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

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Editorial

Dear Colleagues,

We are pleased to bring out the 42nd issue of the Asian Journal of Government Audit.

The essence of this journal is to share professional experience and exchange information which would not only enrich members SAIs in the region but also other SAIs all over the world, as the Journal now reaches out to all the members of INTOSAI, a step which has been welcomed by our colleagues outside the ASOSAI membership. The reach and readership of the Journal has grown manifold. We consider it to be a window to the activities of ASOSAI and a forum to share with the rest of the world, the excellent work being done by our member SAIs. Therefore, it is important that our member SAIs contribute articles, views and suggestions about the audit practices, audit techniques and implementation of new audit initiatives in their respective SAIs.

We remain indebted to the Chairman and Secretary General of ASOSAI for their regular columns through which they continue to address our members and appraise them of the important developments taking place in our community. We are very thankful to have articles from SAIs of Turkey, Malaysia, Afghanistan and India. I take this opportunity to thank SAI Japan, the Training Administrator for updating us about the training activities in the region. We are also thankful to SAIs of China, Vietnam and Cyprus for sending brief for new initiatives and training seminars conducted by them.

I thank all the members for their continued support to the Journal. Your feedback and inputs always spur us to improve the contents of the Journal. I request all the readers to send us material for future issues at ir@cag.gov.in and singhJ@cag.gov.in



(JAGBANS SINGH)

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From the desk of the Secretary General of ASOSAI



Mr HWANG Chan-hyun
Secretary General of ASOSAI
Chairman of the Board of Audit and
Inspection of Korea

Greetings

I am HWANG Chan-hyun, Chairman of the Audit and Inspection of Korea (BAI), who took the responsibilities of ASOSAI Secretary General in December 2013. The former Secretary General YANG Kun resigned from the Chairmanship of BAI in August 2013.

I had worked at many different levels of Korean courts as a Judge for the last thirty years since 1982. Over the years, I tried my best, as Judge, to ensure fairness and justice in the Korean society. Now, being the Chairman of BAI, I will continue to uphold the spirit in fulfilling my responsibilities. Particularly, I will devote myself to enhancing cooperation between ASOSAI members, and ultimately to pursuing co-prosperity of ASOSAI.

As you all know well, ASOSAI has grown as one of the largest INTOSAI Regional Working Group with 45 member SAIs. Of course, international cooperation among the member SAIs has also expanded as well. I have a firm belief that the growth of ASOSAI can be attributed to the active support and deep interest of member SAIs.

Taking this opportunity, I would like to very kindly ask you to continue your sincere cooperation and support of ASOSAI activities. If you have any inquiries, please do not hesitate to contact the Secretariat.

ASOSAI Strategic Plan

With the current ASOSAI Strategic Plan (2011-2015) ending in February 2015, the ASOSAI Governing Board, at its 46th meeting in Manila in 2013, formed a Task Force on establishing the next Strategic Plan for 2016-2021, composed of the SAIs of China, India, Japan, Korea and Malaysia.

The ASOSAI Strategic Plan is embraced with mission, vision and strategic goals which signal ASOSAI's directions for responding to changing external audit environment. Since the opinions of member SAIs are crucial in formulating the next Strategic Plan, the Secretariat is going to conduct a survey on the next Strategic Plan among the member SAIs, and the results of the survey will be reflected in the draft of Strategic Plan for 2016-2021. The draft will be devised by the Task Force, and then submitted to the 47th Governing Board meeting to be held in the

From the desk of the Secretary General of ASOSAI

Russian Federation in September 2014 for review, and ultimately to the 13th Assembly to be held in Malaysia in 2015 for approval.

ASOSAI Research Project

Since 1986 to date, the ASOSAI Research Project has been contributing to enhancing audit capacity of member SAIs by providing relevant and necessary knowledge on given topics which were determined by joint interests of member SAIs, i.e., “Performance Auditing Guidelines” and “Evaluation and Improvement of Internal Audit System and the Relationship between the Internal Audit Units and SAIs.”

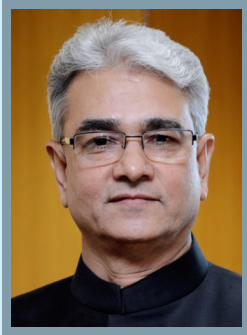
The current 10th ASOSAI Research Project, “Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering” was launched in 2012, and will be completed in 2015. In 2013, three rounds of survey were conducted among the 22 participating SAIs. To date, the five meetings were held, with the most recent one (the fifth) held in Kuala Lumpur, Malaysia. Thanks to the active devotion of the participating SAIs, it seems that the fruits of the 10th Research Project have come just around the corner already..

Cooperation with EUROSAI

In January 2014, EUROSAI held a regional seminar on Enhancing Ethics within Supreme Audit Institutions in Lisbon, Portugal. EUROSAI invited the SAI of Indonesia to the said seminar, asking the SAI of Indonesia to introduce its unique system called Code of Ethics Board to European SAIs.

In addition, upon a request from EUROSAI Task Force on Audit and Ethics, the SAI of Korea contributed to EUROSAI an article on its Hotline system, which is a direct, secret channel to the Chairman for reporting unfair treatment/matters. The article has been introduced in a book published by EUROSAI entitled, “*Supporting SAIs to Enhance Their Ethical Infrastructure.*”

Message from Chairman of ASOSAI



Mr. Shashi Kant Sharma
Comptroller & Auditor General of India
and
Chairman of ASOSAI

Institutional Capacity Building is the first strategic goal of the Strategic Plan 2011-2015. The main focus of this goal is enhancing the practicality and effectiveness of training programmes, exploring e-learning as a future capacity building methodology, implementing international audit standards and guidance in collaboration with INTOSAI and facilitating financial and technical assistance to capacity building activities.

The feedback on various Capacity Building Programmes so far sponsored by ASOSAI, directly or with cooperation of IDI, has indicated that the majority of the member SAIs have immensely benefited from these programmes. As we are now on the threshold of the next Strategic Plan 2016-2021, which is currently being formulated based on the survey feedback from member SAIs, I expect that the ASOSAI Capacity Building programmes would encompass more diversified and strategic activities, appropriate for meeting the expectations of the public sector auditors to adjust to the changing environment.

As we are all aware, continued efforts are being made to utilize substantial portion of the ASOSAI Fund towards capacity development of member SAIs. Affiliation of ASOSAI with prominent International organisations and Regional Training Facilities operating under various SAIs in their respective countries is also on our agenda for strengthening our training activities.

I am happy to note that our member SAIs are continuously striving to strengthen their auditing, accounting and regulatory foundations to ensure that their respective guidelines and methodologies are in accordance with recognized international and national standards of professional practices. I complement all the members SAIs for their continued endeavours in achieving our shared goals.

I congratulate the State Audit Office of Vietnam (SAV) for having been conferred with the Second-Class Independence Medal by the State of Vietnam on the 20th Anniversary of their establishment on 11th July, 2014 in recognition of their constant achievement in organisational, institutional and professional developments.

Role of SAI in Anti Corruption Institutional Framework

Dr. Subhash Chandra Pandey, IAAS, SAI India

Introduction

1. The 'corruption' referred in this paper means the abuse of entrusted power by public officials for private gain. When people in a position of authority lack integrity and act otherwise than the manner required by law, the cost of public services and cost of doing business goes up, which hurts one and all. The unjust private enrichment is at the cost of the tax paying citizens. A corrupt system restricts access of the poor to critical public services and thus impeded all-round, inclusive development. Hence the need and rationale for the Supreme Audit Institution of a country, recognised as the watchdog of public purse, being a key part of anti-corruption framework is self-evident.

Global fight against corruption:

2. United Nations Convention against Corruption (UNCAC) provides a global framework for national institutions. In its resolution 55/61 of 4 December 2000, the UN General Assembly recognized that an effective international legal instrument against corruption, independent of the United Nations Convention against Transnational Organized Crime was desirable and decided to establish an ad hoc committee for the negotiation of such an instrument in Vienna at the headquarters of the United Nations Office on Drugs and Crime. The text of the United Nations Convention against Corruption was negotiated during seven sessions of the Ad Hoc Committee for the Negotiation of the Convention against Corruption, held between 21 January 2002 and 1 October 2003. The Convention drafted by the Ad Hoc Committee was unanimously adopted by the General Assembly by resolution 58/4 of 31 October 2003. The Government of Mexico offered to host a high-level political signing conference in Merida for the purpose of signing the UNCAC. The Convention was opened for formal signature by member countries on 9-11 Dec 2003 in MERIDA, MEXICO and thereafter at UN headquarters in New York City. In accordance with article 68 (1) of resolution 58/4, after 140 out of 169 member countries had signed the Convention and 30 of them had also ratified the Convention, the UNCAC entered into force on 14 December 2005. A Conference of the States Parties is established to review implementation and facilitate activities required by the Convention.
3. UNCAC does not define corruption as such. It rather defines specific acts of corruption that should be considered in every jurisdiction covered by UNCAC. These include bribery and embezzlement, but also money laundering, concealment and obstruction of justice. Also, in defining who might be considered as possible participants in corruption, UNCAC uses a functional approach to the term 'public servant': it covers anyone who holds a legislative, administrative, or executive office, or provides a public service, including employees of private companies under government contract.

Salient features of UNCAC

4. The United Nations Convention against Corruption complements the United Nations Convention against Transnational Organised Crime¹. The Convention introduces a comprehensive set of standards, measures and rules that all countries can apply in order to strengthen their legal and regulatory regimes to fight corruption within and across their jurisdictions. The Convention enumerates in detail the measures to prevent corruption, including the application of prevention policies and practices, the establishment of bodies for that purpose, the application of codes of conduct for public servants, and public procurement. It recommends promoting transparency and accountability in the management of public finances and in the private sector, with tougher accounting and auditing standards. Measures to prevent money-laundering are also provided for, together with measures to secure the independence of the judiciary, public reporting and participation of society are encouraged as preventive measures. The Convention requires the State Parties to adopt necessary legislative and other measures to establish a whole series of criminal offences. These are:

- Corruption of national or foreign public officials and officials of public international organizations;
- embezzlement, misappropriation or other diversion by a public official of any public or private property;
- trading in influence;
- abuse of functions and illicit enrichment.

5. In the private sector, the Convention calls for the creation of offences of embezzlement and corruption. There are other offences relating to laundering the proceeds of crime, handling stolen property, obstructing the administration of justice, and participating in and attempting embezzlement or corruption. The opening Articles of UNCAC include a statement of purpose (Article 1), which covers both the promotion of integrity and accountability within each country and the support of international cooperation and technical assistance between States Parties. They also include definitions of critical terms used in the instrument. Some of these are similar to those used in other instruments, and in particular the United Nations Convention against Transnational Organized Crime (UNTOC), but those defining "public official", "foreign public official", and "official of a public international organization" are new and are important for determining the scope of application of UNCAC in these areas. UNCAC does not provide for a definition of corruption. In accordance with Article 2 of the UN Charter, Article 4 of UNCAC provides for the protection of national sovereignty of the States Parties.

Preventive Measures (Chapter II, Articles 5–14)

6. Corruption can be prosecuted after the fact, but first and foremost, it requires prevention. UNCAC recognizes the importance of the prevention of corruption by going far beyond the

¹ The United Nations Convention against Transnational Organised Crime lays down the international law in the fight against transnational organized crime. It promotes close international cooperation in this area. The convention is further supplemented by three Protocols, which target combating organized crime in 3 specific areas: (1) trafficking in persons (2) migrant smuggling and (3) illicit trafficking in firearms.

measures of previous instruments in both scope and detail. Chapter II of UNCAC includes preventive policies, such as the establishment of anti-corruption bodies and enhanced transparency in the financing of election campaigns and political parties. The preventive measures are directed at both the public and private sectors. These include model preventive policies, such as the establishment of anticorruption bodies and enhanced transparency in the financing of election campaigns and political parties. Anti-corruption bodies should implement anti-corruption policies, disseminate knowledge and must be independent, adequately resourced and have properly trained staff. States must endeavour to ensure that their public services are subject to States Parties are also obliged to ensure that their public services are subject to safeguards that promote efficiency, transparency and recruitment based on merit. Once recruited, public servants should be bound by codes of conduct, requirements for financial and other disclosures, and appropriate disciplinary measures. Transparency and accountability in the management of public finances must also be promoted, and specific requirements are established for the prevention of corruption in the particularly critical areas of the public sector, such as the judiciary and public procurement. Preventing corruption also requires an effort from all members of society at large. For these reasons, UNCAC calls on countries to promote actively the involvement of civil society, and to raise public awareness of corruption and what can be done about it. The requirements made for the public sector also apply to the private sector – it too is expected to adopt transparent procedures and codes of conduct.

Criminalization and Law Enforcement (Chapter III, Articles 15–44)

7. Chapter III of UNCAC calls on States Parties to establish or maintain a series of specific criminal and other offences including not only long-established crimes such as bribery and embezzlement, but also conducts not previously criminalized in many States, such as trading in influence and other abuses of official functions. The broad range of ways in which corruption has manifested itself in different countries and the novelty of some of the offences pose serious legislative and constitutional challenges, a fact reflected in the decision of the Ad Hoc Committee to make some of the provisions either optional ("...shall consider adopting...") or subject to domestic constitutional or other fundamental requirements ("...subject to its constitution and the fundamental principles of its legal system..."). Specific acts that States Parties must criminalize include active bribery (the offer or giving of an undue advantage) of a national, international or foreign public officials, passive bribery of a national public official and embezzlement of public funds. Other mandatory crimes include obstruction of justice, and the concealment, conversion or transfer of criminal proceeds (money laundering). Sanctions extend to those who participate in and may extend to those who attempt to commit corruption offences. UNCAC thus goes beyond previous instruments of this kind that request States Parties to criminalize only basic forms of corruption. States Parties are encouraged – but not required – to criminalize, inter alia, passive bribery of foreign and international public officials, trading in influence, abuse of function, illicit enrichment, private sector bribery and embezzlement, and the concealment of illicit assets.
8. Furthermore, States Parties are required to simplify rules pertaining to evidence of corrupt behavior by, inter alia, ensuring that obstacles that may arise from the application of bank secrecy laws shall be overcome. This is especially important as corrupt acts are frequently

very difficult to prove before a court. Particularly important is also the introduction of the liability of legal persons. In the area of law enforcement, UNCAC calls for better cooperation between national and international bodies and with civil society. There is a provision for the protection of witnesses, victims, expert witnesses and whistle blowers to ensure that law enforcement is truly effective.

