setup was institutionalized with the establishment of a disaster management cell under the Ministry of Agriculture in New Delhi. The decade of the 1990s was also the decade in which the country faced a series of disasters, such as, Latur Earthquake (1993), Malpa Landslide (1994), Odisha Super Cyclone (1999), etc.

In August 1999 a High Powered Committee (HPC) was constituted to review the existing arrangements for preparedness and mitigation of natural disasters. HPC submitted the report in October 2001. Following the HPC Report on Disaster Management, on 23 December 2005, the Government of India enacted the Disaster Management (DM) Act.

### Major Provisions of the DM Act 2005

- National Disaster Management Authority (NDMA) to be the apex body at national level for formulating disaster management policy and its monitoring
- Prime Minister to be the Chairman of NDMA
- National Plan to be prepared by National Executive Committee and approved by NDMA
- National Policy for Disaster Management to be prepared by NDMA
- State Disaster Management Authorities to be established
- State Governments and Central Ministries to prepare their disaster management plans
- Central Government to institute a National Disaster Relief fund and National Disaster Mitigation fund
- To establish a dedicated force called National Disaster Response Force

In accordance with the DM Act, the National Policy on Disaster Management (NPDM) was prepared by NDMA which was approved in October 2009. The policy envisaged a holistic approach to disaster management, encompassing the entire disaster management cycle (prevention, mitigation, preparedness, relief, response, rehabilitation and reconstruction).

### Audit Findings

The field audit was instituted with an entry meeting with the Nodal Ministry (Ministry of Home Affairs). On the basis of the final national report SAI India could assure that there was an increased awareness about disaster preparedness and the need for disaster risk reduction in the country. A multi level institutional set up was in place. The funding arrangements for response related work was clearly laid down. Nodal agencies and departments had been identified for handling specific disasters. Significant progress had made at the state level on early warning and communication systems.

However, critical gaps exist in the functioning of the institutions and the funding arrangements. The system which came into effect with the National Act of 2005 was yet to achieve its desired impact. The National Disaster Management Authority (NDMA) conceived as the apex planning and supervising body was found ineffective in most of the core areas. It did not have information or control over the progress of work at the state level. It was unsuccessful in implementing its various projects. The coordination between NDMA and nodal ministries on various disasters needed strengthening at all levels. Ambiguity existed in the roles and responsibilities of the apex bodies at the national level.

NDMA is chaired by the Prime Minister of India and has an overarching presence in the field of Disaster Management. The responsibility for preparing the National Plan also vested with the NDMA. However, the National Plan for Disaster Management was yet to be finalized even after six years of the Act coming into force. The national guidelines developed by NDMA were not adopted and applied by the nodal agencies and state governments. As the Apex body, NDMA did not take effective measures to ensure the application of its Guidelines. These gaps could be highlighted as the audit teams were simultaneously scrutinizing the projects and issues with national and state level agencies in terms of the decided methodology.

NDMA's project management capacity was deficient. As a result, none of its mitigation and vulnerability mapping projects was completed. The internal systems of the organization also need much strengthening as the business rules need to be finalized and manpower issues require to be resolved. The important aspect of mainstreaming disaster preparedness with the flagship social sector schemes was yet to be taken up by NDMA.

In the area of funding, there were delays in remittance of funds from State Disaster Relief Fund (SDRF) to districts, delays in submission of utilization certificates by states and the grant of NDRF for work other than its stated purpose of disaster response, were causes of concern. The Disaster Mitigation Fund as envisaged in the national Act was not yet established by the Government. Thus there was no earmarked funding available for mitigation projects.

Response to a specific disaster is perhaps the best test of the level of disaster preparedness. The reaction of the National Disaster Response Force to specific disaster situations was an essential element of audit tests. We noted that it could not emerge as a well equipped, well trained specialized force due to absence of proper training infrastructure and non procurement of equipments. Deployment of suitable manpower, procurement of proper equipment and provision of adequate training was not done. Incidents were noticed where this force was deployed for non- disaster situations, as rules for deployment were not finalized. The Force was also found lacking in terms of sufficient manpower and a single chain of command had not been established.

Establishing effective early warning communication systems is one of the most crucial steps for disaster preparedness. In all SAIs, teams looked into progress made in this area. In India agencies have done commendable work towards establishing early warning systems for natural disasters. However, due to lack of monitoring and timely inputs from all participants, most projects regarding the dissemination of data to stakeholders were still incomplete. In many cases, the equipment procured for these projects had not been installed.

Deficiencies also came to light in the preparedness for manmade disasters. The nodal ministries for these disasters had established structures but their functioning needed to be strengthened at the ground level. Comprehensive documentation and reporting of nuclear and radiological disasters, forest fires and chemical disasters were not present. The legislation regulating biological disasters appeared to be outdated. To ensure effective control over these disasters, vigilance at the entry points to the country needed to be further strengthened and the lab facilities also needed urgent up gradation.

#### **ISSAI 5510: The audit of Disaster Risk Reduction**

This ISSAI recognizes the increasing emphasis by governments and international organizations on reducing the risk of disasters and their potential impact by adequately preparing for them. It focuses on the pre-disaster phase and covers audit of activities designed to prevent mitigate and prepare for potential disaster.

SAIs can use ISSAI 5510 to help them audit the adequacy of arrangements for disaster risk reduction in a manner that meets stakeholders' needs and encourages them to examine their own role in preventing the potentially disastrous impact of not only natural but also man-made events. ISSAI 5510 uses examples of good practice to demonstrate the role for SAIs in auditing what can be a complex and contentious area.

**- ISSAI 5510(Endorsement Version)**

### **Audit Impact:**

On the crucial issue of overlapping roles and responsibilities, Ministry of Home Affairs assured the SAI that a review of the provisions of the Act is being undertaken and clarity would be brought to functioning of various apex organizations. Various nodal ministries, for specific disasters, also assured to review and monitor their work and projects. The Performance Audit was first comprehensive assessment of NDMA's functioning. It led to deliberations by the NDMA and its administrative ministry regarding its efficiency and effectiveness. The Report was also selected by the Public Accounts Committee for examination.

### **Outcome of the Parallel Audit:**

**Testing of ISSAI:** The most important outcome of this parallel audit was testing and enriching the content of the ISSAI 5510. The content of the ISSA improved with the progress of the parallel audit.

**Joint Report on the Subject:** The National report of each participating SAI would be consolidated into a Joint Report. This would be a useful document for future audits as it would also provide country comparisons and a benchmark for design, conduct and reporting of succeeding studies in the field.

**Training material:** The methodologies and techniques used for this audit by various SAIs would constitute useful training material for the auditors.

**Collaboration amongst SAIs:** Perhaps the most enduring take away from this exercise was successful collaboration amongst SAIs on a subject of such wide and varying scope. The study would set an example for future parallel audits.

### **Conclusion**

Participating SAIs carried out the parallel audit in varying political, administrative and social contexts. However, at a level of auditing performance, the audit tests remained consistent. The parallel audit provided SAI India an excellent opportunity to learn and share auditing experience and contribute towards the evolution of ISSAI guidelines.

# Report on Assessment of Large Environmental Audit Projects

**Supreme Audit Court  
Islamic Republic of Iran**

**By : Seyed Abbas Mirnajafi  
Mostafa Ali Asgharpour**

## 1. 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 "Assessment of Large Environmental Audit Projects" as a pathological approach:

1. In the laws related to the National Development Plans, the Iranian Legislature (Islamic Consultative Assembly) has ratified some commitments that help the creation of desirable environment. One of such commitments is the "assessment of large environmental audit projects". Therefore based on this law<sup>1</sup>, "all large production and service programs and projects must be evaluated environmentally at the stage of feasibility and finding the right location. The compliance with the assessment results by the executors of programs and projects is mandatory. The President's Deputy of Strategic Planning and Control is responsible for Supervising this article.
2. With regard to the fact that sustainable development is the development without degradation and destruction of environment without deprivation of the future generation from natural resources, the proper implementation of the above mentioned law plays a significant role in realization of the national sustainable development.

### b) Objectives:

1. Examining the assurance of environmental assessment of large projects and plans.
2. Examining the assurance of correct procedures and policies adopted in implantation of large projects and plans.

### c) Criteria

1. Obtaining permission for environmental assessment of large projects and plans
2. Timely environmental assessment of large projects and plans by environmental assessment working group of Department of Environment
3. The necessity to include capital assets plans in the annual budget bill based on the reports of the Department of Environment.

