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Editorial

Dear Colleagues,

We are pleased to bring out the April 2015 issue of the Asian Journal of Government Audit.

This is the first issue after the 13th ASOSAI Assembly successfully held at Kuala Lumpur, Malaysia in February 2015. The Strategic Plan of ASOSAI for the period 2016-21 adopted at the Assembly has outlined several innovative initiatives for further strengthening ASOSAI and the member SAls. This issue contains a synopsis of the key decisions made at the 13th Assembly and the 48th and 49th Governing Board meetings.

Mr. Tan Sri Ambrin Buang, Auditor General of Malaysia and the new Chairman of ASOSAI has appealed to the readers in his first message to promote good governance and accountability structures and make ASOSAI the fulcrum of emerging architecture in the region. We are grateful to him for carrying on the legacy of regular messages from the Chairman.

We are also indebted to Mr. Hwang Chan-hyun, Chairman of the Board of Audit and Inspection of Korea and the Secretary General of ASOSAI and SAI, Japan, the Capacity Development Administrator for their regular columns through which readers are kept abreast of the latest events and capacity development activities occurring in our community. We also thank SAls of Kazakhstan, Kuwait, Pakistan, Russia, Thailand and Turkey for contributing articles for this issue. We also acknowledge with thanks the brief news contributed by SAls of Kuwait, Pakistan, Philippines, Qatar, Russia and Thailand.

I look forward to the continued support of our readers for the journal and earnestly look forward to your feedback and inputs for improving the quality of the journal. I request all members to send materials for future issues and their feedback to ir@cag.gov.in and subramanianKS@cag.gov.in.



(K.S. SUBRAMANIAN)

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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

As the Secretary General of ASOSAI, I was greatly pleased that the most momentous international events of ASOSAI, namely the 13th Assembly including the 6th Symposium as well as the 48th and the 49th Governing Board meetings of ASOSAI, were held successfully in Kuala Lumpur, Malaysia from 9th to 13th February 2015.

Taking this opportunity, I would like to extend my heartiest gratitude to Mr Ambrin Bin Buang, Auditor General of Malaysia, and his staff members for putting immense efforts to prepare for the very important meetings seamlessly.

The 13th Assembly was especially meaningful, in that important posts of ASOSAI were filled by new SAs for the period 2015-2018: the Chairmanship was transferred from the SA of India to the SA of Malaysia; the SAs of Indonesia, Nepal, Pakistan, Saudi Arabia, Thailand, Turkey were elected as members of the Governing Board; and the SAs of Jordan and Mongolia became the Audit Committee.

I would like to congratulate the new members of the Governing Board as well as the Audit Committee. I believe that they will make sincere contributions to the development of ASOSAI.

At the 13th Assembly, numerous important agenda items were discussed and obtained the approval of the Assembly. Among them, the most significant would be the approval of the ASOSAI Strategic Plan for 2016-2021, which prescribes the direction ASOSAI should go for and the strategic goals to be achieved.

The said Strategic Plan contains three strategic Goals which are: Support Capacity Development of member SAs, Enhance Knowledge Sharing among member SAs, and Model Regional Working Group.

In a bid to better achieve these strategic Goals, specific tasks will be fulfilled: e-learning platform and sub-regional programs will be introduced for capacity development activities; more diverse topics will be chosen per ASOSAI Research Project; the ASOSAI website will be improved to facilitate smoother communication among member SAs. I believe that capacity development of member SAs and knowledge sharing among them will be enhanced greatly thanks to the Strategic Plan.

From the desk of the Secretary General of ASOSAI

In particular, unlike the current Strategic Plan for 2011-2015, this Strategic Plan will be managed by the 'Task Force for Managing the Strategic Plan 2016-2021' whose responsibilities encompass consistent monitoring of implementation of the Plan, devising an evaluation mechanism (for the mid-term and final evaluation) and revising the Plan, when necessary. I expect that the Task Force will play a pivotal role in implementing the Strategic Plan systematically and effectively.

Meanwhile, the financial rules and accounting policies of ASOSAI were newly established. It is expected that the ASOSAI financial statements will be reported in a more transparent and consistent fashion.

Taking this opportunity, I would like to thank all the member SAs for supporting the renewal of my term of office. It is my immense honour to have another opportunity to devote myself to bring continuous development to ASOSAI.

Since its inception in 1979, ASOSAI has been achieving tremendous development, which is all thanks to the active participation and ceaseless efforts of member SAs. Wishing to help promote further development of ASOSAI, I would like to put emphasis on pursuing the following Secretariat activities during my last term, 2015-2018.

First, being aware that successful implementation of the next Strategic Plan is quintessential to enhance the audit capacity of member SAs and their knowledge-sharing, the Secretariat will make all-out efforts to support the implementation, especially through the management task force.