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International Cooperation (Chapter IV, Articles 43–49)

10. Under Chapter IV of UNCAC, States Parties are obliged to cooperate with one another in every aspect of the fight against corruption, including prevention, investigation, and the prosecution of offenders. Cooperation takes the form of extradition, mutual legal assistance, transfer of sentenced persons and criminal proceedings, and law enforcement cooperation. Cooperation in civil and administrative matters is also encouraged. Based on Chapter IV, UNCAC itself can be used as a basis for extradition, mutual legal assistance and law enforcement with respect to corruption-related offences. "Dual criminality", which is a requirement that the relevant offence shall be criminalized in both the requesting and requested country, is considered fulfilled irrespective of whether the same terminology or category of offense is used in both jurisdictions. In case of a request for assistance involving non-coercive measures, States Parties are required to provide assistance even when dual criminality is absent subject only to the basic concepts of their legal systems. Chapter IV also contains other innovative provisions designed to facilitate international cooperation. For example, States Parties that use UNCAC as a basis for extradition shall not consider corruption-related offences as political ones; assistance can also be provided in relation to offences for which legal persons can be held responsible; and bank secrecy cannot be cited as a ground to refuse a request for assistance. In order to ensure speedy and efficient cooperation, each State Party is required to designate a central authority responsible for receiving MLA requests. Overall, Chapter IV provides a broad and flexible platform for international cooperation. Countries are bound by the Convention to render specific forms of mutual legal assistance in gathering and transferring evidence for use in court. However, its provisions do not exhaust all international cooperation issues covered by UNCAC, thus the purposes of UNCAC and provisions of other chapters also need to be taken into consideration.

Asset Recovery (Chapter V, Articles 51–59)

11. The agreement on asset recovery is considered a major breakthrough and many observers claim that it is one of the reasons why so many developing countries have signed UNCAC. Asset recovery is indeed a very important issue for many developing countries where high-

level corruption has plundered the national wealth. Reaching an agreement on this Chapter involved intensive negotiations, as the legitimate interests of countries wishing to recover illicit assets had to be reconciled with the legal and procedural safeguards of the countries from which assistance will be sought. Generally, in the course of the negotiations, countries seeking to recover assets sought to establish presumptions that would make clear their ownership of the assets and give priority for return over other means of disposal. Countries from which the return was likely to be sought, on the other hand, had concerns about the language that might have compromised basic human rights and procedural protections associated with criminal liability and the freezing, seizure, forfeiture and return of such assets.

12. Chapter V of UNCAC establishes asset recovery as a "fundamental principle" of the Convention. The provisions on asset recovery lay a framework, in both civil and criminal law, for tracing, freezing, forfeiting and returning funds obtained through corrupt activities. The requesting state will in most cases receive the recovered funds as long as it can prove ownership. In some cases, the funds may be returned directly to individual victims.
13. If no other arrangement is in place, States Parties may use the Convention itself as a legal basis. Article 54(1)(a) of UNCAC provides that: "Each State Party (shall)... take such measures as may be necessary to permit its competent authorities to give effect to an order of confiscation issued by a court of another state party" Indeed, Article 54(2)(a) of UNCAC also provides for the provisional freezing or seizing of property where there are sufficient grounds for taking such actions in advance of a formal request being received.
14. Recognizing that recovering assets once transferred and concealed is an exceedingly costly, complex and an all-too-often unsuccessful process, this Chapter also incorporates elements intended to prevent illicit transfers and generate records that can be used where illicit transfers eventually have to be traced, frozen, seized and confiscated (Article 52). The identification of experts who can assist developing countries in this process is also included as a form of technical assistance (Article 60(5)).

Technical Assistance and Information Exchange (Chapter VI, Articles 60–62)

15. Chapter VI of UNCAC is dedicated to technical assistance, meaning support offered to developing and transition countries in the implementation of UNCAC. The provisions cover training, material and human resources, research, and information sharing. UNCAC also calls for cooperation through international and regional organizations (many of which already have established anti-corruption programmes), research efforts, and the contribution of financial resources both directly to developing countries and countries with economies in transition, and to the UNODC.

UNCAC is the minimum what the countries are expected to do

16. The Final Provisions (Chapter VIII, Articles 65 – 71) are similar to those found in other UN treaties. Key provisions ensure that UNCAC requirements are to be interpreted as minimum standards, which States Parties are free to exceed with measures "more strict or severe" than those set out in specific provisions; and the two Articles governing signature, ratification and the coming into force of the Convention.

Implementation of the UNCAC and Monitoring Mechanism

17. In accordance with Article 63(7) of UNCAC, "the Conference shall establish, if it deems necessary, any appropriate mechanism or body to assist in the effective implementation of the Convention". At its first session, the CoSP established an open-ended intergovernmental expert group to make recommendations to the Conference on the appropriate mechanism. A voluntary "Pilot Review Programme", which was limited in scope, was initiated to offer adequate opportunity to test possible methods to review the implementation of UNCAC, with the overall objective to evaluate efficiency and effectiveness of the tested mechanism(s) and to provide to the CoSP information on lessons learnt and experience acquired, thus enabling the CoSP to make informed decisions on the establishment of an appropriate mechanism for reviewing the implementation of UNCAC. The CoSP at its third session, held in Qatar in November 2009, adopted Resolution 3/1 on the review of the implementation of the Convention, containing the terms of reference of an Implementation Review Mechanism (IRM). It established a review mechanism aimed at assisting countries to meet the objectives of UNCAC through a peer review process. The IRM is intended to further enhance the potential of the UNCAC, by providing the means for countries to assess their level of implementation through the use of a comprehensive self-assessment checklist, the identification of potential gaps and the development of action plans to strengthen the implementation of UNCAC domestically. UNODC serves as the secretariat to the review mechanism.
18. The Terms of Reference of the IRM specify that each review phase is composed of two review cycles of five years. The first review cycle covers chapters III (criminalization and law enforcement) and IV (international cooperation) of UNCAC. The second review cycle, which will start in 2015, covers chapters II (preventive measures) and V (asset recovery). All States parties must undergo the review within each cycle. The selection of the reviewing States parties is carried out by drawing of lots. Each State party is reviewed by two other States parties, with the active involvement of the State Party under review. At least one of the reviewing States is from the regional group of the State party under review.
19. An initial desk review is based on the responses of each State to the IT-based comprehensive self-assessment checklist. States parties under review are encouraged to conduct broad consultations including all relevant stakeholders when preparing their responses. Active dialogue between the country under review and the reviewers is a key component of the process. Country visits or joint meetings are held when agreed by the State party under review. A country review report is prepared and agreed to by the country under review and may be made public. The executive summary of this report is an official document of the United Nations. As of 4 October 2012, 157 countries are involved in the Review Mechanism either as countries under review or as reviewing countries.

UNCAC Coalition of Civil Society Organisations

20. The UNCAC Coalition, established in 2006, is a network of some 310 civil society organizations (CSOs) in over 100 countries, committed to promoting the ratification, implementation and monitoring of UNCAC. It aims to mobilize broad civil society support for UNCAC and to facilitate strong civil society action at national, regional and international

levels in support of UNCAC. The Coalition is open to all organizations and individuals committed to these goals. The breadth of UNCAC means that its framework is relevant for a wide range of CSOs, including groups working in the areas of human rights, labour rights, governance, economic development, environment and private sector accountability.

21. Member countries agreeing to UNCAC provisions on asset-recovery is a major breakthrough. It is stated explicitly as a fundamental principle of the Convention. This is a particularly important issue for many developing countries where organised and high-level corruption has plundered the national wealth depriving the public exchequer of resources badly needed for reconstruction and the rehabilitation of societies.
22. Ratification of UNCAC, while essential, is the beginning of a long journey towards collective global civil society's fight against corruption. Full implementation of UNCAC provisions presents significant challenges for the international community as well as individual States parties. To assist the several countries may need policy guidance and technical assistance to ensure the effective implementation of UNCAC. The provision of technical assistance, as foreseen in UNCAC, is crucial to ensure the full and effective incorporation of the provisions of UNCAC into domestic legal systems and, above all, into the reality of daily life.

SAI's role in the Anti-Corruption Framework

23. SAIs are important constituent of any institutional framework of a country's anti-corruption strategy. The head of the SAI is recognized as the watchdog of public purse. The biggest threat to public purse does not usually come from the outside thieves but from the very people who are supposed to manage it. They allow diversion of inflows to unapproved kitties and unapproved or excessive outflow to give unauthorized, undue and unintended benefits, including of course to themselves.
24. Combating corruption requires both preventive measures as well as 'therapeutic' measures.
25. One of the preventive strategy to deal with corruption the review of rules, regulations and procedures to minimize discretion. Abuse of absolute discretion and /or selective/discretionary enforcement of regulations is a common source of risk of corruption. Often in the process of evolving alternative 'people-friendly, de-bureaucratized' procedures, to replace the mistrust-based conventional procedures, certain important checks and balances are lost, giving rise to petty corruption. Replacing mistrust-based conventional procedures with trust-based new procedures must entail severe penalties for breach of trust but that does not happen as often as it should.
26. There are several ways in which the SAIs help abate and fight corruption although the primary responsibility of doing so rests with the Executive Government. Through their work in the area of Compliance Audit and Performance Audit, the SAIs come across aspects of functioning of the auditees that are prone to corruption. The SAIs can point to the systems and procedures involving unregulated discretion vested with public officials. Suggestions to change such 'risky' procedures usually stem from Audit Reports. Thus, Audit plays an important role in preventive aspect of battling corruption. Compliance Audit reports bring out deviations from laid down laws and procedures, which may call for a supplementary

investigation from a 'vigilance' angle if the deviations have been motivated by pecuniary considerations or influence-pedaling. The Audit provides a cue from where the investigative agencies can take off further.

27. For example, it is noted that the discretionary allotment of public resources is a common source of corruption and if the discretionary allotments can be substituted by rule-based allotment, whether auction or systematic, transparent draw of lots assuring true randomness, the scope of corruption can be minimized.
28. Of course, efforts to promote transparency and competition as anti-dote to corruption face limitations in several areas of niche technology where competition is severely limited or it is beyond the means and capacity of national governments to increase competition, e.g., defence and other high-technology sectors. Even when supplies are all domestic entities, creating competition may be prohibitively costly in some areas of proprietary, niche businesses. The public procurement reforms need careful balancing of inherent business logic of particular sectors where price can widely fluctuate depending on quality and post-sales service and the particular technology involved. Large, complex public procurements are not amenable to a simple single stage lowest quote based tendering. There are so many risks and issues to be addressed. Choice of technology or platform of service delivery, well before any considerations of price enter the scene, may itself limit competition. Hence, the governments need to experiment with newer methods of multi-stage bidding to minimise speculative bidding, proxy bidding or various forms of bid rigging
29. It is well-recognised that padded contracts can pose serious risk of corruption. Benchmarking of prices and assessing the reasonability of quoted / negotiated prices places major challenges to public officials and public auditors alike.
30. Fighting corruption involves organized action. There are honest public officials who are intrinsically conditioned to uphold high standards of ethical conduct. Then there are those who remain honest because of lack of opportunity or guts especially when strong enforcement systems are in place and the risks of being caught are higher. Fighting corruption involves increasing the risks and costs for the fence-sitters. Further, there are ways and ways in which the criminals can overwhelm or intimidate individual public officials [and public auditors as well] even if left alone they would have chosen to remain honest but for such coercion. In such cases, the collective State action is required to prevent such compromises. The SAIs following Code of Ethics for public auditors would need to address such issues of involuntary compromises by evolving system of effective supervision and checks and balances. Wider and instantaneous internal dissemination of sensitive information can help minimize the risks of involuntary compromise.
31. Developing and promoting practical tools that reduce the opportunities for corruption and enhance the ability of people and organisations to resist it is a professional job by itself. It calls for closely studying the modus operandi of the corrupt and preparing counter-strategies. The tussle between people making locks and those making (unauthorizedly) duplicate keys to those locks is an endless game.
32. Vigilant SAIs routinely keep their eyes and ears open and scan the media for possible cues from all sort of media, which of course then have to be subjected to professional scrutiny according to the auditing standards on evidence and reporting.

33. Fear of reprisals keeps away potential whistle-blowers from giving cue to enforcement authorities. The silent majority suffers while the evil minority thrives on intimidation of the victims of corrupt practices. It is important for the SAIs to provide a channel of communication to the whistle-blowers. In general anonymous or pseudonymous feedback is disregarded but in jurisdictions with inadequate whistleblower protection laws and mechanism, the SAIs should encourage even anonymous whistleblowers. Technologies are now available which allow a person to digitally communicate while the system erases digital footprints. So long as verifiable material is accessible to SAIs and investigative agencies through such methods, these should be considered acceptable inputs. [The US GAO maintains a hotline for seeking inputs from whistleblowers the inputs of which are taken into account for planning the audits, mostly performance audit oriented. Although 2/3rd of audits taken up at the instance of Congress, whistleblowers inputs are taken seriously to plan for the same.]
34. In the fight against corruption, combat forces can never be enough. It is important to develop coordination at apex level and functional level between the SAI and other agencies entrusted with vigilance, investigation and prosecution. Timely sharing of information can minimise chances of destruction of evidence of wrong-doing. Any outstanding issues such as that of legislative privilege need be addressed so that investigations are launched in a timely manner and incriminating documents are seized before being tampered or destroyed.
35. The above are some thoughts on ways and means of SAIs getting their act together in contributing to the fight against corruption. SAIs can benefit from as well as contribute in implementation of the UN Convention Against Corruption. For this to be effective, the technical assistance from the UN should include
- a. assistance for strengthening systems for evaluation of follow up action taken by the government on SAI's findings and recommendations as well as for dissemination of SAI's Audit Products not just to the Legislatures but also to other stakeholders
 - b. sharing of information and experiences by developing suitable digital platforms;
 - c. capacity development in fraud detection and forensic audits;
 - d. promotion of institutionalized interaction between the SAI and national agencies entrusted with vigilance, anti-corruption, money-laundering, anti tax evasion.