<sup>1</sup> Article 105 of the Third Development Plan also mentioned in Article 71 of the Fourth Economic and Social Development of Islamic Republic of Iran

4. The preventive function of the measures taken by the Department of Environment in evaluating environmental projects

**d) Audit Scope:**

Examining large production and service plans and projects from the environmental assessment point of view through the proposed standards at national level in 2003 and 2009

## 2. 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.

In order to help the government including the Department of Environment and the President's Deputy of Strategic Planning and Control, the Supreme Audit Court of I. R. of Iran (SAC) has made every effort to make a pathological study, through examining the governing facilities for the assessment of environmental projects and plans, to review the adopted procedures and policies in assessment of environmental projects. The SAC using the audit findings has proposed some recommendations for improvement of the situation of environmental assessment. The SAC believes that if the current procedures are formed and implemented properly, the problem of having no environmental assessment permission will be improved at national level.

## 3. Findings and recommendations

### Findings:

Based on the studies made:

- 3.1 Production and service organizations both in private and public sector while implementing the law<sup>2</sup>, have sent their large projects and plans for environmental assessment and obtaining permission from the department of environment. Through the cooperation of the Department of Environment and National Management and Planning Organization out of 1100 production and service projects at national level only 199 projects have been initiated without environmental permission.
- 3.2 Almost 75 % of the total 199 projects has not been completed. Some of the projects could be improved from the environment point of view regarding the fact that 25% of the same projects have been completed.
- 3.3 Altogether in 28 provinces, some companies have implemented their projects without getting environmental approval from the Department of Environment among which 4 provinces have the most number of projects without environmental approval. Also the audit result could find no projects without environmental approval in two provinces.

<sup>2</sup> Article 105 of the Third Development Plan also mentioned in Article 71 of the Fourth Development Plan

## Articles

- 3.4 The legal duty related to the environmental assessment of projects in the above mentioned 199 projects has been ignored by both legal persons and companies. These projects are related to tourism industry, cement industry, Ministry of Petroleum, Ministry of Energy, Ministry of Road etc.
- 3.5 Some of the government projects without environmental approval have been sent to the Department of Environment too late (after approval by the legislature and inclusion in the national budget). This happens while according to law<sup>3</sup> all large production and service projects must be evaluated before implementation at the stage of feasibility study as well as location finding ( before the inclusion of the project in the national budget bill and the approval of the Legislature).
- 3.6 According to regulations<sup>4</sup>, all executive organizations are required to submit the report of the environmental assessment of their projects to the three-person working group formed in the Department of Environment consisting of the representatives of the following organizations: Department of Environment, the President's Deputy of Strategic Planning and Control and the executive organization under environmental assessment. The same working group is responsible for the examination and approving the reports of environmental assessment of projects.

Considering the fact that tens of projects are implemented annually, the existence of only a three-member working group is not sufficient for the approval of environmental assessment reports. Furthermore, the Department of Environment as the main national care taker of the protection of environment has only one representative in the same working group and therefore the combination of the working group consisting of three people is one of the major problems in assessing projects environmentally.

- 3.7 One of the major problems in evaluating projects environmentally is that the such duty is done using a long period of time. At the time of audit, it was known that some of the projects presented by legal persons and companies to the above mentioned working group were waiting in long queues for assessment. This happens while according to law<sup>5</sup>, the Department of Environment is responsible for providing the practical way for implementing the project works in a way that such projects are not delayed and at the same time environmental concerns are also considered.
- 3.8 According to law<sup>6</sup>, one of the most important duties of the Department of Environment is "protection from environmental pollution and degradation". Unfortunately, one of the major problems that threaten the executive organizations is that such organizations adopt reaction policies rather preventive ones. The delayed action of the Department of Environment in doing environmental assessments of some projects not only wastes financial resources but also hinders the implementation of projects and as the result the environment will be damaged.

### Recommendations:

- 3.9 The Department of Environment must act more effectively in provinces where there are projects without environmental assessments.

<sup>3</sup> ibid

<sup>4</sup> Executive by-law related to Article 105 of the Third Development Plan also mentioned in Article 71 of the Fourth Development Plan

<sup>5</sup> Note of Article 105 of the Fourth Social and Economic Development Plan

<sup>6</sup> Article 1 of Protection and Improvement of Environment Law

- 3.10 It is recommended that through the proper interaction of the National Management and planning ( which is responsible for preparing budget bill) and the Department of Environment (which is responsible for environmental assessment of projects), the current procedures for preparing budget bills is modified so that projects are originally approved environmentally by the Department of Environment and then they are included in the national budget bill for approval of the Islamic Consultative Assembly (Iranian Parliament).
- 3.11 One of the solution to the problem of "insufficiency of the three-member working group for assessing projects" which delays the issuance of environmental permissions is to hold independent working groups in Offices of Director General of the Department of Environment in different provinces and delegate necessary authorities to them which is possible through the modification of the regulations<sup>7</sup>.
- 3.12 One of the solutions for the proper and timely implementation of environmental auditing is the "principle of prevention". The Department of Environment, in line with its major responsibility in "preventing from degradation of environment", can do the following measures: Disseminating useful and comprehensive information about environmental rules and regulations; holding training courses for the officials of government organizations; reviewing the projects under study; visiting the project works done by auditees; and finally giving advice to auditees during the implementation phase of project works.
- 3.13 It is recommended that in order to prevent the degradation of environment, an expert and pathological study is conducted to make the pollutant organizations compensates for the losses they make to the environment.

#### 4. Impacts and results:

- 4.1 The report of the current audit results were submitted to the Speaker of Parliament, President's Deputy for Strategic Planning & Control<sup>8</sup> as well as Head of the Department of Environment.
- 4.2 The Islamic Consultative Assembly (Iranian Parliament) considered the audit findings of SAC. Accordingly, it assigned one of the technical parliamentary committees to evaluate the activities of the National Management and Planning Organization (responsible for preparation of national budget) regarding the environmental projects<sup>9</sup>.
- 4.3 The measures taken by the Department of Environment in evaluating the-waiting-in queue projects has been updated.
- 4.4 With regard to the fact that the regulations on "evaluation of projects environmentally" has been approved by government, there is little guarantee for their implementation. At the moment, a bill is being approved in this regard by the government to be sent to Parliament for ratification.

<sup>7</sup> Executive by-law related to Article 105 of the Third Development Plan also mentioned in Article 71 of the Fourth Social & Economic Development Plan

<sup>8</sup> The same organization is responsible for supervision on the proper implantation of the environmental assessment of projects

<sup>9</sup> The Committee on Article 90 of Constitution is one of technical parliamentary committees. Article 90 of the Iranian Constitution specifies that: "Whoever has a complaint concerning the work of the Assembly or the executive power, or the judicial power can forward his complaint in writing to the Assembly. The Assembly must investigate his complaint and give a satisfactory reply..."



### 5. Challenges:

Some of the main challenges in this audit are as in the following:

- 5.1 Lack of a comprehensive data center regarding the evaluation of projects had caused some of projects are not included in the statistics of Department of Environment.
- 5.2 With regard to the fact that the National Management and Planning Organization was replaced with The President's Deputy of Strategic Planning and Control, during the replacement phase some of the duties of the previous organization was ignored. In addition, due to the fact that management change took place in the new organization, receiving information by auditors was a slow process.
- 5.3 Lack of acquaintance with the environmental laws and regulations or not paying enough attention to such laws by some of the officials in public organization created the situation where the environmental laws are ignored.
- 5.4 One of the main reasons for ignoring environmental laws and regulations by both real persons and companies is the lack of sufficient guarantee to implement such laws. It is natural that if the level of environmental degradation is not equal to the compensation made by such companies, in that case the environmental laws and regulations will be ignored.

The challenges 1, 2 were resolved but dealing with the third and fourth challenges mentioned above requires further cooperation and interaction with private and public organizations as well as with related authorities and also through training and creating the right culture.