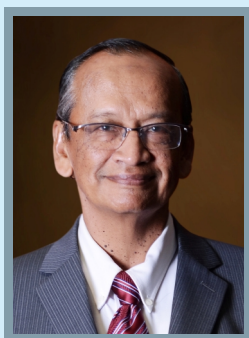
Second, in addition to the established inter-regional cooperation with EUROSAs, which has been very successful with the ASOSAI-EUROSAs Joint Conference held two times to date, the Secretariat will make efforts to broaden its horizon of inter-regional cooperation by establishing other cooperative channels with other Regional Working Groups of INTOSAs, as well.

Third, the Secretariat will make continuous efforts to streamline its operation activities, just as it did to establish the Financial Regulations and the Accounting Policies for the ASOSAs, to formulate a multi-year budget plan, to assemble the selection procedures for ASOSAs posts, and so on. In the meantime, the Secretariat will thoroughly prepare itself for handing over the Secretariat responsibilities to the next Secretariat.

In order to fulfill these activities, it is crucial to have active support of the member SAs. I would like to very kindly ask you to continue your zealous support for the Secretariat activities and to share with the Secretariat any suggestions or advice, if any.

On this occasion, I would like to express my deepest condolences to the people of the SA Nepal, a member of the ASOSAs Governing Board, and to their nation for their suffering from the recent mega-hit earthquake. I wish that Nepal will recover as soon as possible.

Message from Chairman of ASOSAI



Mr. Tan Sri Ambrin Buang
Auditor General of Malaysia and
Chairman of ASOSAI

ASOSAI has experienced three decades of impressive regional cooperation and regional link progress in raising the bar of public audits. Today, we face different challenges in both the external and internal environments. The changing government landscape, evolving technology and intense stakeholders' expectations are affecting the way audits are perceived and conducted. All these have imposed the need for ASOSAI to establish appropriate innovative strategies and mechanisms to help the members to collectively respond to it.

The ASOSAI Strategic Plan 2016-2021 which was approved at the 13th ASOSAI Assembly held in February 2015 in Kuala Lumpur, is an important blueprint detailing the three-pronged strategic priorities in capacity building, knowledge sharing and to be a regional role model institution. I firmly believed that a combined resources and commitment as well as continued support and cooperation from all members will facilitate the effective implementation of the Strategic Plan which will contribute to the Millennium Development Goals.

Indeed, technology has made a great impact to the way audits are planned, conducted and reported. The 6th ASOSAI Symposium on the theme "Leveraging technology to enhance audit quality and effectiveness" has provided us insights, views and interesting ideas to further explore the use of technology. I hope that more capacity building programmes on the use of Data Analytics, Big Data, Data Mining and how to establish IT-based audit system could be developed where the members could share the experiences and emulate the successes.

I would like to take this opportunity to extend my appreciation to all the members for their participation and invaluable contributions at the 13th ASOSAI Assembly and Symposium. My sincere gratitude to the immediate past Chairman of ASOSAI, Mr. Shashi Kant Sharma, the Comptroller and Auditor General of India for his excellent leadership at the helm of the organisation during the past three years.

Let us work together to realize the ASOSAI vision to promote good governance and accountability structures and make the organisation as a new fulcrum of emerging architecture in the region.

Reformation tendencies in financial control system and state audit in Kazakhstan

Zeynelgabdin Altay, Doctor of Economics
Kari Anuarbek, doctoral candidate

ANNOTATION:

In this Article the author evaluates the reformation process of the state financial control system in Kazakhstan.

Currently the state financial control system in Kazakhstan is undergoing a stage of cardinal reformation. The current issues in the area of state financial control and in an international tendencies for implementation of effective audit of the state finances have stipulated the necessity to develop an own system of the state audit.

In 2012 within the framework of the fifth direction "Further strengthening of the statehood and Kazakhstani democracy development" in the Message of the President of the Republic of Kazakhstan "Strategy Kazakhstan-2050" this course was defined: "We need the further improvement of the governmental planning and prediction system... Development of the concept to introduce the country's state audit, to submit the appropriate draft law to the Parliament next year. We need to create a comprehensive system of state audit on the basis of International best practices"¹.

The first step was adoption of the Presidential Decree No. 634 "On Approval of the Concept to implement the state audit in the Republic of Kazakhstan" on 3rd September, 2013. The concept establishes the principles, approaches and orientations of the reformation system for the state financial control and the establishment of the state audit and subsequent expansion of its functions. The two stages of implementation of state audit in Kazakhstan are depicted in Figure 1.