The New Approach to the Audit Management System

Assoc. Prof. Dr. Recai Akyel
President of the Turkish Court of Accounts

The Turkish Court of Accounts (TCA), which is a supreme audit institution that conducts audits on behalf of the Turkish Grand National Assembly (TGNA), is a constitutional entity that is equipped with the task and power of taking final decision. The impartiality of the TCA stems from its independence. In this context, it has been successfully continuing its audit and judicial tasks for 150 years. The TCA, which was established in 1862 and is a reputable member of the global SAI community, is an active member of such international and territorial organizations of SAIs as International Organization of Supreme Audit Institutions (INTOSAI), European Organization of Supreme Audit Institutions (EUROSAI), Asian Organization of Supreme Audit Institutions (ASOSAI), and Economic Co-operation Organization Supreme Audit Institutions (ECOSAI).

Since the beginning of the 21st century, Turkey has launched a series of reforms not only in government sector such as financial management and control system but also in social life. Especially the Public Financial Management and Control Law numbered 5018 introduced a new approach to the public financial management and control. Likewise, the TCA Law numbered 6085 envisaged new audit approaches in order to conduct the audits in compliance with the international standards and principles. Since the enactment of the new TCA Law in 2010, TCA has been responsible for carrying out regularity audits of the public sector including both financial audit and compliance audit.

On the other hand, with the new law, the TCA has now a more comprehensive audit scope and more responsibilities in terms of audit types and objectives, and audit methodology has changed as well. It was not possible to overcome these problems by using traditional tools. The TCA had to perform its audit and reporting functions in line with the generally accepted international auditing standards. For that reason, the TCA had to adopt the new financial audit manual and carried out the Audit Management System Project in order to conduct and manage regularity audits of the TCA with a systematic approach to enhance overall effectiveness of the audits.

Audit management systems are systems that are used for planning, managing, documenting, indexing, connecting, reviewing, reporting, recording audits in a computerized environment.

With the audit management system, the followings are achieved:

- Increasing and improving the efficiency and effectiveness of the audits,
- Managing and using information,
- Providing value-added activities,
- Improving results,
- Sharing information,
- Standardization,

Audit management systems, whether package programs or tailor-made products, play vital roles in managing the auditing functions of SAIs or other audit organizations. The main objective of the TCA in developing an audit management system is to conduct and manage the audit, especially regularity audit, in a systematic way to enhance effectiveness and save time.

Before developing a tailor-made audit management system, following steps are necessary to establish a well-designed project:

- Taking decision on which way is suitable for the SAI, either developing a tailor made program or buying a package program,
- Making a good market research in order to choose the audit management system,
- Analysis of the software in cooperation with the audit groups,
- Requirement for designing a project,
- Receiving the support of the management,
- Making up a well-established and competent project team,
- Approval of the project with timetable.

After these steps, the SAI can develop an audit management system or reach a suitable one. In the case of our institution, the TCA developed a tailor-made audit management system. Firstly, the TCA found an external Turkish company, which is specialized on audit management systems, and computer-assisted audit tools and techniques (CAATTs) in particular. Secondly, an analysis was made on the company's audit management system that is whether it is suitable for the implementation of regularity audit methodology. After that, project team was established. The project team consisted of an IT project manager, software programmers, three IT auditors, one financial auditor with solid technical background, two financial auditors, one auditor with IDI training certificate and one auditor from Audit Planning and Reporting Group who were employed for the project on full-time basis. Finally, the project team and the external company adapted the regularity audit methodology to the software. After finalization of the project, following criteria were met:

- Suitable for TCA's regularity audit methodology,
- Suitable for team work
- Meets the audit management requirements,
- User friendly
- Adaptable and flexible

Before the Audit Management System was put into use, it was necessary to give a new name to the system. In order to determine the name of the Audit Management System, the TCA made a survey among auditors. Finally, the Audit Management System of the TCA was named as "SAYCAP". "SAY" refers to the TCA in Turkish language, and "CAP" stands for computerized audit program.

Audit Management System (i.e. SAYCAP) has been used for 2 years in the TCA. Between 01.03.2014 and 14.07.2014, approximately 689 auditors used this system actively as heads of financial audit groups, team leaders or auditors. A total of 483 regularity audits have been made on SAYCAP.



The main benefits of using the Audit Management System for TCA (i.e. SAYCAP) are as follows:

General Risk Assessment:

The TCA has an audit mandate covering about 5000 auditees. It is not possible to audit all of them in a given auditing year because the TCA has limited human resources capacity and budget. For that reason, a risk assessment methodology is developed to successfully fulfill the requirements. The risk assessment methodology consists of a set of questions. Some of those questions are answered by the Heads of Financial Audit Groups, and some of them are answered by the Head of Audit Planning and Reporting Group. The answers to all questions are scored within the range of 1 – 9, and the total value of the answers is converted to a risk level such as very high level risk, high level risk, medium level risk, and low level risk. Final decision regarding the Annual Audit Program is made by the Board of Auditing, Planning and Coordination based on this risk level.

Institution	Status	Approve	Disapp...	General Assessment				Planning Department Assessment				Audit Group Assessment					
				Max Risk Score	Risk Weight	Risk Percent	Risk	Score	Max Risk Score	Risk Weight	Risk Percent	Risk	Score	Max Risk Score	Risk Weight	Risk Percent	Risk
Ministry 5	OutOfScope	Approve		72	56	% 77,8 High	High	0	17	17	% 100 Very High	High	17	55	39	% 70,9 High	High
Ministry 4	OutOfScope	Approve		72	72	% 100 Very High	High	0	17	17	% 100 Very High	High	17	55	55	% 100 Very High	High
Ministry 3	OutOfScope	Approve		72	12	% 16,7 Low	Low	0	17	3	% 17,6 Low	Low	0	55	9	% 16,4 Low	Low
Ministry 2	OutOfScope	Approve		72	40	% 55,6 Medium	Medium	0	17	15	% 88,2 Very High	High	15	55	25	% 45,5 Medium	Medium
Ministry 1	OutOfScope	Approve		72	37	% 51,4 Medium	Medium	0	17	5	% 29,4 Low	Low	5	55	32	% 58,2 Medium	Medium
Ministry 5	OutOfScope	Approve		72	0	% 0 No risk ass...	No Risk	0	17	0	% 0 No risk ass...	No Risk	0	55	9	% 16,4 Low	Low
Ministry 4	OutOfScope	Approve		72	60	% 83,3 Very High	High	0	17	11	% 64,7 High	High	11	55	46	% 83,6 Very High	High
Ministry 3	OutOfScope	Approve		72	0	% 0 No risk ass...	No Risk	0	17	0	% 0 No risk ass...	No Risk	0	55	37	% 67,3 High	High
Ministry 2	OutOfScope	Approve		72	34	% 47,2 Medium	Medium	0	17	11	% 64,7 High	High	11	55	22	% 41,8 Medium	Medium
Ministry 1	OutOfScope	Approve		72	47	% 65,3 High	High	0	17	11	% 64,7 High	High	11	55	36	% 65,5 High	High
Ministry 5	OutOfScope	Approve		72	0	% 0 No risk ass...	No Risk	0	17	0	% 0 No risk ass...	No Risk	0	55	0	% 0 No risk ass...	No Risk
Ministry 4	OutOfScope	Approve		72	0	% 0 No risk ass...	No Risk	0	17	0	% 0 No risk ass...	No Risk	0	55	0	% 0 No risk ass...	No Risk
Ministry 3	OutOfScope	Approve		72	0	% 0 No risk ass...	No Risk	0	17	0	% 0 No risk ass...	No Risk	0	55	0	% 0 No risk ass...	No Risk
Ministry 2	OutOfScope	Approve		72	56	% 77,8 High	High	0	17	11	% 64,7 High	High	11	55	46	% 83,6 Very High	High
Ministry 1	OutOfScope	Approve		72	0	% 0 No risk ass...	No Risk	0	17	0	% 0 No risk ass...	No Risk	0	55	0	% 0 No risk ass...	No Risk

Planning of Audit Resources:

Before the implementation of the Audit Management System, the Heads of Financial Audit Groups did not have any idea about their resources such as the work force and work load. After the introduction of the Audit Management System, each financial audit group is now able to compare the potential workload (days) required for implementing audits under their mandate with the work force (auditor/day). Finally, the Heads of Financial Audit Groups can see the balance between total days required for all auditees and the audit resources.

Audit Procedures:

SAYCAP has an audit pool (i.e. a database of audit questions). These procedures are categorized by the audit stage such as control tests or substantive tests, and the type of auditees such as university or municipality.

Team leader makes the audit plan and decides who is responsible for completion of the procedure in accordance with audit requirements.

Working Papers:

Without using computer tools, it is hard to manage many working papers. After SAYCAP, it has become easy to monitor and archive working papers in a systematic way. When an auditor finishes his working paper, this working paper is reviewed and approved by the team leader. In this way, all working papers are monitored during the audit.

Additionally, auditors are able to see the working papers of the last 5 years that are related to the same auditee, by using audit management system.

Findings:

Draft findings written during the planning or execution phase of audit are automatically sent to the evaluation module for getting findings in the reporting phase, and they are subject to modifications and final approvals by team leaders and the head of groups. Moreover, initial copies of the draft findings are archived to be reviewed in case of a disagreement. Team leaders and/or heads of groups are obliged to write a brief explanation if finding is removed completely. Furthermore, SAYCAP is able to embed approved audit findings into the draft and final audit report templates so that the auditor can automatically extract audit reports in the .doc format.

Management Information:

SAYCAP provides a wider range of management information when compared to other audit management systems. The management of the TCA can get many reports related to the cost of each audit, the progress of audits at any particular time, a comprehensive analysis of audits based on audited entity, sector, budget and institution type during the audit.

Library:

Auditors can easily reach the information that is necessary during the planning, execution, and reporting stages of the audit.

Quality Control and Monitoring:

Quality control team can evaluate a regularity audit according to the financial audit manual.

The audit management system of the TCA (i.e. SAYCAP) has helped the TCA to improve itself in following areas:

- Standardization in the implementation of the regularity audit manual,
- Improving transparency and accountability throughout the audit processes,
- Efficiency and effectiveness in regularity audits,
- Better risk assessments of auditees in the general planning phase,
- Facilitating team work,
- Eliminating the trivial procedures that do not provide any value added,
- Providing information on human resources and audit days to make better plans,
- A better quality control review system including hot and cold reviews,
- Providing management information to assist the senior level of TCA,
- Integration of audit work papers and information,
- Time savings,
- Standard and configurable reporting,

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However, there are some risks related to the adaptation phase:

- Resistance of auditors especially in adapting to a new system,
- Insufficient training and system support for users,
- Lack of computer literacy within auditors,
- Unclear business needs,
- Lack of financial audit knowledge,

Conclusion

Audit Management System (i.e. SAYCAP) has been used for 2 years in the TCA. Between 01.03.2014 and 14.07.2014, approximately 689 auditors used this system actively as heads of financial audit groups, team leaders or auditors. A total of 483 regularity audits have been made on SAYCAP. In the future, we will adapt other audit types such as performance audit and IT audit.

Enhancing the Effectiveness of Knowledge Sharing Activity SAI Malasiya

Background

The primary mandate of the Knowledge Sharing Committee (KSC) is to encourage ASEANSAI cooperation, collaboration and continuous improvement through knowledge sharing. As members of the KSC, our role is to ensure that we provide access to existing methods, techniques and experiences and how we learn from each other practices.

The idea of conducting the ASEANSAI KS workshop was agreed upon by the Chair of the ASEANSAI KSC to help to identify and choose mechanisms for improving our knowledge management (KM) and knowledge sharing. The assistance from *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)* experts were enlisted to work with the KSC member in the workshop.

ASEANSAI KS Workshop

The ASEANSAI KS Workshop was held from May 29 and 30, 2014 in Kuala Lumpur and was attended by 21 participants from SAI of Brunei, Cambodia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand and Vietnam and facilitated by 4 GIZ experts namely Dr. Denis Roy (Senior Advisor); Dr. Jan Schwaab (KM & KSC Expert); Ms. Jana Leutner (Advisor) and Ms. Lucia Auge (Assistant of KM and KSC Expert). Two observers from SAI of Indonesia, Mr. Wahyudi and Mr Hery W. Wibowo were also present at the workshop.

Mr. Zulkpli Abdullah, Director of the Special Audit & Research Sector in his opening remarks emphasised the need for the ASEANSAI members to work cooperatively and collaboratively through sharing of best practices and exchange of lessons learnt in the field of public sector auditing. One of the core functions of ASEANSAI is the management of knowledge and the sharing of the knowledge between members SAIs.

Background of the formation of ASEANSAI KSC which included the objectives; scope of work; roles & responsibilities of the Chair, Members (Individual, Project Group, Project Lead), achievements of KSC in 2012 to 2013 as well as the KSC Work Plan 2014 – 2017 which was endorsed during the 2nd General Assembly in Brunei in November 2013 was presented by Dr. Masiah Ahmad, Deputy Director of Research.

Dr. Jan Schwaab who is the GIZ expert on KM and KS provided an overview of the topics on benefits and challenges of KM and KS, KS Case 1: OLACEFS' KM System and KS Case 2: GIZ Sector Networks. According to him, to achieve the best in knowledge sharing, there should be openness and trust; incentives for sharing and well defined intellectual property rights. There are 4 critical success factors for the implementation of KM and KS which are:

Articles

1. KM and KS as a strategy – Are there options for quick wins to start with?
2. KM and KS as a process – How can we move quickly to get results? (the champions, fast movers, etc) as well as defining roles and outcomes.
3. KM and KS as assets – Are there any strengths or assets which have been successfully established or are used by a SAI that can be shared?
4. KM and KS as an attitude – What is the best way to maintain and foster commitment of member SAI?

Several methodologies such as presentations, group discussions, bilateral interviews and management games (Triggering Change and Cooperation Game) were utilised. The participants participated actively by giving their views and opinions on the matters of discussion. Before the end of the day, the key points were summarised in the wrap-up session and those points were again reflected on the next day.