### 6. Lessons learned:

- 6.1 Through the pathological method applied in this paper we could not only identify problems but also conclude that in case all the capabilities governing the assessment of environmental projects are applied and implemented precisely and quickly, the situation of assessment of environmental projects by both the legal persons and companies will be improved considerably.
- 6.2 The improvement of consequences of environmental problems requires a long process and therefore prevention from some of the environmental problems are both easier and less costly. The environmental auditing can provide the opportunity for the government to prevent environmental catastrophes.
- 6.3 With regard to the fact that the objective of environmental auditing is to obtain assurance about adopting the proper and sufficient policies and implementation of such policies in order to achieve sustainable development, our main priority is to review and improve the policies , processes and procedures.
- 6.4 For many people the word security means social tranquility, peace and lack of social disorders while this concept has wider dimensions so that one of its elements has been called "the health of environment". As the result, lack of environmental security" creates more destructive consequences for human societies.

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 in its audits.

## Boundaries between Audit and Counseling of SAIs and Concurrent/Internal Audit

Presented by Byoung Chul KIM  
Commissioner  
The Board of Audit and Inspection of Korea

It is my privilege to introduce to the global audit community the *Public Sector Internal Audit Act* established in Korea in 2010 to define the relationship between and the respective roles of the SAI and internal audit units. Please refer below for the country paper I presented at the 22<sup>nd</sup> UN-INTOSAI Symposium in Vienna, Austria on 6 March 2013.



### 1. Introduction

In Korea, public auditing is conducted in two ways: external auditing by the Board of Audit and Inspection (BAI), and internal auditing conducted by internal audit units (IAUs).

The BAI is the Supreme Audit Institution of Korea established under the President pursuant to the Constitution and the *Act of the Board of Audit and Inspection*, both of which bestow independence upon the BAI in performing its duties. Also, the BAI is required to conduct audit on the matters requested by the Legislature (National Assembly), and report the audit results to the National Assembly. In addition to conducting financial and performance audit, the BAI's mandate also includes conducting inspection on the work of government entities and the duties of government officials.

The IAUs in Korea refer to those auditing bodies established within public entities as well as the central/local government agencies. The IAU investigates, scrutinizes, checks, analyzes, and verifies all works of the organization to which the IAU belongs and the duties of the organization's personnel.

Under the circumstances where it is practically impossible for the BAI to audit all of the auditees, the IAUs take the responsibility for: (1) reducing possible blind spots of auditing; (2) preventing corruption through effective internal controls; and (3) preemptively cutting off inefficiency and waste in the public sector. As the Supreme Audit Institution of Korea, the BAI has been playing a leading and supporting role in strengthening the national audit capacity by ensuring the IAUs function well. Nevertheless, it was continuously pointed out that the IAUs' internal audit was not as effective and systematic as expected.

To address this, in July 2010, the *Public Sector Internal Audit Act* (hereinafter referred to as the Act) was established to bring effectiveness to the national public sector auditing system, specifically targeting the IAUs to improve their capabilities.

Since the Act was introduced, the BAI has exerted efforts to ensure an early full-scale implementation of the Act. Particularly, the BAI has strengthened its cooperation with the

IAUs by: (a) establishing the Joint Audit Coordination Committee<sup>10</sup>, (b) holding regular meetings with the IAUs<sup>11</sup>, and (c) formulating the Comprehensive Plan for Improving Internal Audit<sup>12</sup>.

Though there are still many areas to improve to live up to the citizens' expectations, it is deemed that an institutional framework has been established for the IAUs as an internal control tool to function more independently and professionally.

Four years have passed since the enactment of the Act. It is time to analyze the effect of the Act so far, in order to: (1) explore the ways for effective operation of the IAUs, and (2) to adjust the audit direction for the development of the national public auditing system.

## 2. Main Pillars of the Public Sector Internal Audit Act

The Act defines: (a) the requirements for the organization and operation of the IAUs; and (b) the necessary conditions to establish an effective national public auditing system. The purpose of the Act is to contribute to enhancing the adequacy and fairness of internal auditing as well as the IAUs' accountability to citizens. The main points of the Act are the following.

### ■ Ensuring independence of the IAUs

All government agencies and public entities should establish an independent IAU as an integral part of their organizational structure. In particular, those local governments with more than 300,000 residents are required to have an IAU which is tasked exclusively with conducting internal auditing<sup>13</sup>.

The IAUs are granted autonomy in organization, personnel management, and budget formulation. The heads of IAUs should be appointed among both government officials and civilians after examining their (legal) eligibility. Appointed officials are not to be removed within their term of office unless there is an extraordinary reason. Opening such positions, especially some are SCS (Senior Civil Service) ones, to civilians also can be interpreted, in a broad sense, as an effort to encourage civilian participation in the sphere of public auditing.

### ■ Enhancing professionalism of the IAUs

The regular job rotation system would result in undermining professionalism of internal auditors because in the past, those officials with little audit expertise had been often assigned to the IAUs. With a view to resolving this problem, various responsive measures have been established: extension of the assignment period for internal auditors, preferential incentives for internal auditors, and disqualifications requirements for internal auditors.

<sup>10</sup> It is composed of 20 members who lead the IAUs of central/local governments to discuss improvement and development of public auditing. It is chaired by the Secretary General of the BAI.

<sup>11</sup> Each year, senior managers and the heads of IAUs meet at the BAI to discuss audit directions and major audit issues.

<sup>12</sup> Heads of central/local government agencies devise measures to develop/improve their respective IAUs. Then, the BAI formulates the Comprehensive Plan for Improving Internal Audit incorporating all of the measures.

<sup>13</sup> In Korea, some IAUs have other responsibilities in addition to conducting internal auditing, i.e., legal affairs, public relations, etc.

In order to glean professional opinions from various perspectives, the Audit Advisory Committee<sup>14</sup> is to be established in an effort to ensure the participation of civilian experts.

- Standardized and transparent audit procedures

IAUs should conduct their internal auditing in accordance with the audit standards and audit guidance set by the BAI. Audit procedures have been specified on: (a) planning internal audit, (b) audit reporting and actions to be taken as the result of audit, (c) suspension of prescription on disciplinary action and reprimand, and (d) application for re-examination. In addition, the rights to request data and information, and to ask auditee's personnel to appear and answer are enshrined in the Act. Pre-audit is also prescribed on important activities as a preventive measure.

The Act also aims to ensure transparency by requiring full-disclosure of audit results, and to assure audit quality by granting auditees the right to demur to the audit findings.

- Improvement of the public auditing system

In an effort to prevent possible audit overlaps and blind spots of auditing, the BAI and the IAUs should discuss and coordinate their audit plans.

The Joint Audit Coordination Committee described on page 2 functions as a platform for this coordination. Led by the Secretary General of the BAI, the Committee is composed of the heads of IAUs representing the components of the public sector and civilian experts, and BAI auditors. They work out a comprehensive plan for improving internal audit to promote the efficiency of the internal auditing system and to maximize the performance of internal audit.

- BAI's support for internal audit

The BAI may provide internal auditors with knowledge on audit methodologies and techniques for the development and efficient conduct of internal auditing. Further, the BAI not only seconds its auditors to those IAUs in need, but also offers training to internal auditors to enhance their professionalism.

In addition to requiring the establishment of the Public Auditing Information System<sup>15</sup>, the Act also stipulates that internal audit standards and internal audit guidance be established in the form of BAI's Regulations.

Also, the BAI should review and examine the operations and management of the IAUs, and make recommendations for improving their operational system where necessary.

<sup>14</sup> It is composed of seven members who are appointed by the head of central government agency or the head of IAU. Among the seven members, the majority should be constituted with civilian experts.

<sup>15</sup> With an aim of sharing knowledge of and experience in audit, preventing audit overlaps, and enhancing effectiveness of the internal auditing system, the BAI is requested to establish this information system where audit plan, audit findings and implementation of recommendations are stored by the IAUs.

### 3. Implementation of the Act: Achievements and Challenges

In November 2012, BAI's research arm or the Audit and Inspection Research Institute<sup>16</sup> conducted an awareness survey on internal auditing among 1,409 internal auditors and their auditees. 59% of the respondents (833 people) answered that independence and professionalism of the IAUs had been enhanced since the implementation of the Act. Interestingly, the auditees showed higher satisfaction than the auditors.

The result seems to be attributable to the improved internal audit infrastructure. Improvement has been achieved in many areas, for example: (a) the internal audit procedures have been standardized, (b) the auditees have been institutionally given opportunities to express their opinions on the audit findings, (c) the *Manual for Internal Auditing* formulated by the BAI has been distributed to the IAUs, and (d) the BAI has increased its training/support for internal auditors.