¹ The Message of the President of the Republic of Kazakhstan – the Leader of the Nation NursultanNazarbayev to the Nation of Kazakhstan "Strategy "Kazakhstan-2050": the new political course of the established country" dated 14.12.2012 // the official site of the President of the Republic of Kazakhstan http://www.akorda.kz/ru/page/page_poslanie-prezidenta-respubliki-kazakhstan-lidera-natsii-nursultana-nazarbaeva-narodu-kazakhstana-

Implementation stages of the state audit in the Republic of Kazakhstan

STAGE I (2013-2014)

Establishment of the legislative and methodological basis for the state audit that is in compliance with the international standards

- | | |
|---|--|
| 1) <i>Elaboration of the draft law "About state audit and financial control";</i> | 6) <i>Stressing audit and control based on RMS, intensification of analytical work.</i> |
| 2) <i>Creation of the single system for the state audit and financial control by the Accounts committee;</i> | 7) <i>Development of interaction procedure between the bodies of state audit and financial control.</i> |
| 3) <i>Development of standards for the state audit and financial control in compliance with the international requirements;</i> | 8) <i>Structuring of training system, refresher courses and advanced training for state audit staff.</i> |
| 4) <i>Distribution of authorities for the bodies of state audit and financial control;</i> | 9) <i>Setting of the qualification requirements to the state auditors.</i> |
| 5) <i>Development of Risk Management System based on general principles and approaches;</i> | 10) <i>Increase of methodological coordination of the audit commissions by the Accounts Committee.</i> |

STAGE II (2015-2017)

Establishment of the state audit system

- | | |
|---|---|
| 1) <i>Establishment of the body authorized by the Government of the Republic of Kazakhstan for internal audit (the committee of Financial Control of the Ministry of Finances to the Republic of Kazakhstan);</i> | 4) <i>Integration of the single information system of the financial audit and control with @e-government@ and the bases of all the state authorities;</i> |
| 2) <i>Authorities provision to the bodies of the State Financial Control for external state audit;</i> | 5) <i>Creation of internal audit services in the central state authorities and the Major's Executive offices in Astana, Almaty cities and te regions thereof.</i> |
| 3) <i>establishment of state auditors' certification system.</i> | |

Figure 1

By 2018, all the bodies of the state audit should operate in accordance with the standards.

Thus, according to the Concept, the state audit is established as a full and effective institution of the public and the state. The state control system should detect financial irregularities and take measures to respond, and the state audit must perform managerial appraisal with a focus on improving the activities of the audited entity, the growth of its effectiveness. This appraisal also includes the performance quality of the state bodies and organizations exercising the functions of financial resource management.

The basis of the future system of the state audit and financial control should be a new Act, the draft of which is being discussed in the Parliament of Kazakhstan.

The purpose of the legislative initiative is to develop a legal mechanism that strengthens the operational efficiency and financial resource consumption. This is based on the work assessment of the government agencies and quasi-public sector entities in the direction of the development of economy as a whole or sector wise by establishing a system of state audit. Presently, there is no such mechanism in the legal framework of Kazakhstan, thus, the adoption of the law is intended to fill this gap by establishing specialized agencies, their functions and the

organization of their interaction with all government agencies. The new law will also establish types, principles and foundations of state audit and financial control.

As correctly noted by U.F. Engel, “the economic feasibility of the legislative initiative of the Government in this area is justified by the need to radically review the tools for fiscal discipline by increasing, removal of artificial decorations and through the implementation to create international experience of effective mechanism for the quality management evaluation by national resources”².

As seen in Figure 2, in general, the draft law contains sectors that already exist in the state financial control system. The draft law includes the following :