KS Expectations and Strengths

A group discussion on identifying the expectations of each SAI was conducted and facilitated by the GIZ experts. The key points were that the participants expected the KS activities to enhance the quality of public audits, professionalism and credibility of a SAI through various mechanisms as a stepping stone towards deeper regional integration, the ultimate tool to enable “togetherness” and a good opportunity to exhibit national strengths. The common understanding on KS strategies in the contexts of implementation of International Standards of Supreme Audit Institutions (ISSAIs) and trainings were categorised into the following three matters:

I. KS for ISSAIs Implementation

- Pool of ISSAI facilitators
- identify guidelines „not applicable“ and explain
- Customization: taking into account the national context
- Having (selected) documents in local language (interpretation, translation)
- Learning from others, Secondment on ICATs, Joint in-house trainings
- ISSAI day / market place
- Training needs assessment as basis for systematic training approach for ISSAI
- Publication on progress and gaps in ISSAI implementation
- Youtube & Social Media for exchange on ISSAI implementation
- Joint seminar series on ISSAI implementation (annual sharing exercise)
- Cascading methodology to share knowledge from training returnees
- Peer Review on ISSAI implementation

II. KS for Trainings (Inputs, Methods, Results)

- Joint definition of content and relevant topics
- KSC outputs should be inputs to TC activities >> Systematic training approach (series, e.g. Starting with ISSAI) – et vice versa (e.g. Sharing success stories)
- Experience from Vietnam: support workshop on INTOSaint
- Strengthen cooperation between KSC and TC (also linking with IT)
- Joint in-house training

The list of strengths identified by each SAI during the bilateral interview was shown below:

SAI	Strengths
Brunei	<ul style="list-style-type: none"> ■ Shared Portal ■ Risk-Based Audit Methodology
Cambodia	<ul style="list-style-type: none"> ■ Experienced in hosting events ■ ISSAIs Facilitators ■ Follow-up Audits ■ Good Support from Stakeholders ■ Strong Audit Law
Indonesia	<ul style="list-style-type: none"> ■ Financial Audit ■ Investigative and Forensic Audit ■ Audit of Disaster-related Aids ■ Chair of WGEA ■ Parallel Audits ■ Training Centre ■ Tools (GIS, e-audit in Financial Audit) ■ ISSAIs Facilitators
Lao PDR	<ul style="list-style-type: none"> ■ Independent Organisation ■ Reporting Twice a Year ■ Training Centre ■ Procurement Audit
Malaysia	<ul style="list-style-type: none"> ■ Training Centre ■ Auditing Manuals/Guidelines ■ Qualified Staff ■ Experienced in hosting events ■ Financial Audit, Financial Management Accountability Index, Performance Audit and Government Companies' Audit) ■ Specialised Audits (ICT, Water Management, Environmental) ■ 12 Reference Auditing Groups ■ Customised ISSAI Manual and ISSAIs Facilitators ■ Follow-ups & AG Online Dashboard

Articles

SAI	Strengths
Myanmar	<ul style="list-style-type: none"> ■ Budget Execution Audit ■ Performance Audit ■ ISSAIs Facilitators ■ Training Centre ■ Website ■ In the process of establishing Environmental Audit ■ Translation Facility
Philippines	<ul style="list-style-type: none"> ■ Recruitment Independence ■ Training Centre ■ ISSAIs Facilitators ■ Adjudicatory Function – Fiscal & Audit ■ Website ■ UN auditors
Thailand	<ul style="list-style-type: none"> ■ Financial Audit ■ Performance Audit including on environmental ■ Investigative Audit ■ Public Private Partnership Audit (Flood Mitigation) ■ Complaint Letter ■ ASEANSAI Project Leader for Work Plan 2014-2017
Vietnam	<ul style="list-style-type: none"> ■ Training Centre ■ Auditing Manuals ■ Follow up Audit

Conclusion

The Deputy Auditor General of Malaysia, the Honourable HjAnwariSuriin his closing speech recorded his appreciation to GIZ and the KS participants on their contributions and commitments to the success of the workshop. He highlighted the various initiatives undertaken by SAI of Malaysia to enhance the capacity building of the auditors. He shared his views on the importance of KSC in fulfilling the mission, vision and objectives of ASEANSAI. He also emphasised the need for SAIs to comply with International Standards of Supreme Audit Institutions (ISSAIs) to raise SAI's credibility and professionalism.

Excellent design, facilitation and moderation of the workshop by the GIZ experts and active involvement of the participants in the discussion have contributed to the success of the workshop. It has brought a sense of togetherness and openness among the participants to share knowledge and experiences. The GIZ experts have shared a good methodology of handling a workshop and obtaining consensus which the SAIs can utilise when conducting a workshop.

INTOSAI AUDITING STANDARDS -ISSAIs Level 3 & Level 4 and Option for new and emerging SAIs

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Implementation of INTOSAI's Auditing Standards & New Level 3 ISSAIs

INTOSAI (International Organization of the Supreme Audit Institutions), as a federation of the member Supreme Audit Institutions (SAIs), provides guidance and technical inputs through public sector auditing standards, namely, International Standards of Supreme Audit Institutions (ISSAIs) and other guidelines such as the Guidance for Good Governance (GOVs) and specific area guidelines.

Recently (early 2014), as an outcome of its ISSAI 'Harmonization Project', INTOSAI has announced second versions of the Level 3 ISSAIs. While the first versions of Level 3 ISSAIs issued earlier presented general guidelines and basic principles of government auditing applicable to all types of audit, the second versions issued recently deal with the fundamental principles for public sector auditing with focus on specific types of audit – financial, performance and compliance audits.

An important point of difference that has emerged with the new versions Level 3 ISSAIs is the flexibility to the SAIs in choosing their auditing standards - implementing the Level 4 ISSAIs or developing national auditing standards or adopting auditing standards based on other best practices. In this backdrop and the choices provided for SAIs, this article seeks to analyze the options and possibilities of implementation of Level 3 and Level 4 ISSAIs by SAIs, particularly, the new and emerging SAIs and the challenges of capacity building for them.

The auditing standards, guidance and technical inputs of the INTOSAI on the role, mandate and scope of audit, independent professional status of the SAIs, audit approaches and methodologies, and the entire audit process reflect the best practices that prevail in member countries. These standards and guidance are results of various Declarations of the INTOSAI, foremost being the Lima Declaration, 1977 (enshrined in International Standard of SAIs-ISSAI 1), which is often regarded as the Magna Carta of government auditing, the Mexico Declaration 1987 (enshrined in level 2 ISSAIs) and Tokyo Declaration, 1993 (enshrined in Level 3 ISSAIs). INTOSAI's Level 4 auditing guidelines are for specific types of audit – financial, performance and compliance audits. The auditing standard and guideline setting tradition for the government sector by the INTOSAI presents the culmination of the accumulated experiences, knowledge and techniques in auditing by several countries and has heralded an era of knowledge sharing and platform building for public audit in an organized and formal for last several decades.

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Auditing requires special skills and techniques, professional capacity and knowledge of international best practices amongst the audit personnel. Needless to say, sharing of audit knowledge and experiences are very important for developing, including post-conflict country SAIs, as INTOSAI's platform provides corpus of ready-made best practices auditing skills, techniques, standards and guidance. However, for most of the new and emerging SAIs in many developing and post-conflict countries, absorption and implementation of the best practices and auditing standards requires capacity building. It emerges from the very fact that the practices, knowledge and methods of audit journeyed by the developed SAIs in so many years need time and capacity for absorption and implementation by the new and emerging SAIs.

Further, while a multi-dimensional capacity-building effort in SAIs of many developing countries and emerging SAIs in post-conflict countries is required for implementation of ISSAIs, there may also be a requirement of considering prioritization with regard to the type of audit and implementation of the level of ISSAIs. For example, whether financial attest and regularity audit should get priority or should go simultaneously with performance audit and whether such SAIs consolidate their audit practices on the basis of Level 3 ISSAIs and subsequently absorb the requirements of Level 4 ISSAIs. Alternatively, it is possible that some may attempt the latter.

It is observed that certain capable SAIs in the developed and a few developing countries have for long been focusing primarily on financial and performance audit and specific area audits, as they acquired the rigour of transaction and compliance audit (regularity audit) long back. Can their model be replicated in developing and post-conflict countries without achieving the rigour of regularity audit, meaning financial and compliance audit? An ADB's Diagnostic Study opined that "The SAIs of developed countries, which have a strong financial attest auditing capacity, can afford to divert resources to VFM auditing. It is questionable whether the same is true of developing countries"². SAIs in developing and post-conflict countries, given the predominance of donor's grants and requirements of financial management, may need to focus on providing a clear cut 'audit opinion' on the annual financial statements of the government (which are mostly cash based). The financial audit also includes compliance audit undertaken as part of the financial audit (the transaction / regularity audit as part of the assurance building for financial or attest audit). This is important for accountability and transparency and also in identification and prevention of frauds. Compliance audit may also be undertaken separately for assessing compliance by the audit entities with applicable laws, rules, regulations and authorities, including budgetary authorities. Depending upon the capacity and context and mandate under which an SAI is operating in the developing and post-conflict country, desirability of performance audit needs to be examined. This will also inform the rigour or ease of implementation of related ISSAIs.

Notwithstanding the types of audit being undertaken by an SAI (only regularity – financial & compliance audit, or regularity as well as performance audits), the first version of Level 3 ISSAIs provided basic principles and general standards of government audit including for field audit and audit reporting. The second (newly issued) versions of Level 3 ISSAIs provide fundamental principles of public sector auditing along with fundamental principles separately for financial, performance and compliance audit. An SAI complying with all the requirements of the Level 3 ISSAIs in its audit may provide in its report that the audit has been carried out as per the

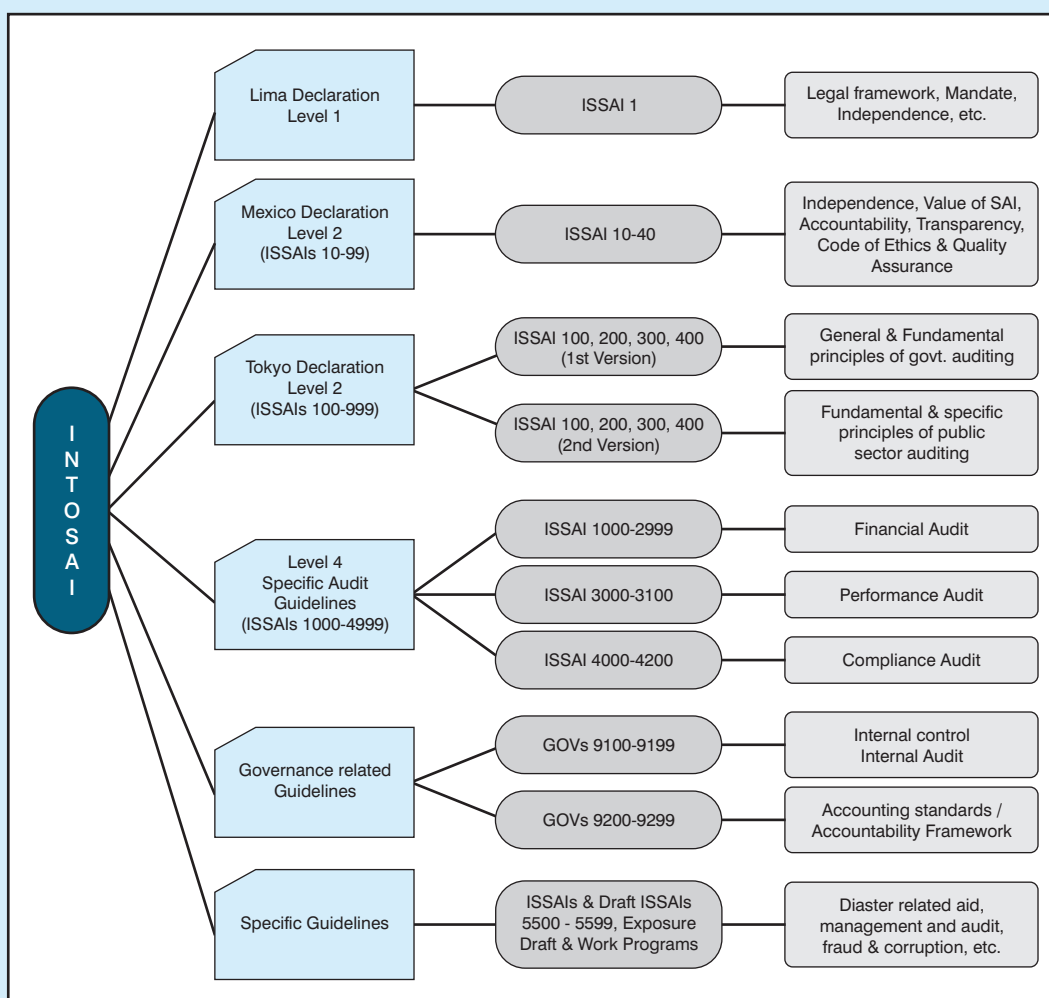
² Diagnostic Study of Accounting and Auditing Practices in Selected Member Countries, RETA, Asian Development Bank (ADB), 2002, page 100.

Fundamental Auditing Principles (Level 3 ISSAIs). If the detailed guidelines for financial audit, performance audit and compliance audit contained in Level 4 ISSAIs have been followed, the same may need to be mentioned in the audit report. However, depending upon the priority of type of audit being undertaken by a new or emerging SAI in the developing and post-conflict country and its capacity to absorb and implement the different levels of ISSAIs, application of Level 4 guidelines/ISSAIs along with Level 3 ISSAIs need to be examined by the respective SAIs.

Before we compare previous and new Level 3 ISSAIs and the option for implementation of ISSAIs by the SAIs, including the Level 4 ISSAIs, the diagram given below provides a fuller view of INTOSAI's auditing standards and their nature.

Schema of Auditing Standards setting by the INTOSAI

Figure : ISSAI / GOV's schema¹



As can be seen from the figure 1 above, implementation of Level 1 & Level 2 ISSAIs by each SAI appears to be an essential requirement for ensuring a legal framework for its independence, mandate and scope of audit, professional ethics and quality assurance. It may appear to be a beginner's hypothesis; it is, however, a reality that a few SAIs are still consolidating their legal

framework and mandate as well as a framework of effective legislative oversight for audit reports. Let's take an example of the Supreme Audit Office (SAO), the SAI, Afghanistan.