#### ■ Independence of IAUs

After the enactment of the Act, the government and public sector entities that established an IAU responsible for conducting internal audit exclusively increased to 93.1%, compared with 69.4% before the enactment of the Act. The proportion of the heads of IAUs who were recruited through open-competition also soared to 90.3% from 4.3%. Therefore, quantitative improvement was observed in terms of enhancing independence of the IAUs.

However, only 48% of the heads recruited through open competition were civilian experts. Though it is the early period of the Act, this should be improved because the aim of opening the post to both government officials and civilians was to attract as many as civilian experts possible.

#### ■ Professionalism of IAUs

When selecting internal auditors, whether or not the candidate auditors have professional certificates in the relevant field should be considered as a way to ensure professionalism. The average audit experience of the internal auditors increased from 24.6 months to 32.8 months. Likewise, the number of internal auditors with professional certificates has been on a consistent rise as well. As a result of the recommendation to provide internal auditors with training of over 40 hours per annum, training hours have jumped to 60.8 (previous 35.1 hours).

However, various preferential incentive measures (i.e., bonus points on personnel record, monetary benefit for conducting internal audit, etc.) to attract capable professionals, are not well-established.

#### ■ Effectiveness of IAUs

In view of the importance of preventive audit, pre-audit was highly recommended. Subsequently, the annual average number of pre-audits conducted grew from 72 to 473 cases. Moreover, many agencies have made efforts to either newly formulate a manual for pre-audit or expand their manpower to conduct pre-audit.

Audit results are supposed to be fully disclosed. However, many agencies tended to release a summary report, explaining that full-disclosure may threaten an audited agencies' operation security. This is an issue which should be addressed.

- Cooperation between BAI and IAUs

Since the implementation of the Act, cooperation between BAI and IAUs has been further facilitated through the Joint Audit Coordination Committee and other regular meetings hosted by the BAI for internal auditors. In March 2012, the Public Auditing Information System, a two-way communication system between BAI and IAUs, was established to help all parties keep and share their audit information.

Nonetheless, the national public audit system has not been dramatically improved due, in part, to the lack of effective role-division efforts between BAI and IAUs for preventing possible blind spots of auditing as well as audit overlaps. It is desirable that the BAI focus on auditing national-level programs and projects while the IAUs concentrate its resources on compliance audit, i.e., the execution of budget, licensing/authorization. Unfortunately, chiefly due to the lack of trust in the audit capacity of the IAUs, the role-division has not yet been optimized, and there is a strong need to improve it.

#### 4. Conclusion: BAI's Role in Developing Public Auditing

That the BAI, the Supreme Audit Institution of Korea, came to function as an overall coordinator for policies of internal auditing may be the reflection of the ill-functioning of IAUs in the past. In the past, the government agencies of Korea were granted autonomy in operating their own IAUs in the absence of an overall coordinator for IAUs. Unfortunately, the result was not so good. The independence and professionalism of IAUs were undermined. Furthermore, it became also hard to expect efficiency in the national public auditing system because the Supreme Audit Institution of Korea was not able to use its audit resources appropriately to ensure the effectiveness and efficiency of large-scale national programs and projects due to the exhaustive use of audit resources to control financial irregularities and corrupt practices in each government agency.

The *Public Sector Internal Audit Act* was established to improve the operational ineffectiveness of IAUs by enabling the BAI to support IAUs actively.

However, this upgrade in the legal framework is only the start in ensuring efficient and desirable audit functions. There are still many challenges for meeting people's expectations, namely ensuring the performance-oriented operation of IAUs and setting in place a well-functioning cooperation system between BAI and IAUs. In addressing the challenges, the BAI will play a leading role as an overseer, cooperator, promoter and coordinator.

As an overseer, the BAI will ensure the effective operation of IAUs by systematically assess and audit IAUs' internal audit activities. To date, the BAI has assessed internal audit activities for each year. However, it will be expanded to examine IAUs' internal audit activities for 3 to 5 years. This will allow the BAI to evaluate more IAUs than before. Also, by conducting external audit on the internal audit of IAUs, the BAI will examine whether internal auditors have dealt with their audit matters inappropriately and/or paternalistically. If such cases are found, the BAI will recommend the IAUs concerned to take corrective action. If the head of an IAU neglects his duty seriously, the BAI will request his/her removal.

As a cooperator, the BAI will cement its cooperation with IAUs. When a social problem or incident takes place and needs the attention of public audit, the BAI will not only provide the IAUs with an appropriate audit direction for the matter, but also discuss the problem with

the IAUs to come up with responsive measures to prevent recurrence of the same problem. Additionally, the BAI will facilitate real-time two-way communication with the IAUs gradually via the Public Auditing Information System.

As a promoter, the BAI will expand its support substantially for enhancing the capacity of internal auditors by: (a) developing and offering training programs for internal auditors on a regular basis, (b) providing audit consultation to internal auditors, and (c) strongly recommending that various preferential incentives for internal auditors be instituted.

Lastly, as a coordinator, the BAI has tried to conceive ways for an effective role-division between BAI and IAUs. When the IAUs become competent enough to function well, the BAI will focus on setting audit directions and auditing national priority programs and projects while the IAUs conduct internal auditing on routine budget execution, improper practice in licensing and authorization, and inappropriate processing of civil petitions, etc. Finally, the BAI is considering the ways in which possible blind spots of auditing and audit overlaps can be minimized by utilizing the Public Auditing Information System.

# New Heads of SAIs

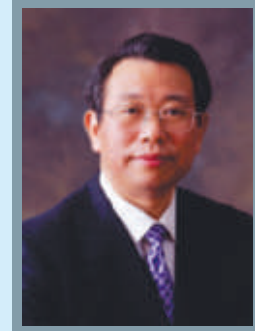
## New Heads of SAIs

### Mr. Liu Jiayi re-appointed Auditor General of China

Nominated by the Chinese premier, Mr. Liu Jiayi was re-appointed as the Auditor General of the National Audit Office of the People's Republic of China at the recently convened national legislative session on 16<sup>th</sup> March 2013.

Mr. Liu was elected for a second term by the national lawmakers at the sixth plenary meeting of the first session of the 12<sup>th</sup> National People's Congress. Nominations of ministers and governor of the central bank were also endorsed at this meeting.

Mr. Liu has been serving as the Auditor General since March 2008. He will stay in office for another five-year term.



### CV of Mr. LIU Jiayi

Mr. Liu Jiayi currently serves as the Auditor General of the National Audit Office of the People's Republic of China. He is also a member of the 18<sup>th</sup> Central Committee of the Communist Party of China.

Born in August 1956 in Chongqing, China, Mr. Liu Jiayi is a PhD in economics and an honorary professor of the Renmin University, the Southwestern Jiaotong University, the Southwestern University of Finance and Economics and the Nanjing Audit University.

Mr. Liu Jiayi is currently a member of United Nations Board of External Auditors, a member of the INTOSAI Governing Board, a member of the ASOSAI Governing Board, and Chairman of ASOSAI Working Group on Environmental Audit.

From February 1980 to December 1984, Mr. Liu worked as a clerk in Sichuan Provincial Department of Public Finance. From December 1984 to February 1989, he was a deputy divisional director in Sichuan Provincial Audit Department. From February to December 1989, Mr. Liu served as a divisional director of Chengdu Resident Office of the National Audit Office of China. From December 1989 to August 1992, Mr. Liu was the deputy director general at Chengdu Resident Office of the National Audit Office of China. From August 1992 to September 1996, Mr. Liu worked as deputy director general and later director general of the Commerce and Trade Audit Department of the National Audit Office of China. Since September 1996, Mr. Liu Jiayi has been the deputy auditor general of the National Audit Office of China till March 17, 2008 when he was appointed as the Auditor General of the National Audit Office of China at the first plenary session of the 11<sup>th</sup> National People's Congress of China. He was re-appointed as the Auditor General at the first session of the 12<sup>th</sup> National People's Congress in 2013.

Mr. Liu Jiayi has presided over the drafting of some laws and regulations and the development of many techniques and manuals in the field of audit in China. He has presided over some major research projects including "Bank Credit Management and A Feasibility Study",



"Performance Audit of Public Expenditures" and "Data Collection and Processing in IT Audit" et al. Mr. Liu Jiayi is the author of books such as *Macro Control and Public Finance Policy*, *Cost Audit and Basic Methods of Performance Auditing* et al and many of his articles and papers have been published in leading journals and newspapers in China.

Mr. Liu Jiayi is married and has one daughter.