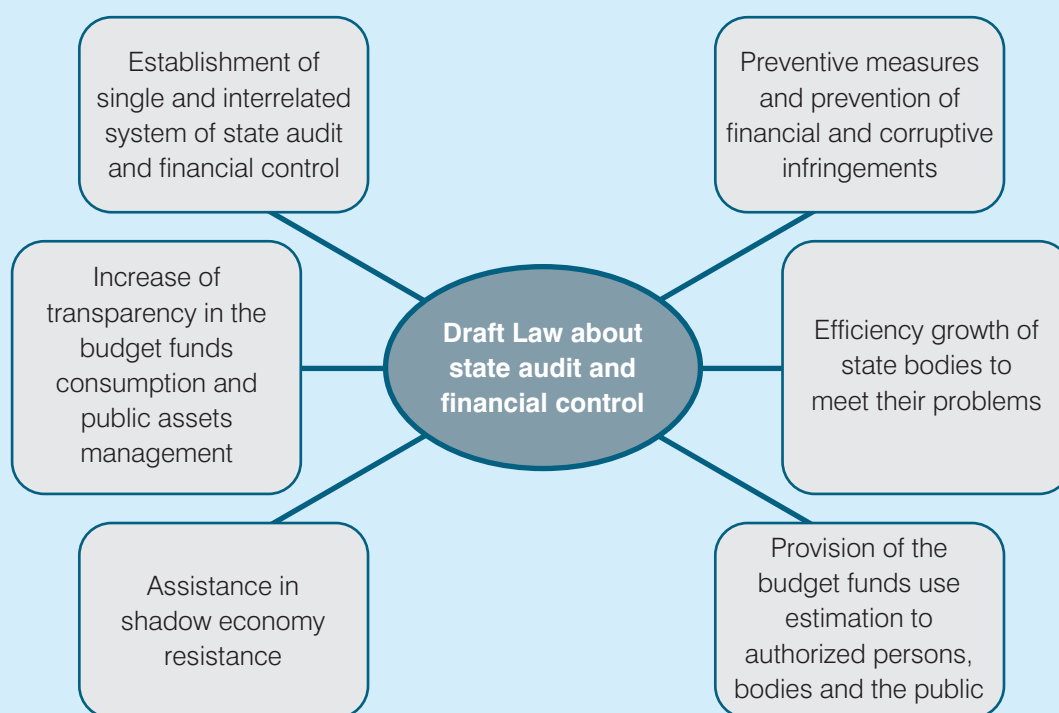


Figure 2: The main objectives of the draft law “About state audit and financial control”³

² U.F. Engel. The Law in draft “About state audit and financial control”: The beginning of the regulations/ U.F. Engel // Мемлекеттік аудит - State audit. No. 3. – 2013. – page. 10. (pp. 10-13).

³ **Source:** This is compiled by the author based on the analysis of the draft law “About state audit and financial control”

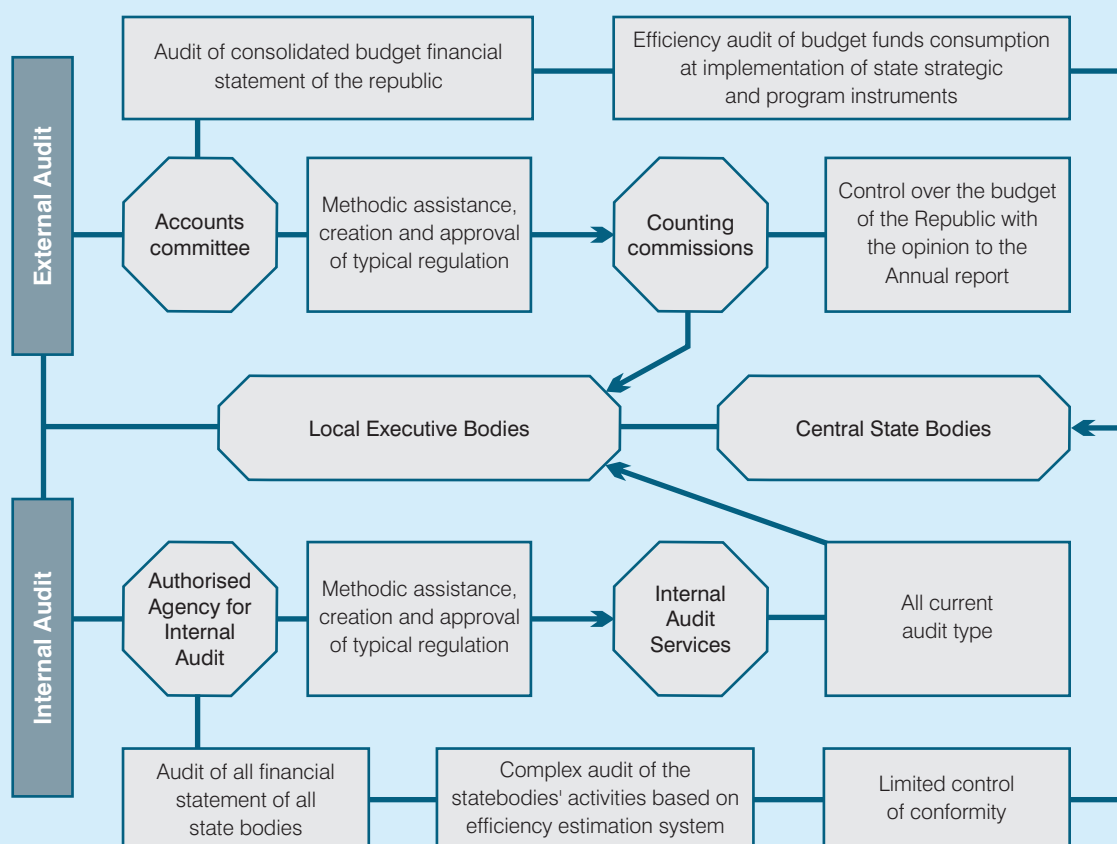


Figure 3: The system of state audit bodies⁴

Accounts Committee and the Commissions will become the entities for external state audit and financial control.