SAI, Afghanistan has got its new Audit Law recently in March 2013 (Solar Year 1392) that provides independence to the SAI in terms of scope of audit and submission of audit report to the National Assembly, which was very limited earlier. Now, the SAO has the mandate to prepare and implement its audit plan independent of the intervention of the executive. It has also the mandate of wider coverage of audit - expenditure, including secret expenditures, revenues (tax, non-tax and custom), all budgetary and public sector entities, financial, compliance and performance audit of these entities, etc. With regard to reporting, earlier SAO was limited by submitting only financial audit report to the National Assembly; the compliance audit report could reach only to the President / executive and not to the National Assembly. There was no concerted effort on the performance audit and no report was submitted at all. The new audit Law enables all of these. These reports could now be made publicly available also. On account of audit planning, audit field work and audit reporting, SAO has received a wider mandate and is ready to be an active and effective partner of the legislature to facilitate transparent and accountable operation by the executive. However, this has happened recently and requires a multi-dimensional focus to achieve the auditing expertise and capacity to take the burden for all the areas mandated. Given the fact that audit skills and capacity in Afghanistan is still growing and may need further enhancement, rigour of full compliance with all the elements and requirements of the ISSAIs may take some time.

In addition, there is one significant limitation with regard to the legislative follow up on the audit reports. At present, there is no separate oversight body, e.g., a Public Accounts Committee (PAC), to act on behalf of the National Assembly for a separate scrutiny and follow up on the reports of the SAO. Presently, this task is carried out by the Budget, Banking & Finance Committee (BBFC), which also scrutinizes and monitors the preparation and presentation of national budget and the Qatia statements (traditional financial statements of the government) thereon.

In many jurisdictions, separate bodies are constituted e.g., a Estimate Committee / Budget and Finance Committee for scrutinizing and monitoring budget matters and a Public Accounts / Audit Committee for scrutinizing and monitoring the reports of the SAI. The absence of latter in Afghanistan, though not a limitation on the proper scrutiny and follow up on the reports of the SAO, may however, result in inadequate attention by the already overloaded existing BBFC.

SAO is receiving significant inputs by way of financial support from the World Bank (financial aid as well and advisory and consultancy services) and technical support from UNDP and USAID (advisory support) as well as capacity building support from other SAIs (especially SAI India and SAI Malaysia in terms of training and capacity building, etc). In addition, INTOSAI Development Initiative (IDI)'s technical and capacity building inputs are also available and utilized. However, absorbing the audit techniques, skills, methodology and international best audit practices may need some time to be fully absorbed and practiced by the SAO. There is also a language barrier in terms of available standards, guidance and methodology, as SAO Afghanistan is largely based on non-INTOSAI language (Dari / Persian). In the backdrop of the aforesaid status, the issue of prioritization of the types of audit and implementation of the levels of ISSAIs need to be considered.

The prevailing situation in the SAO, Afghanistan may not be much different from other similarly placed SAIs in many developing and post-conflict countries. A general view is that financial attest audit/regularity audit should be strengthened first before spreading the resources to Value for Money (VFM)/Performance audit (3Es audit – audit of Economy, Efficiency and Effectiveness). One important consideration in such a strategy is the support of the international donor agencies, such as the World Bank and the Asian Development Bank and the INTOSAI (IDI). If capacity building and financial support is forthcoming only for regularity audit (financial and compliance), the same need to be leveraged without overstretching for performance audit. However, if the support is all inclusive, a full-scale coverage of audit – financial, compliance and performance audits can be considered. SAO Afghanistan is presently poised to implement the Level 3 ISSAIs for financial and compliance audit and gradually absorb the Level 4 guidelines. Further, with the support of the existing advisory services and expected future IDI/member SAI's assistance, it is undertaking performance audit in a few selected areas.

Level 3 ISSAIs: 1st & 2nd versions

In the context of aforesaid discussions, let us consider the relevance and applicability of ISSAIs level 3, both new and previous versions, for the emerging and post conflict SAIs and future road map for absorbing the Level 4 guidelines.

Recently, as an outcome of its ISSAI Harmonization Project, second versions of the Level 3 ISSAIs have been announced by the INTOSAI. The main purpose of ISSAIs is to impart professionalism, credibility and quality to SAI's audit; ISSAIs level 3 (both 1st & 2nd versions) are aimed at these. It is not universal that all SAIs apply INTOSAI ISSAIs, a survey of the INTOSAI in 2007 has revealed that a majority of them (about three quarters), use ISSAIs in combination of the national and other international auditing standards³. SAIs have varying needs and requirements, which are well recognized by the INTOSAI. To meet these different needs of the SAIs, the ISSAIs provide auditing guidance on two levels: first, the fundamental auditing principles (ISSAIs 100-999), which express the essence of public sector auditing, and second, the auditing guidelines (ISSAIs 1000-5999), which translate the fundamental auditing principles into more specific, detailed, and operational guidance. These guidelines draw upon the guidance from other standard setters; most notably, IFAC International Standards on Auditing (ISAs) relevant for financial audit⁴.

Let us understand the contents of 1st and 2nd versions of the Level 3 ISSAIs – 100, 200, 300 and 400.

³ INTOSAI New fundamental Auditing Standards, Kristoffer Blegvad, International Journal of Government Auditing (IJGA), Oct. 2012, page 17.

⁴ INTOSAI has adopted with comments relevant to public sector the ISAs of IFAC for financial audit (ISSAIs 1000-2999).

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Aspects	1 st version of Level 3 ISSAIs	1 st version of Level 3 ISSAIs
ISSAI	100, 200, 300 & 400	100, 200, 300 & 400
ISSAI 100	Basic Principles in Govt. Auditing	Fundamental Principles of Public Sector Auditing
ISSAI 200	General Stds in Govt. Auditing (with ethical significance)	Fundamental Principles of Financial Auditing
ISSAI 300	Field standards in Govt. Auditing	Fundamental Principles of Performance Auditing
ISSAI 400	Reporting Standards in Govt. Auditing	Fundamental Principles of Compliance Auditing
Basis	Lima Declaration 1977, Mexico Declaration 1987 and Tokyo Declaration 1993 in terms of framework, mandate, independence and objectives.	Lima Declaration 1977, Mexico Declaration 1987 and Tokyo Declaration 1993 in terms of framework, mandate, independence and objectives.
Coverage & Focus	<ul style="list-style-type: none"> ■ More focused on foundational and mandate issues of SAIs than on technical and methodological issues of audit. ■ In terms of legality, regularity and performance audits. ■ Organized in terms of basic professional capacity building and audit cycle, namely planning, field audit work and reporting. ■ No clear differentiation between financial audit and compliance audit and role of compliance audit in performance audit ■ Lack clear recognition of overriding national laws and scope of developing standards. ■ Application of all ISSAIs 100, 200, 300 and 400 required for a particular audit. ■ Overlap with ISSAI level 1 and 2. 	<ul style="list-style-type: none"> ■ Focus on technical and methodological issues of audit. ■ In terms of financial, performance and compliance audits. ■ Organized in terms of types of audit, namely financial, performance and compliance audit. ■ Recognizes the inter-relationship between compliance audit on the one hand and financial and performance audit on the other. ■ Recognition of requirements of national laws and flexibility of auditing standard setting including adoption of general auditing guidelines (ISSAIs) ■ Application of ISSAI 100 in combination of the relevant ISSAIs for type of audit, e.g., for financial audit, ISSAIs 100 & 200; for performance audit, ISSAIs 100 & 300 and for compliance audit, ISSAIs 100 & 400. ■ No overlap with ISSAI Level 1 & 2.

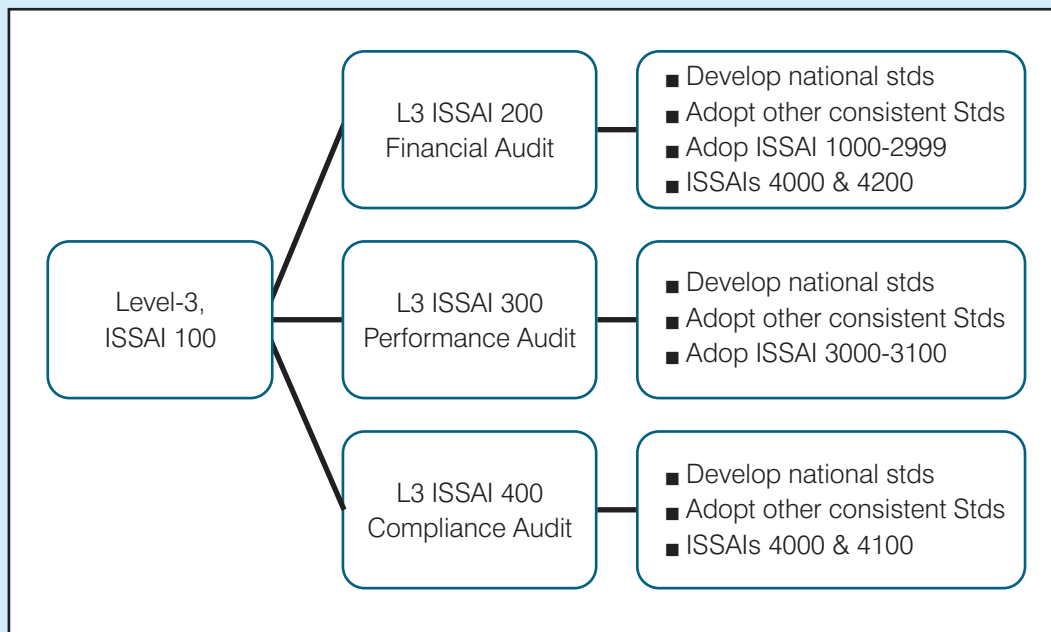
Aspects	1 st version of Level 3 ISSAIs	1 st version of Level 3 ISSAIs
Relationship and linkage with Level 4 ISSAIs	<ul style="list-style-type: none"> ■ As Level 4 ISSAIs were not available when Level 3 ISSAIs were issued, no linkages were envisaged. ■ No linkage envisaged for absorbing Level 4 guidelines. 	<ul style="list-style-type: none"> ■ As Level 4 ISSAIs have been issued after Level 3 ISSAIs were issued, and new ISSAI level has the option to link with Level 4 ISSAIs, there is corresponding reference and possible linkage for absorbing ISSAI level 4 with implementation of ISSAI Level 3.
Scope for flexibility to develop national standards	<ul style="list-style-type: none"> ■ No flexibility for developing or adopting national or other standards envisaged. 	<ul style="list-style-type: none"> ■ ISSAIs 100, 200, 300, and 400 encourage and support SAIs in their efforts to develop or adopt auditing standards that are consistent with the principles in the ISSAIs and relevant for the SAI within its mandate and the national context.
Clarity on implementation of specific ISSAIs	<ul style="list-style-type: none"> ■ No clarity on implementation of specific ISSAIs in combination of other best practices. 	<ul style="list-style-type: none"> ■ Flexibility to SAIs on adoption of ISSAIs and for making their declaration to this effect along with adoption of other best practices.

As borne out from the comparison above, the following fundamental changes are reflected in the new version of Level 3 ISSAIs, compared with the earlier version of Level 3 ISSAIs:

- At Level 3, to set out the basic and fundamental elements, concepts, methods and principles that apply to public sector audit in general (ISSAI 100), which would be combined with the specific elements, concepts, methods and principles that apply to specific audits – financial (ISSAI 200), performance (ISSAI 300) and compliance (ISSAI 400).
- Concepts, principles, and basis provided in new level 3 ISSAIs 200, 300 and 400 are aligned and follow the same premises as contained in level 4 guidelines for respective audits.
- Provide flexibility to SAIs to:
 - develop national standards on their own based on ISSAI fundamental auditing principles (new ISSAI 100-400), or
 - adopt auditing standards from other sources consistent with new level 3 ISSAIs, or
 - adopt ISSAIs level 4 guidelines along with new level 3 ISSAIs.

The option / flexibility of auditing standard-setting / adoption by SAIs can be presented as follows:

Figure : Option of setting Auditing Standards by SAIs – L3 & L4



This means, SAIs can now develop their own detailed auditing standards based on the Level 3 fundamental ISSAIs, or adopt any relevant auditing standards or adopt the ISSAI level 4 guidelines relevant to specific audits. However, audit reports need to state the basis and framework of auditing standards so developed or adopted. In case the audit was done as per auditing standards developed / adopted from other sources by the SAI, the audit report shall mention that the audit was conducted in accordance with a national standard/other auditing standards based on ISSAI's fundamental auditing principles. If audit was conducted based on the ISSAIs, the audit report shall mention that audit was conducted in accordance with ISSAIs; meaning ISSAI level 3 and corresponding ISSAIs of level 4 for respective audits.

Why flexibility in adopting or developing auditing standards?

As noted earlier, not all SAIs adopt the INTOSAI ISSAIs as the basis of their audit and a survey of the INTOSAI in 2007 has revealed that a majority of them (about three quarters), use ISSAIs only in combination of the national and other international auditing standards. Notable examples can be drawn from the practices of GAO-USA, OAG-Canada and NAO-UK. It is learnt that GAO-USA, OAG-Canada and NAO-UK have for long been focusing primarily on performance audit and specific area audits as well as financial audit, and no separate compliance audit (regularity audit) is carried out. It is also known that countries such as Australia, Canada, New Zealand, UK and USA have adopted some form of accrual budgeting and accounting for their financial management⁵. As a result, financial audit by the SAIs in these countries are to be

⁵ 'Five Countries Pioneering Accrual Budgeting and Accounting in Central Government', Martin Dees and Paul Neelissen, Netherlands Court of Audit, IJGA, January 2004, Vol. 31, No.1, pages 11-15 and Diagnostic Study of Accounting and Auditing Practices in Selected Member Countries, RETA, Asian Development Bank (ADB), 2002, page 33.

based on the IFAC-ISAs, which are relevant for accrual based auditing guidelines. In line with these, they have aligned their financial audit standards with the ISAs. Though INTOSAI's level 4 financial audit guidelines have also adopted the ISAs, USA GAO has developed its own auditing standards and methodology for financial audit. OAG-Canada follows the Canadian generally accepted auditing standards (GAAS), which are based on ISAs as adopted by the Auditing and Assurance Standard Board (Canada) and applies for financial audit. NAO-UK follows International Standards of Auditing (UK & Ireland) issued by the Auditing Practices Board (APB) for financial audit. UK has adopted accrual budgeting and accounting for its departmental financial statements, called Resource Budgeting and Accounting (RAB). Australia and New Zealand being pioneer in accrual budgeting and accounting (way back in 1980s and early 1990s) have necessitated their SAIs to follow their own financial auditing standards.