### **Dr. Hisashi Yamaura, Commissioner of the Board of Audit of Japan**

Dr. Hisashi Yamaura, Commissioner of the Board of Audit of Japan, assumed office as President of the Board on March 8, 2013, succeeding Mr. Hiroyuki Shigematsu, whose mandate had expired on November 24, 2012.

Before assuming his current position, Dr. Yamaura had served as Commissioner of the Board since 2008 and as Acting President since Mr. Shigematsu's retirement. Before that, he had been the dean and professor of the Graduate School of Professional Accountancy of Meiji University in Tokyo. From 2004 to 2007, he also served as the official observer of the International Auditing and Assurance Standards Board (IAASB) from the Japanese Government.



In a related move, Mr. Teruhiko Kawato was appointed as Commissioner of the Board on March 5, 2013. Prior to his appointment as Commissioner, Mr. Kawato was Secretary General of the Board. Mr. Kawato joined the Board in 1976 and held many important positions within the General Executive Bureau of the Board.

For additional information, contact the Board of Audit:

E-mail: [liaison@jbaudit.go.jp](mailto:liaison@jbaudit.go.jp)  
Website: [www.jbaudit.go.jp/English/](http://www.jbaudit.go.jp/English/)

### **Mr Tan Yoke Meng Willie, Auditor General, Singapore**

On 8 February 2013, Mr Tan Yoke Meng Willie was appointed Auditor General of Singapore by the President of Singapore. He succeeds Mr Lim Soo Ping, who retired on the same date.

Before joining the Auditor-General's Office of Singapore, Mr Tan held senior management positions in various public agencies including the Ministry of Defence, the Central Provident Fund Board, the Ministry of Health, the Health Corporation of Singapore and the Public Service Division. He had also served in the Singapore Armed Forces and the Ministry of National Development during his public service career.



For additional information, please contact the Auditor-General's Office of Singapore:

Email: [ago\\_email@ago.gov.sg](mailto:ago_email@ago.gov.sg)  
Website: <http://www.ago.gov.sg>

## Meeting for framing IT Audit Guide and Handbook at Mumbai and New Delhi



A meeting for framing IT Audit Guide and handbook on various areas of interest of the INTOSAI community was hosted by SAI-India at Mumbai and New Delhi from 7 to 18 January 2013 and 21 to 25 January 2013 respectively. The IT Audit Guide and Handbook are being developed by the INTOSAI Working Group on IT Audit in cooperation with the INTOSAI Development Initiatives. The meeting was attended by the 8 delegates from 4 member SAIs, including India. The IT Audit Guide and Handbook are in finalization stage.

## 5<sup>th</sup> meeting of the ISSAI Harmonisation Project Group at Chandigarh from 8-11 April 2013



The 5<sup>th</sup> meeting of the ISSAI Harmonisation Project Group was held at Chandigarh from 8 to 11 April 2013. The meeting was attended by 15 delegates from 10 member SAIs, including India. The ISSAI's Harmonisation Project Group discussed and finalized ISSAIs 100, 200, 300 and 400.

### **ASOSAI-sponsored workshop on “Dealing with Fraud and Corruption” (Manila, Philippines in November 2012)**



An ASOSAI-sponsored workshop on “Dealing with Fraud and Corruption” was held in Manila, Philippines from November 12 to 17, 2012 with the administrative support of the Commission on Audit of the Philippines. Six instructors from SAs Bangladesh, Bhutan, Myanmar, Pakistan and Philippines delivered the sessions of the workshop with the technical guidance of a Subject Matter Expert (SME) from SAI Indonesia. A representative of the Training Administrator of ASOSAI (SAI Japan) also attended for organizing the workshop. 36 participants participated in the workshop, and actively discussed and exchanged their views and opinions on the workshop topic. The course material of the workshop is also available on the ASOSAI website.

### **IDI-ASOSAI Cooperation Program Strategic Plan Review Meeting and Operational Planning Workshop for the program on Development and Implementation of Strategic Plan (Phnom Penh, Cambodia 2012)**



The Strategic Plan Review Meeting and Operational Planning Workshop for the program on Development and Implementation of Strategic Plan (SP program) were organized in Phnom Penh, Cambodia from December 17 to 21, 2012 with the administrative support of the National Audit Authority of Cambodia. A resource team comprising four ASOSAI training specialists from SAIs Bhutan, India, Philippines and Turkey, an experienced auditor (Deputy Auditor General) of SAI Mongolia and a Subject Matter Expert (SME) from the IDI participated in the review meeting and workshop. A representative of the Training Administrator of ASOSAI (SAI Japan) also attended the events. Strategic Planning (SP) teams from 7 SAIs, namely SAIs of Afghanistan, Bangladesh, Cambodia, Lao PDR, Mongolia, Philippines and Vietnam participated in the review meeting and workshop.

This review meeting and workshop were the third capacity development intervention of the SP program. The main objective of the review meeting was to provide peer and facilitator feedback on the draft strategic plans developed by the participating SAIs. After the review meeting, a workshop on methods and mechanisms for operationalizing the strategic plan was conducted, at which various issues related to the implementation of the strategic plan were discussed. Both activities have met their objectives to a large extent.

At the end of the workshop, all participating SAIs have agreed to implement actions including issuing official orders for strategic planning in SAI, finalizing operational plan for 2013, setting up mechanism for SP implementation, formal adoption of SP, publication and marketing of SP, implementation of first operational plan, within the suggested timelines, incorporating the input they received at the review meeting and workshop.

SAIs that have adopted and published SP and implemented their first operational plan will be invited to the Meeting for Review of Implementation of Strategic Plan, which is scheduled to be held in Manila, the Philippines in February 2014.

## The 1<sup>st</sup> meeting of the 10<sup>th</sup> ASOSAI Research Project held in Shenzhen, China

The 1<sup>st</sup> meeting of the 10th ASOSAI Research Project on the topic of “Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering” was held in Shenzhen, China on 11<sup>th</sup>-13<sup>th</sup> December 2012. A total of 31 delegates from 15 member SAIs participated in the meeting, including the representatives from the Secretariat of ASOSAI. Mr. Li Yongku, Deputy Auditor General of the CNAO, attended the opening ceremony and delivered a speech.



The ASOSAI Research Project is an important platform for the members SAIs of ASOSAI to share information and exchange experiences. The 10<sup>th</sup> Research Project attracts 22 member SAIs including India, Russia, Iran, Indonesia, Malaysia, Pakistan, Philippine, Vietnam, etc., marking the largest number of participating SAIs in the ASOSAI history. The National Audit Office of P.R. China will lead this project in the capacity of the Chair, the first time for the CNAO to lead the Research Project, within the period of three years and will submit the final report of the project to the 13<sup>th</sup> ASOSAI Assembly for approval.



Upon active participation and adequate communication, the representatives had reached a consensus in this 3-day meeting, including the content, framework, division of responsibility, progress and the arrangement of subsequent meetings of the project.

## Activities in Member SAIs

### His Majesty the King of Bhutan confers Druk Thuksey-the Royal Order of Bhutan on Supreme Audit Institution of Bhutan



His Majesty the King of Bhutan awarded Druk Thuksey Medal to the Royal Audit Authority (RAA), the Supreme Audit Institution of Bhutan on the auspicious and joyous occasion of Bhutan's 105th National Day Celebration on 17<sup>th</sup> December 2012. The medal was conferred as an institutional award in recognition of the SAI Bhutan's service to the Nation. His Majesty said that *"the individuals working in Royal Audit Authority has put in every possible effort in shouldering the responsibilities which had culminated in commendable results within a short span of time"*. His Majesty said that Bhutan being a 'land locked country is constrained by wealth and resources, the responsibility of ensuring best use of available resources for the welfare of the people and the country is entrusted with the RAA'.

His Majesty commended the services rendered by the RAA and urged and expressed His Wishes and Prayers to continue the good work with a heightened spirit in the future too.

*'The RAA family is deeply honoured and gratified with such an honour and graciousness shown by His Majesty the King. We are humbled, yet highly motivated and invigorated. There is no room for complacency and we shall strive to better our thoughts and actions delivering our responsibilities. There is no greater opportunity than this to pledge and rededicate ourselves to the service of our nation through our work of auditing and reporting without fear, favour or prejudice'*, said Dasho Ugen Chewang, Auditor General of Bhutan.

*Druk Thuksey* The Royal Order of Bhutan, literally mean *"Son of the Heart of the Thunder Dragon"* was instituted by His Majesty the Third King of Bhutan Jigme Dorji Wangchuck in 1966. The SAI Bhutan was among the four institutions which received the award.