The draft law classifies the State Audit under the following type: performance audit, financial statement audit and compliance audit.

The performance audit will be the study and analysis of the economy, efficiency and effectiveness of the audited entity. The current methods for efficient performance evaluation of government agencies will be improved.

Financial statement audit will be the study and analysis of financial statements and the accounting system of the audited entity. This will enable the auditor to express his opinion on compliance of the financial statement with the provisions of legal acts and accounting standards.

Compliance audit will involve comparison of the audited entity with the legislation acts, including special ones regulating its activity.

⁴ **Source:** This is compiled by the author based on the analysis of the draft law "About state audit and financial control".

Functions of the Accounts Committee will be enhanced by the following new ones:

- 1) The preliminary assessment of the prepared budget draft of the republic;
- 2) Annual audit performance of the consolidated financial statements at the republican level;
- 3) Provision of access, development and operation of a single database of state audit and financial control in order to share information with other government agencies, audit entities and implementation of e-government audit;
- 4) The development strategies implementation of national holdings;
- 5) The formation and management of public debt;
- 6) Formation and development of the National Fund of the Republic of Kazakhstan;
- 7) Detection, analysis, evaluation and forecasting of threats to national security in the economic and financial field, as well as increase in the degree of confidence and public satisfaction from the state machinery management and national resources management;
- 8) Monitoring of compliance of the state audit and financial control bodies with the standards for public audit and financial control.

Adoption of the state audit standards and financial control system will follow the procedure as shown in figure 4

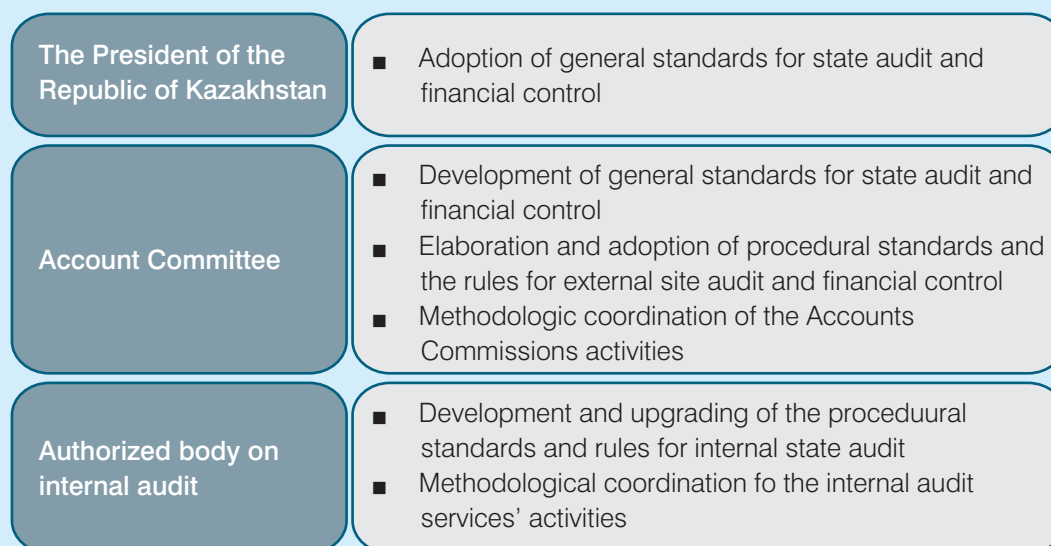


Figure 4: Development and adoption of state audit standards and financial control⁵

Preliminary assessment of the national budget will be on the main expenditure areas, according to the results of which recommendations to improve the management efficiency and use of the state funds and assets will be developed.

⁵ **Source:** This is compiled by the author based on the analysis of the law in draft "About state audit and financial control".

This innovation should be regarded as progressive in the draft law, due to the fact that:

- State Audit is formed as strategy, that performs the task of the resources conformity assessment to the possibility of the goals achievement set by the state and the expected effects;
- it will prevent budget shortages and surpluses;
- it will increase the investment efficiency of the budget and the National Fund into the strategic programs for the long term;
- The state audit system will be more comprehensive, by covering such an important stage of the budget process as the creation of the national budget project.

The functions of the counting commissions are similar to the functions of the Accounts Committee to Control over Execution of the national budget and differ only in their implementation at the regional level and in the field of communal property.

In our view, at designing of counting commissions as a locally limited model of the Accounts Committee in the field, the right for local budgets projects evaluation is unreasonably excluded from the functions.

The authorized body for Internal Audit will conduct limited control of:

- 1) the Government's reserve use of the Republic of Kazakhstan;
- 2) expenses incurred as a result of estimated cost increase in budget investment projects;
- 3) non-tax revenues to the budgets of different levels;
- 4) co-financing of concession projects from the budget;
- 5) compliance with the requirements of legal acts in the sphere of public property, public procurement, accounting and auditing in general.