Further, since advanced SAIs have already done away with stand alone compliance audit (compliance or transaction audit undertaken separately from financial audit or performance audit, which is carried out in many developing and post-conflict countries), ISSAIs 4000 and 4100 may not be relevant for them. GAO-USA, for example, carries out compliance audit as part of financial audit and performance audit. For performance audit, since there is minimal experience available from private sector, GAO-USA, which was pioneer in performance audit from early 1970s, developed its 'Yellow Book' first published in 1972, which is used by it for performance audit. Yellow book is the commonly referred name for the Generally Accepted Government Auditing Standards (GAGAS), which is used for financial as well as performance audit and incorporates AICPA's general standards on criteria, field work and reporting standards with additional standards.

As such, some of the INTOSAI's advanced member countries are committed to follow their own auditing standards for financial and performance audits and adopting INTOSAI ISSAIs in totality may not be required by them. Hence, flexibility is necessitated by the INTOSAI to facilitate such efforts.

A fuller picture however will emerge only after the INTOSAI have carried out and published the results of its survey on the compliance of the ISSAIs through administration of its iCAT (ISSAI Implementation Compliance Assessment Tools for the financial, compliance and performance audits).

ISSAIs: whose standards are they anyway?

This leaves us (and the INTOSAI) with a dilemma: whose standards are the ISSAIs anyway? The simple answer is: who cannot afford to develop their own national standards and also cannot afford to spend resources to adopt other relevant available standards from other sources. Given the fact that most of the new and emerging SAIs (including in the post conflict and / or donor supported countries) may fall under such category, they can enjoy the options provided by the new level 3 ISSAIs only when external financial and technical/consultancy supports are available for developing national standards or adoption of standards from other sources. Alternatively, with the exiting efforts and available capacity in these SAIs, and the initiatives of the INTOSAI and IDI, the logical options for them could be adopting the ISSAIs level 3 and corresponding guidelines of level 4.

Emerging and post conflict SAIs and SAIs in the developing countries may consider opting for adopting the ISSAIs level 3 and corresponding guidelines of level 4 for its audits. Afghanistan has under-developed private sector accountancy and auditing services⁶ and may not be able to even bank on any credible private sector experience. Such may be the compulsion for other similarly placed SAIs in many continents.

Considerations for the emerging and post conflict countries SAIs in adopting ISSAIs and the need for capacity building

Based on the mandate and requirements of the new and emerging SAIs in developing and post-conflict countries, a few important considerations need appropriate judgment by the respective SAIs for chalking out a short and medium term roadmap for adoption of the ISSAIs and capacity-building and performing public audit functions effectively. They may also be relevant for the INTOSAI (IDI) in chalking out a strategy for devising their support to these SAIs. These may include:

- a) Even if wider mandate of audit vis-à-vis financial, compliance and performance audit may be available through relevant legal framework, should the new and emerging SAIs take up all the audits simultaneously? Alternatively, should the focus be first on mandatory audit and on strengthening regularity and financial attest audit and after consolidating the gains then moving on to performance audit? These considerations are important, as they have bearing on level of professional capacity and audit resources and for building credibility. A general view is that financial attest audit/regularity audit should be strengthened first before spreading the resources to VFM/Performance audit.
- b) In many post conflict countries, including Afghanistan, internal audit and internal control system in the audit entities are still evolving. External audit would have minimal luxury of placing reliance on them. This entails employing rigorous risk assessments and assessments of the controls, which, in turn, demands more external audit resources. SAIs are required to coordinate with the management, either individually or in a centralized manner (say, Min of Finance) and facilitate strengthening internal control and internal audit in the audit entities. In this regard, SAIs may take additional benefit of the INTOSAI GOVs (Guidance for Good Governance) standards 9100 – 9150.
- c) Assuming that the elements of Level 1 & 2 of ISSAIs are achieved by the SAI through legal framework and adoption of code of ethics and quality assurance framework, what should be the roadmap for application and implementation of the ISSAIs, Level 3 & 4? Now segregated ISSAIs Level 3 has also been issued by the INTOSAI recently for financial (ISSAI 200), performance (ISSAI 300) and compliance (ISSAI 400), besides fundamental principles (ISSAI 100). SAIs would gain by their application for separate audits. While implementing new ISSAIs of level 3, SAIs could gradually begin absorbing the requirements of corresponding level 4 guidelines. This could be reflected in the Strategic Plans of the SAIs.
- d) In a number of post-conflict countries, such as Afghanistan, Congo (DRC), Kosovo, Liberia, Sierra Leon, Rwanda, etc., many of which are dependent upon donor's support to a large extent, the Treasury Single Account (TSA) system has been / is being introduced for

⁶ At present, Afghanistan has no Chartered or Public Accountancy institute or body and all auditorial and accounting services are dependent on external services.

managing cash resources and treasury functions. Similarly, in many other developing countries, such as Bangladesh, Cambodia, Ghana, Jordan, Lebanon, Nepal, Pakistan, the Philippines, Tajikistan, Sri Lanka, Indonesia, etc, TSA is also introduced. Invariably, TSA runs under Financial Management Information System (FMIS). Further, donor's having their own doubt regarding diversion of project and development grants for other purposes by the government, have managed to keep the development grants in separately maintained special accounts. These funds are invariably not part of TSA, though their payment/transaction details are available in the financial statements. As such, it entails two separate area of capacity building; firstly, capacity in the SAI to undertake audit of information systems (IT audit of database systems), which is lacking and use the system for sampling and secondly, capacity to audit special accounts and fund flow outside the TSA for financial attestation audit.

- e) The annual financial statements of the governments in post conflict and many developing countries are also not aligned with the international best practices due to lack of adherence to accounting standards (even Cash Basis IPSAS) and non-disclosure of accounting policies. In Afghanistan, the financial statements are presented in a traditional format called 'Qatia statements', which do not differentiate between financial statements and budget reconciliation report. Such challenges require SAI's to encourage the government to adopt international best practices, which in turn, require capacity in the SAI to provide the facilitating role on accounting matters (and also on treasury related matters).
- f) How should the assurance/opinion on the financial statements of the SOEs be facilitated or undertaken by the SAI? Due to inadequate development of accounting profession in the private sector, e.g., in Afghanistan, State Owned Enterprises (SOEs) also suffer and their financial reporting is weak. In fact, it is also possible that the financial statements are not prepared in timely manner and not audited. Generally, facilitating audit opinion on the financial statements of the SOEs should be done by the SAIs. Remember the Lima Declaration require the SAI to undertake audit of public sector entities.
- g) There is a need for the SAIs in post conflict countries to devise a long term roadmap for performance audit and specific area audit engagements such as extractive industry, network and infrastructure (including telecom), disaster and humanitarian aid, environment, regulatory authorities, privatization, public debt, audit of international institutions, etc. for such audits, INTOSAI is working on the specific guidelines and same would be useful.
- h) Though financial and technical support from other SAIs, INTOSAI and IDI and collaborating partners, such as international financial institutions, is available; it is competitive and limited. There is need to evaluate how to choose the best support model vis-à-vis external audit consultancy support, SAIs technical support, support under Twining approach, advisory supports, etc. The idea is that the SAI should maximize the benefits by a combination of supports available. One critical factor in capacity-building and transferring of knowledge from outside to certain SAIs would be the linguistic barrier, especially those SAIs which follow non-INTOSAI languages.
- i) The challenges faced by SAIs in post-conflict countries with regard to adoption of ISSAIs and capacity building can be mapped on the two dimensions: a) type of audit skills, knowledge & expertise, which are of two type, one which can be met from the experience of other SAIs (relative challenges) and second, which are generic and less experiences are

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available (generic challenges); and b) type of strategy, plan & action, which again are of two types, one related to frameworks, standards and guidelines and second, related to organisational and professional capacity building.

j) A summary is as below.

Audit Knowledge – Capacity Challenge Model

Type of Strategy, Plan & Action		Type of Audit Knowledge, Skills and Expertise	
		Relative Challenges	Generic Challenges
		Enabling Frameworks (legal, standards, guidelines)	<ul style="list-style-type: none"> ■ Legal Framework / Audit Law. ■ Strategic Plan. ■ Quality Assurance Framework. ■ Code of Ethics. ■ Auditing Standards & Guidelines (ASG) – Level 3 & 4 and manuals. ■ Specific area ASG available (e.g., disaster and humanitarian aid, environment, public debt). ■ Facilitation of strengthening internal control in entities. ■ Oversight facilitation (PAC, etc.).
Capacity Building (Organization and Professional)	<ul style="list-style-type: none"> ■ Audit Approach (SBA, RBA) ■ Audit Objectives of different types of audits. ■ Application of CAATs ■ Audit Methodologies & Techniques. (e.g., risk & materiality and planning, sampling, audit criteria, analytical procedures, substantive procedures – tests of assertions, control and substantive tests, evidence gathering, reasonable assurance, etc.). ■ Standards & Guidelines and types of audit (regularity-attest-compliance-performance, IT, environment, etc.) ■ Audit Reporting, legislative oversight and follow up. 	<ul style="list-style-type: none"> ■ Capacity, tools and techniques specific to the SAI concerned, e.g., audit of traditional government accounts, Qatia in Afghanistan. ■ Un-availability of authorized translated standards and guidelines. 	

It seems that with the issue of INTOSAI's new version Level 3 ISSAIs, the developing and post conflict SAIs may have to develop a coordinated approach for adoption and implementation of ISSAIs. It may be required of the INTOSAI to elicit views of the member SAIs to segregate clearly which SAIs are adopting ISSAIs in totality and which are capable of going on their own. INTOSAI may need to focus on those emerging and developing SAIs which require technical and capacity assistance in implementation of the ISSAIs.

Certification Audit of Provisions

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What is Provision

According to IPSAS 19, a provision is a liability of uncertain timing or amount. Further, Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

The above definitions make it clear that provision is created by an entity when the management is satisfied that the entity has incurred a liability which will have to be paid in future but there is some uncertainty about the exact amount to be paid and the time when it will be required to be paid. In such a situation, to give true and fair picture of the accounts of entity, the management estimates the amount which will be required to be paid and creates a provision for that amount in the current year.

Why Provision

At the end of the financial year, there exist certain situations which indicate to management that some liability has arisen and payment will be required to be made in the next year. Since no transaction has occurred in such cases, no accounting entry has been passed. But, disclosure of these situations will only give true and fair view of the financial position of the entity. Hence, adopting the conservatism principle, the management creates provisions for such future expenses.

Examples of Provision

Some of the examples of provisions are

- Provision for bad debts expected to occur next year based on past experience,
- Provision for Income Tax payable next year for the income of current year,
- Provision for dividend payable next year out of profits of current year
- Provision for payment to be made in court case where entity expects to lose the case

Provision

- A Provision is a liability of uncertain timing or amount.
- Provision should be recognised when
 - (1) An entity has a present obligation
 - (2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
 - (3) A reliable estimate can be made of the amount of the obligation

Importance of Provision

Provisions are necessary to show true and fair view of the results of operations of the entity as well as the financial position. It avoids shifting of the liabilities arisen in current year to the next year. Sometimes, provisions have significant impact on the profits for the current year and may even convert the profits into losses.

Examining Judgement of Management

It is very important for an auditor to understand that management of an entity has sufficient freedom in deciding

1. Whether the liability has accrued and
2. What amount will be required to settle the liability

The auditor can examine the reasonableness of judgement of management. While exercising the judgement regarding provision, the management should keep in mind following broad aspects of provision:

- An obligation is a duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement.
- Obligations also arise from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner.
- An obligation always involves another party to whom the obligation is owed. It is not necessary, however, to know the identity of the party to whom the obligation is owed — indeed the obligation may be to the public at large.
- An obligation arising out of introduction of new law or changes in the existing laws are recognized only when it is virtually certain that the law will be passed.
- Provisions can be distinguished from other liabilities such as trade payables and accruals because in the measurement of provisions substantial degree of estimation is involved with regard to the future expenditure required in settlement whereas in case of trade payables, the amount required for settlement is substantially certain.

Provision v/s Contingent Liability

A contingent liability is:

- (a) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

- (b) a present obligation that arises from past events but is not recognised because:
- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability
- Possible obligation - an obligation is a possible obligation if, based on the evidence available, its existence at the balance sheet date is considered not probable.

Hence, in case of a contingent liability either the occurrence of obligation is not certain or there is obligation but due to certain reasons the estimate of outflow cannot be made. There is no set standard to measure this possibility. It is the conclusion drawn from all the information related to particular event/situation and the prudent judgement of the management which distinguishes the contingent liability from provision.

Recognition of Provision

A provision should be recognised when:

- (a) An entity has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation an enterprise has a present obligation as a result of a past event;

If these conditions are not met, no provision should be recognised. It is important to note that provision is not recognized when any of the above conditions is not fulfilled.

Accounting entry of provision

When a provision is created, the Profit and Loss A/c is debited and the Provision for _____ A/c (which reflects the obligation for which provision is created) is credited. Obligations arising out of different events/issues leads to creation of separate Provision accounts.