### National Audit Conference Held in Beijing

The Annual National Audit Conference was held in Beijing from 24th to 25th December 2012. Over 200 delegates attended the conference, including representatives from local audit offices, Audit Office of Xinjiang Production and Construction Corps, Audit Office of Chinese People's Liberation Army, all the functional departments, dispatched and resident audit offices of the CNAO and engaged auditors, as well as delegates from relevant stakeholders including CPC Central Commission for Discipline Inspection, Organization Department of the CPC Central Committee, the Budget Committee of the NPC Standing Committee, General Office of the State Council, the Ministry of Public Security, the Ministry of Finance, State Administration of Civil Service, etc.

Mr. Liu Jiayi, Auditor General of the National Audit Office of the People's Republic of China (CNAO) delivered a speech entitled *Carrying out Auditing Work during the New Period by Adhering to the Gist of the 18th National Congress of the CPC*. Dr. Dong Dasheng, Deputy Auditor General of the CNAO, summarized the conference and raised detailed requirements.

Mr. Liu made a comprehensive review and summary on the auditing work for last year in his speech. In 2012, audit institutions at all levels successfully completed their tasks in accordance with laws based on Scientific Outlook on Development. From January to November, more than 100,000 entities nationwide was audited. The increased revenues and recouped losses amounted to over RMB 160 billion. Auditors have provided evidence for more than 970 cases and facilitated the improvement of over 4800 systems. Through auditing, more than RMB 30 billion of social welfare assets were recovered and allocated. The reduced investments and settlements exceeded RMB 60 billion.

Liu proposed ten priorities of auditing work for next year as follows:

To focus on real-time audit over the implementation of key economic policies and macro-control measures adopted by the central government so as to carry out central policies smoothly;

To strengthen the examination on large economic crimes and corruption cases to promote anti-corruption and build a clean government;

To reinforce the supervision and balance of power operation and improve the responsibility and accountability system;

To enhance the exposure of distinctive conflicts and potential risks in the operation of socio-economy to safeguard national economic security;

To highlight the audit on energy saving and environmental protection to promote the ecological progress;

To intensify the audit over key social welfare funds and projects to safeguard fundamental interests of the people;

To advance the development of performance audit with a view to the integration of effectiveness, speed and quality, to promote the transformation of economic development model;

To deepen the disclosure of crimes and illegal practices to promote the rule of law and democratic development;

To reinforce the release of audit information and rectification in accordance with laws to promote the openness and transparency ;

To strengthen the efforts to identify problems, analyse root cause, and raise recommendations from the perspectives of system, institution, and mechanism, so as to improve the system and deepen the reform.

## Activities in Member SAIs

### **63<sup>rd</sup> Meeting of the INTOSAI Governing Board Held in Chengdu, China**

The 63<sup>rd</sup> Meeting of the INTOSAI Governing Board took place from November 19 to 22, 2012 in Chengdu, China. The meeting, hosted by the CNAO and assisted by the Sichuan Provincial People's Government, brought together the representatives of 31 different SAIs in their capacity as INTOSAI Governing Board members and rapporteurs from INTOSAI Committees, Sub-Committees, Working Group and Task Forces as well as an Under Secretary General of the United Nations.



Among various achievements, the Endorsement of the Rules of Procedures for XXI INCOSAI to be held in Beijing, China from October 22 - 27, 2013 as well as a decision on the Beijing Declaration to be adopted by XXI INCOSAI as the single final congress document has been highlighted.

The Governing Board has also approved the full membership of the SAI of South Sudan, raising INTOSAI's membership to 191 full members and agreed that the priority themes for 2013 be "Implementation of the UN General Assembly Resolution A/RES/66/209 and Implementation of ISSAIs and INTOSAI GOVs". Various institutions under the umbrella of INTOSAI have been restructured, including the Task Force on Strategic Planning, the INTOSAI Standing Supervisory Committee on Emerging Issues, and the Working Group on Financial Modernization and Regulatory Reform of Financial Markets and Institutions.

The meeting also nominated that the SAI of the United Arab Emirates will be the host of INCOSAI XXII to be held in the year 2016.

### **Mr. Gene Dodaro, Comptroller General of the United States Visits China**

Upon the invitation of Mr. LIU Jiayi, Auditor General of China, Mr. Gene Dodaro, Comptroller General of the United States, led a delegation of three members to attend the 63<sup>rd</sup> Meeting of the INTOSAI Governing Board in Chengdu, Sichuan Province and visit CNAO from 11 to 24 November 2012.



## Activities in Member SAIs

Mr. LIU Jiayi met with Mr. Dodaro and his delegation on November 16. The two parties exchanged views on issues of mutual interest, including the economic development in China and the U.S., financial modernization, activities of the INTOSAI Task Force on Global Financial Crisis and the Steering Committee of INTOSAI-Donor Cooperation, and the Memorandum of Understanding for Cooperation to be signed between the two SAIs.

After the meeting, Mr. Dodaro gave a speech at CNAO titled "The Evolving Role of Auditing in Helping Meet Dynamic National and International Challenges", which briefly outlined how the U.S. Government Accountability Office (GAO) has evolved since its establishment over 90 years ago, and highlighted the GAO's efforts nowadays in the three main areas of oversight, insight and foresight.



That evening, Mr. LIU Jiayi and Mr. Dodaro signed the Memorandum of Understanding for Cooperation between CNAO and the U.S. GAO at Diaoyutai State Guesthouse, to promote bilateral cooperation and encourage and improve technical collaboration in national audit.



## Activities in Member SAIs

### **CNAO observes the 22<sup>nd</sup> General Assembly of OLACEFS in Brazil**

Upon the invitation of Comptroller General of the Republic of Ecuador, the President of the OLACEFS, a two-person delegation from the CNAO attended the 22<sup>nd</sup> Ordinary General Assembly of OLACEFS held in Gramado, Brazil from November 5 to 10, 2012.



A total of 177 participants and observers were present at the Assembly, including the representatives from 24 member SAIs of OLACEFS, and special guests or observers from IDI, World Bank, American Development Bank, SAIs of China, etc. Dr. Michel Temer, Vice President of the Federative Republic of Brazil delivered a speech at the opening ceremony.



Besides the session of the OLACEFS Steering Committee and its administrative session, the Assembly asked the technical committees to arrange 4 technical sessions. The participants were actively involved in the plenary debate and discussions on 4 technical topics: 'Coordinated Audits as a Capacity Building Strategy (Example of Evaluation of National and Regional Actions to Fight FMD)', 'Applying International Audit Standards in OLACEFS', 'Oversight of Social Subsidies as a Mechanism to Reduce Poverty' and 'Ensuring quality in SAI internal processes'.

At the administrative session of the Assembly, the OLACEFS has also conducted the transference of the Presidency and Executive Secretariat. The SAI of Brazil and Chile were elected to take office as new President and Executive Secretariat of OLACEFS for the three-year period of 2013-2015. The next General Assembly of OLACEFS will be held in December 2013 in Chile.

### **CIIA Releases the Report on the Development of Internal Audit in Party and Government Departments**

China Institute of Internal Audit (CIIA) released a "Report on the Development of Internal Audit in Party and Government Departments" on December 29, 2011, with a view to sharing the experiences of internal audit in party and government departments as well as facilitating overall transformation and development of their internal audit.

CIIA is one of affiliated institutions under the leadership of the National Audit Office of P.R.China (CNAO), responsible for guiding and supervising the development of internal audit nationwide.

The report was composed of 5 parts, including the Summary, Overall Situation, Highlights and Difficulties, Opportunities and Challenges, Measures and Recommendations. It introduced the current development of internal audit in Party and Governments departments, summarized several highlights and difficulties when internal audit was conducted. Upon the analysis of both opportunities and challenges, the report also put forward to some measures and recommendation to further promote the development of internal audit in Party and Government departments.

This report was one of the attempts for the CIIA to demonstrate the professional capacity and development of internal audit to the public. With the release of the report, CIIA envisages that, the stakeholders would raise the awareness and recognition on the internal audit in Party and Government departments in order to build a better external environment for the development of internal audit. It also aims to further accelerate the standardization of internal audit in Party and Government departments by strengthening the institutional and capacity building, enhancing the independence and authority and improving the quality of internal audit.