The main duties of the Authorized body for the internal audit will focus on the audit of financial statement and performance audit. At the same time the effectiveness evaluation of internal audit services will be carried out. The latter is also planned to provide with new functions to participate in the audit of financial statements and the effectiveness monitoring with the current functions preservation.

Based on the international experience and in order to create the corporate governance, to structure the effective cooperation in the internal audit, to manage the risks in the activity of state bodies it is proposed to establish the Board on Audit and Risk Management, which will be an advisory body. The Audit and Risk Management Board must be chaired by the first Manager of the state body, the structure of which will consist of the heads of departments and divisions.

The key tasks of the Audit and Risk Management Board is to determine the coordination of the structural units, to distribute all the available resources and information assistance during the plans development and fulfillment of internal audit events, risk management by discussion of the prepared reports, plans and various programs.

One of the other innovations of the draft law is to assess the performance effectiveness of the Accounts Committee by the members of International Organizations of Supreme State Audit on the basis of agreements on cooperation. The results of these evaluations will be sent to the President of the Republic of Kazakhstan and published in the media.

With the strengthening of the institutionalization of the Accounts Committee the law in draft plans to increase the expert-analytical component of its activities, to enhance the international cooperation, and also preliminary, current and subsequent evaluation of the budget will be carried out.

The scope of state audit also includes the control assessment, the main purpose of which is to improve the quality of the audited entity, including in terms of efficiency. The sphere of financial control includes identification of violations and taking of appropriate response measures.

In particular, the sphere of public audit and financial control would include:

- 1) audit of financial statements of the entity;
- 2) effectiveness evaluation on implementation of the state strategy, program instruments aimed at the strategic goals and objectives achievement;
- 3) functional analysis of the work of state bodies and their subordinate bodies;
- 4) resources management of the entity (financial, staff, natural and others);
- 5) quality of public services rendered;
- 6) taking of measures necessary to improve the quality of management processes (use of the latest information technologies, etc.).

The set of concepts used is expanded with such as "ethics of public auditors", "shortcomings" (to avoid confusion with the term "violation"), "e-government audit". Indicators of the state audit are: efficiency, effectiveness, performance, significance and productivity.

The draft law assumes that the state audit will be carried out by certified public auditors meeting the certain eligibility criteria. For the staffing of the state audit, a series of measures aimed at the staff training are applied. So, in 2008, the order of the Executive Secretary of the Ministry of Education and Science of the Republic of Kazakhstan "On creation of the working group to train staff in the specialty "State Audit" was paved⁶. The group charged to develop a training program for the state audit consists of representatives from the Department of Higher and Postgraduate Education of the Ministry of Education and Science of the Republic of Kazakhstan and the Department on methodology of state planning of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan.

Some practical measures are taken in the international cooperation. So, the matter on training of Kazakhstani specialists for public audit on the basis of Russian universities is discussed. A number of agreements, including on cooperation to establish a methodological base in

⁶ Order of the Executive Secretary of the Ministry of Education and Science of the Republic of Kazakhstan dated November 05, 2008 No. 593 «On creation of the working group to train staff in the specialty "State Audit" // Information-legal system of normative legal acts of the Republic of Kazakhstan "Adilet" ("Әділет") www.adilet.zan.kz.

auditing and training of government auditors and skills development of the Accounts Committee, during the study of international best practices on issues of public audit, funds consumption efficiency, discussion of matters on the World Bank's grant to carry out measure to transfer from the external state financial control system to the state audit⁷.

In August 2014 between the Accounts Committee and USAID (United States Agency for International Development) signed a joint Schedule of activities for the years of 2014-2015⁸. Cooperation with USAID envisages improvement of the legal framework in the field of state audit and preparation of audit reports, as well as cooperation development in the field of certification of state auditors.

On the whole, the analysis of the draft law content shows that distinction of audit and control is not conceptually worked out, so many regulations contain hypotheses and dispositions, mixing these concepts and mechanisms thereof. Besides, the status of the statehood with respect to the subject matter of the draft law has been undefined yet, in connection with which the draft law uses the audit and financial control as a separate category, by periodically adding to them the term "State". This approach is not correct from the standpoint of the methodology of economics, as there is no need to fix in the name of the body all management functions and represent them intimately; otherwise it would be possible to continue this approach in the style of "authorized body for the state audit and financial control and risk management, etc."

But the problem is not only of theoretical and methodological character: in practice, it will cause excessive bureaucratization of processes, duplication of powers, vagueness and lack of system accountability. We'll explain by practical examples provision of General Electric Company, the cause of the financial crisis in the middle of the XX century was duplication of the control functions, risk management, economic security and auditing, and 68% of the company's human resources have been sucked into this haphazard activity⁹.