Estimation of Provision

Once the management has decided to recognize the provision, the next step is to estimate the amount required to settle the obligation. Following guidelines based on standards are helpful in this regard:

- The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.
- The amount of a provision should not be discounted to its present value.
- The estimation of provision is based on:

Verification of Correctness of Provision

- In Certification audit, correctness of Provisions can be verified by the auditor by examining three aspects:
 - (1) Recognition of Provision
 - (2) Measurement of Provision
 - (3) Conversion of Contingent Liability to Provision

- (1) Judgement of the management
 - (2) Past experience of similar transactions
 - (3) Reports from independent experts, if any
- Forecast of reasonable changes in technology affecting the obligation is also an important consideration in measuring the provision.
 - Gains from the expected disposal of assets should not be taken into account in measuring a provision.
 - Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Verification of Provisions in Certification Audit

While doing certification audit of accounts, the objective of the auditor is to ensure that the amount of various provisions as mentioned in the balance sheet is true and fair. This objective can be achieved by auditor by examining management action on following three aspects:

- (1) Recognition of Provision
- (2) Measurement of Provision
- (3) Conversion of Contingent Liability to Provision

(1) Recognition of Provision

This is the most difficult aspect of audit of provisions as the auditor needs to verify whether management has failed to recognize provision in a particular situation which requires creation of provision. In doing so, the auditor needs to review various records of the enterprise and has to identify the cases which require the enterprise creation of provision. While doing so, the auditor should keep in mind that the management understands facts of the matter best and sufficient liberty is available to management in recognition of provision. To fulfill this aspect of examination, auditor may verify following documents:

- (a) Review of minutes of board meetings or meetings of executive council of the enterprise where discussions on various issues related to activities of the enterprise are discussed. The auditor need to understand the issues to identify whether any of them satisfies the conditions for recognition of the provision
- (b) Review the status of different projects under execution to identify whether any of the project requires creation of provision
- (c) Review the status of ongoing legal cases
- (d) Knowledge of the current and future legal obligations of entity depending on the working environment of entity like oil or other polluting industries

If the auditor concludes that in a given situation the management has not created the provision which ought to have been created, the auditor makes a suitable comment in the audit report. To calculate the money value of the comment, the auditor himself needs to make an estimation of provision required. While doing so, the auditor should apply the same principles as applicable to management as mentioned in this articles under the heading 'Estimation of Provision'. For example, an entity has given a construction contract to an agency. As per the terms of the contract the agency is entitled to reimbursement of new taxes if any introduced by the government. While reviewing the minutes of the meeting of contract committee, the auditor

finds that the agency has paid some taxes introduced by the government and has also put a claim of reimbursement with the entity. If there is reasonable expectation that the entity will have to make this extra payment, it needs to make a provision for the same.

(2) Measurement of Provision

Once the management has created provision for different obligations, the auditor needs to verify whether the amount provided for is reasonable or not. In doing so, the auditor needs to verify whether the management has determined the amount of provision based on the principles mentioned in this articles under the heading 'Estimation of Provision'.

The most important aspect to be seen by the auditor is the basis or facts which have been used by the management to determine the amount of provision. If these facts/basis are incorrect or questionable, the auditor may recalculate the provision amount and make suitable comment in audit report for short provision. For example, the past experience of entity shows that out of the total credit sales, 3% of the debtors become bad next year. In the current year, if the management has made provision of 1% of the credit sale without any material changes in the business policies or economic conditions, the auditor should make a comment in the audit report about short provision for bad debts.

(3) Conversion of Contingent Liability to Provision

The auditor should verify various aspects all the contingent liabilities disclosed last year as well as in current year to determine whether in any of the case, the conditions for recognition of provision are satisfied. If in any case the circumstances indicate that the conditions for recognition of liability are satisfied, the management needs to convert the contingent liability into provision. If this has not been done, the auditor may make a suitable comment by estimating the liability. For example, a suit was going on in the court for damages and the entity had shown it in the contingent liabilities last year. In the current year, the auditor verifies that the entity has lost a suit of damages in the court. Only the amount of damages to be paid is to be pronounced by the court. In such a situation, the auditor estimates the liability for payment of damages and makes suitable comment in the audit report.

Peculiar examples of provision

Following are certain examples/situations in which the management is required to create provision in the financial statements:

- Decommissioning cost of oil installations need to be provided for in current year though the expenditure will be incurred in future
- Expenditure likely to be incurred on the repairs of items being sold under warranty need to be provided for when the item is being sold
- At the end of the year, provision is made for the income tax which will be required to be paid next year
- If a car company has decided to recall a particular model due to some defect, the estimated expenditure in removing the defect and recall procedure should be recognized by creating a provision

New Heads of SAIs

Dr. Mohammad Sharif “Sharifi” re-appointed Auditor General of Afghanistan



Dr. Mohammad Sharif “Sharifi” has been re-appointed by the President of the Islamic Republic of Afghanistan under Article 7 of the Audit Law (enacted in 2013) as the Auditor General of Afghanistan on 27th July 2013.

Dr. Sharifi has been serving as the Auditor General of the Control and Audit Office (CAO), now the Supreme Audit Office (SAO) since March 2002. With his re-appointment along with the coming in force of the Audit Law on March 30th, 2013, Dr. Sharifi will be in office for another term of six years.

Dr. Mohammad Sharif “Sharifi”, son of Mohammad Yosuf, was born in the capital of Panjsher province of Afghanistan. He is 58 years of age. He completed his education in his country including graduation in mathematics and physics and his Masters in Mathematics from the Kabul University. Recently, he has also achieved PhD from outside the country.

Before his appointment as the Auditor General in 2002, Dr. Sharifi has worked as head of the Information and Culture of Parwan province, head of Education of the Central zone and acting Governor of Parwan province.

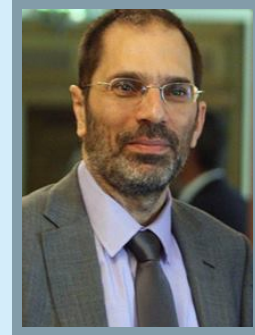
Dr. Sharifi takes keen academic interest in teaching and writing. He teaches at the Faculty of Natural Science in the Kabul University and has written a few books on the related subjects. His articles have been published in the press and various journals.

Under his leadership and dynamic guidance, the SAO has achieved remarkable success in the last one decade. Amongst others, the notable achievement is enactment of the Audit Law in 2013, which provides independence and wider mandate of audit to the SAO including scope of undertaking all types of audit as per the INTOSAI guidelines, presentation, scrutiny and legislative oversight of the audit reports by the National Assembly. For sharing of knowledge and capacity and skill development, two MoUs, each with SAI India and Malaysia have been formalized. He has also taken initiatives for adoption and implementation of the ISSAIs for audit in Afghanistan. He is also credited with construction of a new building for the SAO and taking various measures for providing facilities to the staff of the SAO.

He has participated in conferences, seminars and national and international workshops in Asian, European, African and American countries and has insight in governmental and public sector issues, especially public financial management system and educational system.

Curriculum Vitae for Dr Odysseas Ph. Michaelides, Auditor General Of Cyprus

Dr Odysseas Ph. Michaelides was born in Nicosia, Cyprus in 1968. He graduated from Acropolis High School in 1986 after which he served for two years in the National Guard. In 1993 he received his diploma, with honours, in Civil Engineering from the National Technical University of Athens. He went on to pursue graduate studies and in 1997, he received his doctorate, with honours, in Civil Engineering from the National Technical University of Athens. He was further admitted to a degree program in the Faculty of Economics, Department of Law, Economics and Political Sciences, University of Athens, from where he received a degree in Economics in 2004.



In 1998 Dr Michaelides was appointed to the position of Audit Officer in the Department of Control (Audit) of the Ministry of Communications and Works, and in June 2010 was appointed Director of Control. During his tenure at the Department of Control, amongst other matters, he dealt with public procurement issues, with the examination of contractors' claims as well as with technical and financial audit work.

He has taught graduate students at the University of Cyprus for many years, in his capacity as a Specialist Scientist and has also given a number of lectures in Cyprus and abroad on public procurement. He is the editor of the Model Contract Terms that have been adopted by the competent authority for public procurement for use in public work contracts. He is a member of the ETEK (Technical Chamber of Cyprus) and of the European Federation of National Engineering Associations (FEANI).

Between 2006 and 2011 he was a member of the Tender Board at the Ministry of Communications and Works and from 2009 until 2014, he was a member of the Central Committee for Variations and Claims. On 14 February 2012 he was appointed by the Council of Ministers as a member of the Loan Commissioner's Fund, a position he held until 1 January 2014 when he was appointed by the Council of Ministers as President of the Council for Registration and Control of Contractors. In July 2013 he was appointed by the Council of Ministers as a Member of the Negotiating Team for the Terminal for the Liquefaction of Natural Gas.

On 11 April 2014 he was appointed by the President of the Republic of Cyprus as Auditor General of the Republic.

He is married to Lampriana (Nana) Chrysostomou-Michaelidou and they have three children.

23rd Meeting of the INTOSAI Working Group on IT Audit (WGITA)

(Kuwait, 10 to 12 February 2014)

The 23rd meeting of the INTOSAI Working Group on IT Audit was held in Kuwait from 10-12 February, 2014. The meeting was presided over by Mr. Shashi Kant Sharma, Comptroller & Auditor General of India and Chairman of the Working Group.

The meeting was inaugurated by Mr. Abdulaziz Yousef Abdulwahab Al-Adsani, President of the State Audit Bureau (SAB) of Kuwait. He welcomed Mr. Shashi Kant Sharma, the Chair of the INTOSAI Working Group on IT Audit and Comptroller & Auditor General of India, and all other delegates to Kuwait. He also thanked the members for giving them an opportunity to host the meeting in Kuwait. The 23rd meeting was attended by the 63 delegates from the 30 member SAIs.

The member SAIs presented their progress reports on various projects and also presented country papers. All the progress reports and country paper presentation were appreciated by the members of the Working Group. The meeting was very fruitful, successful and all the members appreciated.

It has been decided that the 24th meeting of the INTOSAI Working Group on IT Audit will be held at Warsaw, Poland from 11 to 12 May, 2015.



Workshops on Facilitating ISSAI Implementation for the ISSAI Certification Programmes on Performance Audit and on Financial Audit (Bangkok, Thailand in September – October, 2013)



Two workshops on Facilitating ISSAI Implementation in the ASOSAI and PASAI Regions were held in Bangkok, Thailand from 30 September to 5 October and 7 to 12 October 2013 for performance audit and financial audit group respectively, with the administrative support of the Office of the Auditor General of Thailand. A resource team comprising five ASOSAI training specialists namely, one from SAIs of Bhutan and two from India, and two from the IDI delivered the workshops. A representative of the Training Administrator of ASOSAI (SAI Japan) also attended the events. 34 participants for performance audit course and 33 participants for financial audit course participated in the workshops. Among the participants, 50 participants were from 17 SAIs in the ASOSAI region, namely, SAIs of Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Lao PDR, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Thailand, Turkey and Vietnam.

The workshops were designed as the final stage of the ISSAI Certification Programmes. Participants were trained in facilitation approach of training as well as on how to facilitate different ISSAI implementation initiatives in their SAIs. Participants have submitted their individual action plans as ISSAI Facilitators. Those who successfully complete the courses were certified as the IDI-PSC ISSAI Facilitators.

ASOSAI-sponsored workshop on “Performance Audit” (Bangkok, Thailand in November 2013)



An ASOSAI-sponsored workshop on “Performance Audit” was held in Bangkok, Thailand from November 18 to 27, 2013 with the administrative support of the Office of the Auditor General of Thailand. Six instructors from five SAIs Bangladesh, Nepal, Pakistan, Thailand and Turkey 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) attended for organizing the workshop, and an observer of the Secretary General of ASOSAI (SAI Korea) also attended. 34 participants actively discussed and exchanged their views and opinions on the workshop topic. The course materials of the workshop are available on the ASOSAI website.

ASOSAI Seminar on “Quality Assurance in Audit” (Hanoi, Vietnam in December 2013)



50

An ASOSAI Knowledge Sharing Seminar on “Quality Assurance in Audit” was held from December 2 to 5, 2013 in Hanoi, Vietnam with the administrative support of the State Audit Office of Vietnam. Twenty two participants from 22 member SAI countries attended the seminar with technical guidance provided by Subject Matter Experts (SMEs) from SAI of New Zealand and Vietnam. A representative of the Training Administrator of ASOSAI (SAI Japan) also participated in the seminar for the management of the seminar.

During the seminar, the participants exchanged their views and experiences regarding the quality control (QC) and the quality assurance (QA) in audit with each other, and learned updated information related to QC and QA in audit such as international developments, standards / guidelines of INTOSAI as well as good practices of SAI countries, provided by the SMEs.

Instructors' Design Meeting for the ASOSAI-sponsored Workshop on “Financial Audit in an IT Environment” (Tokyo, Japan in March 2014)



The instructors' design meeting for the ASOSAI-sponsored workshop on “Financial Audit in an IT Environment” was held from March 10 to 20, 2014 in Tokyo, Japan with the administrative support of the Board of Audit of Japan.

Six ASOSAI training specialists from each SAI of Bhutan, China, Maldives, Nepal, Pakistan and Philippines participated in the meeting to design the course and develop course materials for the workshop. A Subject Matter Expert from SAI Oman provided technical advice to the instructors, and a representative of the Training Administrator of ASOSAI (SAI Japan) was in charge of overall management of the meeting.

ASOSAI WGEA holds its 5th Seminar and 4th Working Meeting in Viet Nam

From April 14th to 18th, 2014, the 5th Seminar on Environmental Auditing and the 4th Working Meeting of ASOSAI WGEA were held in Hanoi, Viet Nam, with the administrative support by the State Audit Office of Viet Nam. A total of 53 delegates from 19 countries, and 5 observers from Chair of INTOSAI WGEA, Chair of AFROSAI WGEA, CCAF-FCVI and GIZ attended the meetings.



On behalf of Mr. Liu Jiayi, the Chairman of ASOSAI WGEA and Auditor General of China, Dr. Dong Dasheng, the Deputy Auditor General of CNAO, delivered opening remarks and reported the work of ASOSAI WGEA in past two years. At the opening ceremony, Mr. Nguyen Huu Van, Auditor General of State Audit Office of Vietnam, and the representative of the Chair of INTOSAI WGEA delivered welcome speech and congratulation remarks respectively.