## Activities in Member SAIs

### **ISSAI Implementation Initiative - 3i Management Workshop IDI-ASOSAI Cooperation Program (Phnom Penh, Cambodia, February – March 2013)**



The National Audit Authority (NAA) of Cambodia, in cooperation with IDI and ASOSAI, hosted the 3i Management Workshop in Phnom Penh, Cambodia from February 27 to March 1, 2013. The workshop was attended by top Management members from 20 SAIs including Afghanistan, Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Iran, Kyrgyzstan, Laos PDR, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam. It was also facilitated by a resource team of specialists from SAIs India, Philippines and Turkey, subject matter experts from IDI as well as a representative of ASOSAI Training Administrator from SAI Japan.

On the occasion of the workshop opening session, Ms. Archana Prabhakar Shirsat, IDI representative and Mr. Keisuke Kato ASOSAI Training Administrator Representative delivered their welcome remarks, followed by opening remark of Her Excellency Som Kim Suor, Auditor General of the NAA.

During the workshop, there were overviews of the ISSAI level 2 and level 4, along with SAIs' presentation on their current status in implementation of ISSAIs. There were also presentations on iCAT for level 4 of financial audit ISSAIs, performance audit ISSAIs and compliance audit ISSAI. There were also group discussions, inquiries, comments and clarification of ISSAI implementation and iCAT presentations.

Finally, the workshop was concluded with the signing of the statement of commitment by all representatives of 20 participating SAIs, IDI and ASOSAI Training Administrator, showing their commitments to carry out the 3i program.

### **Bilateral Cooperation Discussion between the Office of Comptroller and Auditor General of India and the National Audit Authority of the Kingdom of Cambodia**



On February 23, 2013 H.E Mrs. Som Kim Suor, Auditor General of the National Audit Authority (NAA) of Cambodia had a meeting with Mr. Vinod Rai, Comptroller and Auditor General of India in Phnom Penh, Cambodia. The purpose of the meeting was to discuss the bilateral cooperation under the framework of Memorandum of Understanding between the two SAIs, which was signed on 14<sup>th</sup>, September 2010 and to strengthen closer relation and cooperation between the two SAIs.

The two sides exchanged their views on relations and cooperation in term of the implementation of the MoU; and discussed future bilateral cooperation. As a result, the two sides agree to share knowledge and experience of public sector audits. In addition, Indian side agrees to provide short courses and specific training courses by accepting 4 or 5 auditors of the NAA each year to train in India and providing experts to train larger group of auditors of the NAA in Cambodia. Mr. Vinod Rai, Comptroller and Auditor General of India invited Mrs. Som Kim Suor, Auditor General of Cambodia to pay visit at Comptroller and Auditor General's office of India at her earliest convenient time. In reply, Mrs. Som Kim Suor also accepted the invitation.

Finally, both SAIs have highly appreciated the relation and cooperation and have been committed to further strengthen relations and cooperation between the two SAIs.

## Activities in Member SAIs

### 19<sup>th</sup> Indo-China Seminar Kolkata, India

As per an MoU signed between SAI of India and China, a joint seminar on key audit issues of mutual importance is held alternately in India and China. This year, the 19<sup>th</sup> Indo-China Joint Seminar on “Sustainability Reporting and Environment Audits” hosted by SAI India from 4<sup>th</sup> to 8<sup>th</sup> December, 2012 at Kolkata.

The delegation from SAI India was headed by Mr. Shankar Narayan, Deputy Comptroller & Auditor General and other members of the delegation were Ms. Sudarshana Talapatra, Pr. Accountant General, Shri Jayant Sinha, Pr. Director and Ms. Nameeta Prasad, Director. The delegation from SAI China was headed by Ms. Chen Qiang, Deputy Auditor General and other members of the delegation were Ms. Ding Yan, Deputy Director General, Mr. Zhang Guangchun, Deputy Director General, Ms. Liu Yuze, Secretary to Deputy Auditor General and Mr. Yin Qiang, Project Officer

Each SAI presents two papers and a case study on the topic of the seminar.



Mr. A. K. Awasthi, Dy. Comptroller & Auditor General meeting with the Chinese delegation at New Delhi

### 13<sup>th</sup> Indo-Polish Seminar hosted by SAI India at Bhubaneswar

Under the aegis of the Memorandum of Understanding signed between SAIs of India and Poland both the SAIs invite each other's representatives to participate in selected conferences, seminars, internships and other training activities of international character with a view to upgrading professional knowledge and skills among their staff members.

This year SAI India hosted the 13th Indo Polish joint seminar at Bhubaneswar from 26<sup>th</sup> to 28<sup>th</sup> November, 2012 on the topic "Assimilation of ISSAIs in Audit Practice". The delegation from SAI India was headed by Ms. Revathy Iyer, Deputy Comptroller and Auditor General. The other members of the delegation were Ms. Gargi Kaul, Pr. Accountant General, Ms. Vani T. Sriram, Accountant General and Sh. S. K. Mallick, Director. The delegation from SAI Poland was headed by Mr Wojciech Kutyła, Vice President and other members of the delegation were Mr Piotr Prokopczyk, Deputy Director and Mr Grzegorz Haber, International Relations Officer.

Both the SAIs presented their views to strengthen efforts in promoting transparency, accountability and efficiency in SAIs. Discussions were also made on ISSAIs to provide the best guidelines and standards in terms of legal and organisational framework for audit, need to recognise varying backgrounds of different countries in their governance model, practices etc. which warrant customisation and the inbuilt flexibility in the ISSAIs



Mr. Vinod Rai, Comptroller & Auditor General of India meeting with the delegation from SAI Poland at New Delhi

## Activities in Member SAIs

### SAI Iran hosted the 17<sup>th</sup> ECOSAI Governing Board Meeting



The Supreme Audit Court of Islamic Republic of Iran (SAC) held the 17<sup>th</sup> ECOSAI Governing Board Meeting, 12th ECOSAI Training Committee Meeting and ECOSAI Strategic Plan Meeting from 6-10 November 2012 in Tehran.

The representatives from supreme audit institutions of Iran, Pakistan, Turkey, Kyrgyzstan and Afghanistan as members of Governing Board participated in the meeting.

Prior to the 17<sup>th</sup> BOG meeting, senior experts of participating countries attended the ECOSAI Strategic Plan and meeting of Task Force on Funding ECOSAI Training Activities. During the two working days, the senior experts finalized the primary draft of ECOSAI Strategic Plan for the years 2013- 2015. They also exchanged views about how to finance ECOSAI seminars and workshops through fund raising from Islamic Development Bank and other donating organizations.

The other major event was the 12<sup>th</sup> ECOSAI Training Committee Meeting which was held prior to the meeting of BOG. In the meeting participating experts reviewed the training activities of ECOSAI during the last year. The Committee appreciated the efforts of SAI Iran and Kazakhstan for holding two training programs namely on "Performance Auditing" and "Audit of Efficiency in Implementation of Development Projects". The committee decided about new programs to be held by member countries for the next year. Among the programs the Iranian SAC will hold an advanced training program on performance auditing.

The 17<sup>th</sup> BOG meeting was also held. It reviewed and evaluated the ECOSAI past achievements including the 2011 activities. It approved ECOSAI Strategic Plan and suggested major improvements in the activities and plans of the coming year.

At the end of the event, the delegations paid a courtesy meeting with the Dr. Ali Larijani, Speaker of the Islamic Consultative Assembly, Iranian Parliament.

The Supreme audit Court of I. R. of Iran takes this opportunity to appreciate the sincere efforts and contribution of all delegates at all these meeting and events.



## Activities in Member SAIs

### SAC and TCA signed memorandum of understanding



On 7<sup>th</sup> November 2012 a memorandum of understanding for technical and educational cooperation was signed between Dr. Abdolreza Rahmani Fazli Senior President of Supreme Audit Court of Islamic Republic of Iran and Dr. Recai Akyel President of Turkish Court of Account.

This MOU aims at promoting closer relations and bilateral cooperation between the two neighboring SAIs in the field of public audit. At the signing ceremony which took place at SAC premises Dr. Rahmani Fazli emphasized on effective exchange of knowledge and experiences among ECOSAI member SAIs in the field of public audit.

He mentioned that the Iranian SAI has signed MOU with the couple of countries including China, Russia, Indonesia, Malaysia, India, Azerbaijan, and some other countries. It is our objective to transfer our experience in public audit which is 100 years to other countries and at the same time benefit from experience and expertise from other SAIs .