As a confirmation of our position that the place of control and audit is not defined in the current reform of the state financial control system of Kazakhstan (the categories neither united nor separated), we'll give the fact that the adoption of the draft law in the current form requires changes in other legislation acts by replacement of the word "control" to "audit" or adding the following :

Code of the Republic of Kazakhstan on administrative violations:

- various amendments, inter alia, the replacement of "control" to "audit" ;
- supplement to the Article 365.

Budget Code of the Republic of Kazakhstan:

- Section 7, devoted to State Financial Control, is excluded;
- "control" is replaced or added with the term "audit", the concepts "Controlled entity" and "Violation" "infringement" are changed in compliance with the definition of the law in draft;
- amendments to the Articles 46 and 85.

⁷ The Accounts Committee met with the experts from the World Bank// The Accounts Committee to control over national budget implementation www.esep.kz.

⁸ The Accounts Committee and Macro economical project USAID signed the joint Schedule of activities for the years 2014-2015 // The Accounts Committee to control over the national budget implementation www.esep.kz.

⁹ Parmenter D. Key Performance Indicators: Developing, Implementing, and Using Winning KPIs / Hoboken: Wiley. - 3rd edition. – 2015. – 448 p.

Act "About local state management and self-government in the Republic of Kazakhstan:

- replacement in the Article 6 "control entities" to the "state audit entities".

Act "About auditing":

- various amendments, inter alia, replacement of "control" to "audit" .

Act "About administrative procedures":

- supplementt in the clause 4 Article 8, that establishes the liability to execute the regulations of the state audit bodies and state financial control authorities.

Act "About state procurement":

- various amendments, inter alia, replacement of "control" to "audit" .

Figure 5: Changes and additions to the legislative acts in connection with the implementation of a new system of state audit and financial control¹⁰

The draft law should take into account the following economic aspects of the audit:

- A limited list of audit indicators (efficiency, effectiveness, performance, significance and productivity) that will affect the quality of auditing itself in view of differences in the evaluated entities and also auditing capabilities of the entity in the system (in conjunction with other elements and entities of Financial system and other socially important systems);
- Efficiency is presented as a measure of financial control as efficiency in audit involves assessment of the effect not only on the scheduled results;
- It is proposed to use the indicators of efficiency, performance, productivity and effectiveness depending on the type of state audit, and the type of "performance audit" is defined as the assessment and analysis of the audited entity for economy, efficiency and effectiveness. It is not clear what economic indicators should be identified by two other types proposed in the draft law "compliance audit" and "audit of financial statement";
- significance is presented as an indicator of financial control, but it should be not only quantitative but also qualitative, which is important when socially important systems are audited;
- the economic mechanism of risk management is not revealed and not determined how it will be built into the system of state audit and financial control;

¹⁰ Explanatory note to the Draft of regulation of the Government of the Republic of Kazakhstan "About the draft of the Act of the Republic of Kazakhstan "About state audit and financial control". Ministry of finances of the Republic of Kazakhstan // Information-legal system of the normative legal acts of the Republic of Kazakhstan "Adilet" ("Әділет") www.adilet.zan.kz.

Source: This is compiled by the author based on the analysis of the Explanatory Note.

- performance criteria of the state audit are not defined, while extension of the functions of the Accounts Committee should result in the involvement of human resources and, consequently, budget expenditures for these purposes.

Thus, the current problems in the sphere of state financial control, as well as international practice of implementation of effective audit for public finances determines the need for the national system of state audit formation. This proposed draft law, which is planned to reform the financial control and audit, contains the guidelines that already reflect the present functioning system of state financial control and the current legal framework. The draft contains no elaborated concept of audit and control differentiation; that is why these concepts and their implementation mechanisms are mixed in many of its regulations. To date, the Republic of Kazakhstan needs a qualitatively new system of structure of control and audit bodies. In such a system, the state control will be in the detection of financial irregularities and response measures, and the state audit will be in the assessment of financial management in order to improve the functioning of the audited entity.

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Book Review : Financial Shenanigans

by Howard M. Schilit

INTRODUCTION

Why read? This article is not to discuss why read? But what to read and a brief summary of one of the best accounting books in the market. However, reading is essential in fact especially for accountants but why? Well, for so many reasons. First, accounting is a science meaning that there are daily developments and changes and therefore accountants must read to be aware of them. Second, "Leaders are readers"! Thirdly, and that's the last point before this article starts to sum up one of the top books related to accountancy, is that we train each and every single muscle at the gym to make sure that our body is getting the proper amount of exercise to function well, but remember that the most important muscle is the "brain" muscle and the best exercise to move that muscle is "reading". Congratulations on moving the best body muscle! And keep doing this exercise throughout this article where you will find interesting topics in one of the best books **FINANCIAL SHENANIGANS**.