A total of 19 papers were presented in the seminar around 3 themes: "Audit on Solid Waste", "Research and Audit on Atmospheric Environment" and "Audit on Sustainable Energy". The seminar has achieved fruitful results upon active participation by warm discussions and experiences exchange among the representatives. At the working meeting, the participants discussed and adopted 2014-2016 Working Plan of ASOSAI WGEA, and introduced two proposals of cooperative audit. The next seminar and working meeting will be hosted by SAI India in 2016.

CNAO hosts the 5th meeting of the 10th ASOSAI Research Project held in Malaysia

The 5th meeting of 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 Kuala Lumpur , Malaysia on 22nd-25th April 2014 , with the administrative support of Malaysia National Audit Office. A total of 25 delegates from 11 member SAIs participated the meeting. Mr. H.E. Tan Sri Dato' Setia Ambrin Buang , Auditor General of Malaysia attended the opening ceremony and delivered a speech.



The representatives of the National Audit Office of P. R. China hosted this meeting in the capacity of the Chair of the Project. Participants gave good presentations and active communication by case study and formed preliminary summary report of the fifth part focusing on the topic of 'the best practice in anti-corruption and anti-money-laundering of the SAIs'.



The 6th meeting of the 10th ASOSAI Research Project will be held in Turkey in August 2014.

ASOSAI-sponsored workshop on “Financial Audit in an IT Environment” held in Nanjing Audit University, China

The ASOSAI-sponsored workshop on “Financial Audit in an IT Environment” was held in Nanjing Audit University (NAU) in China, from June 9 to 20, 2014, with the administrative support of the National Audit Office of China (CNAO) and NAU. Mr. Liu Jiayi, Auditor General, went to the University and had courtesy call with all the instructors and participants. Dr. Dong Dasheng, Deputy Auditor General, addressed welcome speech at the opening ceremony.



This workshop aimed at equipping the participants with the knowledge and skills to deal with Financial Audits in an IT Environment. The workshop focused on developing competencies of auditors in Financial Audit in an IT Environment. The course content was based on various sources such as standards, guidelines, manuals and courseware developed by INTOSAI, ASOSAI, IDI and various SAIs. It provided ample opportunities for the participants to actively participate through case studies, group discussions, etc.



Six instructors from SAIs of Bhutan, China, Maldives, Nepal, Pakistan and Philippines delivered the sessions of the workshop with the technical guidance of a Subject Matter Expert (SME). A representative of the Training Administrator of ASOSAI (SAI Japan) also attended for organizing the workshop. 33 participants and an observer from SAI Korea participated in the workshop, and actively discussed and exchanged their views and opinions on the workshop topic.

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6th Indo-Kuwait Joint Seminar



The 6th Indo-Kuwait Joint Seminar was hosted by SAI Kuwait from 14 to 17 April 2014 on “Environment Auditing”. Participants from SAI India were Mr. Balvinder Singh, Additional Deputy Comptroller & Auditor General and Mr. M. K. Biswas, Director General and members of delegation from SAI Kuwait were Mr. Tareq Sulaiman Alkandari, Controller, Mr. Khaled Ameen Alawadhi, Chief Auditor and Mr. Talal Tareq Alwuhaib, Assistant Auditor. Both the SAIs presented two papers on Environment Audit and discussed the audit techniques and guidelines for the Environment Audit.

Focus Group meeting on ASEANSAI research on contract procurement audit



ASEANSAI Knowledge Sharing Committee (KSC) Work Plan 2014 – 2017 was endorsed during the ASEANSAI General Assembly in Brunei Darussalam in November, 2013. Research and

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Seminar on Contract Procurement Audit is one of the activities planned in 2015 Work Plan. The objective is to exchange and share information, knowledge and experiences as well as identifying best practices on contract procurement audits conducted by ASEANSAI member countries. The expected deliverables are the Research Report and the Guidelines on Contract Procurement Audits. The expected date of completion of the research project will be in November 2015.

The Focus Group Meeting (FGM) on research on contract procurement audit which was held from June 18 to 20, 2014 in Johore, was attended by 15 participants from Supreme Audit Institutions of Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines and Thailand. The Chair of the KSC, Mr Ambrin Buang who is also the Auditor General of Malaysia emphasised the need for auditors to conduct rigorous audits on procurement and contract management to ensure efficiency and value for money as the Governments worldwide incurred billions of losses and wastages on public procurement. It is important to identify the common issues and weaknesses in procurement controls as well as the potential risk are as to help the auditors to carry out effective audits. The auditors are encouraged to keep themselves well-informed about government rules and regulations on contract procurement audits as well as the relevant auditing tools. He urged all the participants to tap into the wealth of experiences and expertise among the participants to develop a common understanding to come up with a comprehensive and practical framework for the auditing guidelines on contract procurement.

The 3-day meeting commenced with the presentation of country papers/slides from 8 SAIs. The presentations included the following matters: Background (mandate to audit, rules and regulations on contract procurement, number and frequency of contract procurement audits carried out by your SAI auditing guidelines used); Objectives of the audits (Is it attestation, compliance or value for money?); Scope (types of procurements i.e supplies or services or works), approach and methodology of audits; audit Findings (Common issues); recommendations and actions taken by auditees; and, challenges and lessons learnt in performing the audits.

The proposed contents of the ASEANSAI Research Report on Public Procurement Audits were presented. The members discussed at great length on the contents of the research report and it is agreed that the country papers need to be further improved since the papers will be included as annexures to the report. In regard to the development of guidelines, the members agreed that the topic of the guidelines be changed from contract procurement audit to public procurement audit. The proposed contents of the guidelines were carefully discussed. Recognising the use of information technology on processing public procurement, it is proposed that a separate chapter on IT and Procurement will be included. Examples of high impact procurement case studies will also be considered. These matters will be discussed in October 2014 meeting.

SAI Vietnam celebrates its 20th anniversary

On July 11th, 2014, the State Audit Office of Vietnam (SAV) celebrated its 20th anniversary of establishment and was conferred with the Second - Class Independence Medal by the State of Vietnam.

Since its inception in 1994, the SAV has recorded constant achievements in its organisational, institutional and professional developments. With its total workforce of nearly 2,000 staff members, the SAV is now structured into 31 department-level affiliated units. Of which, 08 specialised audit departments, 07 advisory departments and 03 service units are at the central level, and 13 offices at regional level spreading all over the country.

Article 118 of the new Constitution of Vietnam in 2013 stipulates for the first time that "the State Audit Office shall be the agency established by the National Assembly, operate independently and abide only by the laws, with the function of auditing the management and use of public finance and assets". The current State Audit Law (2005) will be revised accordingly and expected to be passed by the National Assembly in 2015.

In its Development Strategy to 2020 (2010) and particularly the Strategic Plan 2013-2017, the SAV sets its priorities in building capacity of its staff and organisation, and improving audit quality. In which, application of IT in auditing activities and implementation of ISSAIs are among the highest. It will also focus on assessing the economy, efficiency and effectiveness of the management and utilization of public finance and assets so as to provide reliable, accurate and timely information for the management and administration of public finance and assets in Vietnam.

In total, the SAV has since then detected and recommended for financial treatment with the amount of VND147,580 billion (equivalent to USD7 billion). Of which, VND29,148 billion was increased to national budget revenues and VND22,365 billion was reduced from the national budget expenditures. At the same time, based on audit findings, the SAV has made recommendations on revising and supplementing hundreds of legal documents and policies for better public finance and assets management. The audit reports published by the SAV are one of the important bases for allocation and settlement of the annual budget of both the central and local governments.

For additional information, contact State Audit Office of Vietnam

E-mail: vietnamsai@sav.gov.vn

Website: <http://www.sav.gov.vn>

SAV held Press Conference on audit results

In Hanoi, on 25th July 2014, the State Audit Office of Vietnam (SAV) held a press conference to make public the results of its audits in 2013 and of the follow-up reviews to its audit recommendations in 2012. The event took place in conjunction with the National Assembly's Financial and Budgetary Committee as required by provisions under the State Audit Law.

In 2013, the SAV audited financial statements for 2012 of 150 entities in public sector and of the State budget final account for 2012 of the nation. Among the auditees, results from the audits of

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the State-owned enterprises, banking and financial institutions were paid with great attention and questions from the correspondents.

Through the audits, the SAV made recommendations to the Government and the Prime Minister for financial treatments to VND22,800 billion (approximately USD1.1 billion). Of which, about VND15,000 billion of revenues would be increased or/and paid to and VND5,100 billion of expenses decreased from the state budget 2012. Also, the SAV proposed for revision and/or cancellation of 72 legal documents and policies, and five suspected cases of legal violation were transferred to investigative agencies from the results of the audits.

Certain resolutions and policies were also recommended by the SAV to the National Assembly to ratify the State budget final account for the year 2012, and to correctly present the national revenues and expenses, and closely manage the national resources.

For additional information, contact State Audit Office of Vietnam

E-mail: vietnamsai@sav.gov.vn

Website: <http://www.sav.gov.vn>

Audit Law enacted on 30th March 2013 : SAI Afghanistan

The Supreme Audit Office (SAO), Afghanistan is continuously striving in facilitating accountable and transparent government financial management in Afghanistan. The history of an independent audit of government in Afghanistan goes back to Solar Year 1324 (1945) when the General Department for Audit of Accounts started functioning under the Prime Minister Office. Its main purpose was to audit the financial and accounting affairs of the government offices, which has remained the focal point of the SAO even today. The audit mandate, scope of audit and the role and responsibilities of the SAO earlier was defined by the then Audit Law.

However, with the changing developmental context, expectations of the stakeholders, including the international donor community for an accountable and transparent financial management in the country, the role of the SAO has also undergone changes. With the changing context and requirements and in line with the expectation of the INTOSAI's Lima Declaration and Mexico Declarations for an appropriate and effective statutory framework spelling out independence of the SAI, an Audit Law has been enacted and has come in force with effect from the 30th of March 2013. With the coming in force of the Audit Law, the limitations in the scope and mandate of audit have been overcome.

Firstly, one of the significant limitations in the earlier law that related to absence of independence in audit planning by the SAO, as it required approval of the executive, has been overcome in the Audit Law. Secondly, there was lack of clarity on undertaking performance audit, which has now been clearly spelt out in the Audit Law. Thirdly, there was absence of legislative oversight by the national assembly on audit findings as a result of compliance audit done by the SAO. Earlier, the results of the financial audit only, called Qatia audit report, was submitted for scrutiny and examination by the national assembly. Compliance audit report could reach only to the executive and was not submitted to the national assembly. Under the Audit Law, compliance audit report is would be submitted to the national assembly annually. Fourthly, the Audit Law categorically spells out the duties of the entities under audit vis-à-vis their responsibilities and obligations in extending cooperation to audit in successful completion of audit, including availability of audit related documents, evidences, electronic

data, timely reply to audit queries and observations and audit findings, assurance for implementation of the audit recommendations, etc. Fifthly, the Audit Law enables publication of audit reports on submission to the national assembly and the President. Sixthly, the audit law provides independence to the SAO in preparation and implementation of its budget.

Some of the salient provisions of the Audit Law are as under:-

The Audit Law, 1392 under Article 2 stipulates the following objectives for the SAO:

- To provide reasonable assurance on realization of revenues and expenditure of government budgetary agencies;
- To ensure consistency of financial and accounting activities of government and all other government entities that are utilizing or holding public properties under the provisions of legislative documents;
- To ensure transparency in Government accountability and all other government organizations that are utilizing or holding public assets.
- To help protect public properties.
- To ensure effectiveness, efficiency and economic activities of governmental organizations and all other organizations that are utilizing or holding public funds.
- Identification of illegal, ineffective, inefficient, uneconomic activities and any other improper financial, accounting and economic activities and to recommend for correction of their deficiencies.

Article 5 of the Law provides that the SAO has the mandate to audit the accounting, financial affairs and performance of:

- State President Office and its related institutions.
- National Assembly.
- Legislative.
- Central and local organizations and their other related units within and abroad the country.
- General independent departments.
- Independent commissions.
- Attorney General Office.
- Municipalities.
- Enterprises, governmental companies and joint stock companies.
- Other entities that are utilizing or holding money or public properties.

Article 12 of the Audit Law stipulates that the Auditor General shall submit to the State President and National Assembly report on:

- Government financial statement of Qatia Account within six months after completion of every fiscal year;
- Revenues and budget expenditures of governmental organizations in the next year;
- Special audit at any time when required;
- Secret expenditure
- Performance audit report

Article 18 states that the SAO shall conduct the audit of accounting and financial affairs as per INTOSAI standards. Article 25 states that the SAO shall formulate its own procedures in order to facilitate the audit in line with INTOSAI standards.

Email/Webpage addresses of member SAIs

SAI	Email address	Home page
Afghanistan	sao@sao.gov.af / afghancao@gmail.com	http://sao.gov.af/en
Armenia	vpal@parliament.am	www.coc.am
Australia	ag1@anao.gov.au External.Relations@anao.gov.au	www.anao.gov.au
Azerbaijan	office@ach.gov.az chairman@ach.gov.az	www.ach.gov.az
Bahrain	info@nac.gov.bh	www.nac.gov.bh
Bangladesh	international@cagbd.org	www.cagbd.org
Bhutan	auditorgeneral@bhutanaudit.gov.bt	www.bhutanaudit.gov.bt
Brunei Darussalam	jabaudbd@brunet.bn	www.audit.gov.bn
Cambodia	naakh@naa.gov.kh sg.audit@naa.gov.kh 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 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, training@sabq8.org	www.sabq8.org
Kyrgyzstan	kyrsai@mail.ru, esep@esep.kg	www.esep.kg
LAO-PDR	sao@etllao.com	

Email/Webpage addresses of member SAIs

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

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

Other Important Email/Webpage Addresses

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

ASOSAI Calendar for 2014

Year	Date/Month	Event	Venue
2014	June	ASOSAI-sponsored workshop on "Financial Audit in an IT environment"	Beijing (China)
	July 28 - August 2	Workshops on Facilitating ISSAI Implementation for the IDI's ISSAI Certification Programmes on Compliance Audit in the ASOSAI region	Manila (Philippines)
	September 23 - 24	47 th Governing Board Meeting of ASOSAI	Moscow (Russia)
	September 25 - 26	2 nd ASOSAI-EUROSAI Joint Conference	Moscow (Russia)
	December (Date to be decided)	Meeting of 10 th ASOSAI Research Project	Iran