Dr. Recai Akyel certified the statement made by Senior President SAI of Iran and said that : signing of the MOU between SAIs Iran and Turkey is the founding pillar for cooperation and exchange of experience in the field of public audit between the two countries .

I am very positive about the benefit and future perspective of cooperation between our two institutions.

It is noteworthy to mention that an implementation plan for the same MOU will be prepared by the experts from SAC and TCA in the near future.

### A Delegation from Kuwait visited BAI Of Korea

A delegation from the State Audit Bureau of Kuwait visited the Board of Audit and Inspection of Korea from 19<sup>th</sup> to 21<sup>st</sup> March 2013. The delegation, headed by Mr. Sami Khalaf Aldwaihees, was composed of four auditors and one specialist engineer.

The Kuwaiti delegation wanted to get acquainted with the audit system in Korea, in particular the methods used in environmental audits and in construction contract system audits, as well as the financial control system.

Three special auditors of SAI of Korea gave presentations on the Audit of Settlement of Accounts, Environment Policies and Environment Audits, and Construction Contracts System Audits of Korea.

The delegates from Kuwait also shared their knowledge and experience in the aforementioned fields with Korean auditors; all parties found it very fruitful.



## Activities in Member SAIs

### **SAI of Russia conducted peer review of SAI of Kazakhstan**

The joint meeting of the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan and the Accounts Chamber of the Russian Federation was held on December 11, 2012, in Astana (Republic of Kazakhstan), during which they considered results of a peer review of the Accounts Committee of Kazakhstan, carried out by experts of the Supreme Audit Institution of Russia in accordance with the Memorandum of Understanding between these two SAIs.

The peer review was conducted according to the ISSAI 5600 "Peer Review Guideline".

During activities assessment the special attention was paid to the issues of performance of tasks by the Accounts Committee, compliance of its organizational structure with the legislation of the Republic of Kazakhstan and the standards of the International Organization of Supreme Audit Institutions, as well as compliance of its acts, opinions and decisions with the National Financial Control Standards of the Republic of Kazakhstan and international requirements.

The experts of the SAI of Russia assessed the efficiency of organization of the management system on professional development of employees of the Accounts Committee of Kazakhstan, as well as implementation of the transparency and publicity principles of its activities.

According to the results of the conducted review the experts of the Accounts Chamber of the Russian Federation developed number of recommendations aimed at improving and enhancing the activities effectiveness of the SAI of Kazakhstan.

For more information, please contact the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan – e-mail: [ir@kazai.kz](mailto:ir@kazai.kz), Website: [www.esep.kz](http://www.esep.kz).

### **New name of the Board of Supreme Audit (BSA) in the Republic of Iraq**

The new name of the Board of Supreme Audit (BSA) in the Republic of Iraq has been the Federal Board of Supreme Audit (FBSA) according to the amended law No. (22) of 2011.

### Activities of SAI Kuwait

First: The State Audit Bureau of Kuwait participated in a workshop on "Dealing with Fraud and Corruption" during the period from 12 to 17 of November 2012, in Manila, Philippines.

Second: The State Audit Bureau of Kuwait participated in International Training Programme on "Financial and Regularity Audit" during the period from 11 of February to 8 of March 2013, in India.

Third: Within the framework of developing cooperation with INTOSAI member SAIs by sharing experiences, getting acquainted with audit best practices means and methods in various fields and to further complete the State Audit Bureau in Kuwait's efforts that were extended over the past years to activate the bilateral relations with other SAIs through official visits, SAB official delegation visited the Board of Audit and Inspection of the Republic of Korea during the period from 19 to 21 of March 2013 to benefit from BAI experiences in the fields of environmental audit, construction contracts systems audit and financial control services audit.

Fourth: Within the framework of the cooperation agreement with the Office of the Comptroller and Auditor General of India, a delegation from SAB participated in the 5<sup>th</sup> Joint Symposium on "Quality Assurance and Quality in Audit", held during the period from 29 to 30 of April 2013, in Shillong, India.

Fifth: The State Audit Bureau is taking the necessary arrangements to host the Arab Organization of Supreme Audit Institutions (ARABOSAI) 11<sup>th</sup> General Assembly and the Executive Board 48<sup>th</sup> and 49<sup>th</sup> meetings scheduled during the period from 23 to 27 of June 2013.

Sixth: URL and e-mail to the State Audit Bureau of Kuwait as follows:

Website: [www.sabq8.org](http://www.sabq8.org)

E-mail: [Training@sabq8.org](mailto:Training@sabq8.org)

## Email/Webpage addresses of member SAIs

| SAI               | Email address  | Home page               |
|-------------------|--|-------------------------|
| Afghanistan       | cao@cao.gov.af   | www.cao.gov.af          |
| Armenia           | vpal@parliament.am   | www.coc.am              |
| Australia         | ag1@anao.gov.au<br>External.Relations@anao.gov.au                | www.anao.gov.au         |
| Azerbaijan        | office@ach.gov.az<br>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<br>sg.audit@naa.gov.kh<br>chea_sophat@yahoo.com | 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<br>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        | ir@kazai.kz  | www.esep.kz             |
| Korea             | koreasai@koreasai.go.kr  | www.bai.go.kr           |
| Kuwait            | president@sabq8.org,<br>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<br>ag@audit.gov.my                       | www.audit.gov.my                     |
| Maldives         | info@audit.gov.mv,<br>maldago@dhivehinet.net.mv               |                                      |
| Mauritius        | auditdep@intnet.mu  | http://ncb.intnet.mu/audit/index.htm |
| Mongolia         | mnao@mnao.mn  | www.mnao.mn                          |
| Myanmar          | AUDITORGGENERAL@mptmail.net.mm                                |                                      |
| Nepal            | oagnep@ntc.net.np, infoag@most.gov.np                         | www.oagnepal.gov.np                  |
| New Zealand      | oag@oag.govt.nz;<br>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,<br>agois@ago.gov.pg | www.ago.gov.pg                       |
| Philippines      | gemcarague@coa.gov.ph,<br>lbdimapilis@coa.gov.ph              | www.coa.gov.ph                       |
| Qatar            | info@abd.gov.qa   | www.abd.gov.qa                       |
| Russia           | zylis@ach.gov.ru,<br>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 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  |
|---|----------------------------|--|
| <b>INTOSAI</b>  | intosai@rechnungshof.gv.at | www.intosai.org                                  |
| <b>ASOSAI</b>   | koreasai@koreasai.go.kr    | www.asosai.org                                   |
| <b>EUROSAI</b>  | eurosai@tcu.es             | www.eurosai.org                                  |
| <b>OLACEFS</b>  | omral@contraloria.gob.pa   | www.olacefs.org                                  |
| <b>PASAI</b>  | enquiry@oag.govt.nz        | www.pasai.org                                    |
| <b>ARABOSAI</b>   |                            | www.arabosai.org                                 |
| <b>INTOSAI Development Initiative (IDI)</b>   | idi@idi.no                 | www.idi.no                                       |
| <b>INOSAI Working Group on IT Audit (WGITA)</b>   | ir@cag.gov.in              | www.intosaiitaudit.org                           |
| <b>Working Group on Environmental Auditing</b>  | info@wega.org              | www.environmentalauditing.org                    |
| <b>Working Group on Privatisation, Economic regulation and Public Private Partnership (PPP)</b> | Tim.burr@nao.gsi.gov.uk    | www.nao.gov.uk/intosai/wgap/home.htm             |
| <b>International Journal of Government Auditing</b>   | intosaijournal@gao.gov     | www.intosaijournal.org                           |
| <b>Asian Journal of Government Audit</b>  | ir@cag.gov.in              | http://asosai.org/documents/doc_journal_list.jsp |

## ASOSAI Calendar for 2013 (June-December)

| Year | Date/Month                   | Event  |
|------|------------------------------|--|
| 2013 | June 17-28                   | Instructors' design meeting for ASOSAI-sponsored workshop on "Performance Audit" at Tokyo, Japan   |
|      | September 30 -<br>October 12 | Facilitation Skills Workshops in the ASOSAI region for the "ISSAI Certification Programmes (Financial & Performance Audit)" at Bangkok, Thailand |
|      | November                     | ASOSAI-sponsored workshop on "Performance Audit" at Bangkok, Thailand  |
|      | December 2 - 5               | ASOSAI Seminar on "Quality Assurance in Audit" at Hanoi, Vietnam   |