What is this book all about?

It is surely an accounting book, but it is specifically related to forensic accounting one of the most interesting tracks in accountancy. In fact, reading this book will help you have the attitude of identifying deceptive behavior in company's financial statements and enhance your professional skepticism skills. Professional skepticism cannot be taught since it's a skill that accountants and auditors develop by reading and practice. What makes this book so special? A couple of reasons listed below makes this book one of the best bookshop picks and on your "must-read" list:

1. Easy to understand and digest.
2. Related to a specific accounting field.
3. Explains in detail one of the most trending accountancy fields.
4. Non-accountants may benefit from this book since it doesn't use too many accounting jargons.
5. Helps in spotting financial malfeasance.
6. Loaded with beneficial examples and cases.
7. A quite short read! Five parts divided into 16 chapters only!

The article will be divided into five parts each part showing a brief summary of the chapters that are related to it.

Part one: Establishing the foundations

This part is the most important part of the book if you get the basics then the rest of the book is like walking through the gardens. Financial shenanigans as defined in the book are "actions

taken by management that mislead investors about a company's financial performance or economic health." Financial shenanigans may be classified into three broad groups and those are as follows:

- A) Earning manipulation shenanigans.
- B) Cash flow shenanigans.
- C) Key metrics shenanigans.

Many well-known companies with huge names are engaged in fraudulent activities and deceive the users of the financial statements. This book outlines those cases briefly in part one and give them the best picture Oscar "as good as it gets!" showing the most famous reporting scandals in the past years for top companies like Enron, WorldCom, Tyco and even symbol technologies! Each one of those companies used a different technique some used fabrication of revenue while others used fictitious profit and cash flow.

The most common case outlined in this part of the book is "ENRON" since it was ranked number seven in fortune's magazine list of the 500 largest companies in 2000, what was so suspicious is the revenue jump that ENRON made from \$9.2 billion in 1995 to \$100.8 billion in 2000. In December 2001, Enron filed for bankruptcy in U.S since they should have consolidated some of those "off-balance sheet" partnerships. The key lesson is that when reported sales grow far exceeding normal patterns then this is a red flag that revenue recognition shenanigans may have been the main cause of the boost.

Financial shenanigans categories

- A) **Earning's management shenanigans:** there are numerous techniques used when it comes to EM shenanigans. However, the book briefly summarizes them into seven shenanigans beginning with recording revenues too soon, recording bogus revenue, boosting income, shifting current expenses, employing techniques to hide expenses or losses, shifting current income to a later period and finally shifting future expenses to an earlier period.
- B) **Cash flow shenanigans:** since 2002 there have been so common and there are mostly four techniques as follows. First, shifting financing cash inflows to the operation section. Second, shifting normal operating cash outflows to the investing section. Third, inflating operating cash flows using acquisitions of disposals and last, boosting operating cash flow using unsustainable activities.
- C) **Key metrics shenanigans:** those are only two and mostly used by managements like showcasing misleading metrics that overstate performance or distorting balance sheet metrics to avoid showing deterioration.

Part two: Earnings manipulations shenanigans

Part two of the book explains the seven most common techniques used in earning manipulation and suggests how skeptical investors can ferret out these tricks to avoid losses, some companies are professionals when it comes to deceiving investors and other financial statement users by recording revenue too soon i.e. by recording revenue before completing

any obligations under the contract, record revenue far in excess of work completed on the contract, record revenue before the buyers acceptance or even when the buyers payment remains uncertain!

Techniques used in such a field are endless and they accelerate revenue in a gigantic amount in fact some companies even record bogus revenue from transactions that lack economic substance, transaction's that lack a reasonable arms-length process. The issue is how will investors spot such flags? Peer review is the solution it is mentioned in the book that if you spot a sign of a questionable accounting approach, test it by comparing the results and practices to those of a similar company that is much larger.

Revenue is not always a problem, when expenses could be shifted to a future period and this is also a warning sign when a new or unusual asset account especially one that is increasing rapidly may signal improper capitalization many companies used this technique but the most famous one is AOL.

Part three: Cash flow shenanigans

Sophisticated investors do not trust the statement of income for so many reasons thinking that the information provided is not correct and those figures are somehow "fishy", those types of investors put more faith on "purer" cashflow from operations. Are the more sophisticated investors on the right path? Well, while reading part three you will find out that there are even worse shenanigans used in manipulating cash flows and therefore you cannot rely upon them 100%. Howard explained those shenanigans in an easy to digest way if you could just remember the famous childhood story Robin Hood, taking from the rich and giving the poor. Cash flow shenanigans work in the same way as Robin Hood trick does stealing from the rich section of the statement of cash flows and giving it to the poor one and this will be enough to deceive the naïve users of the statements.

Numerous amount of techniques may also be used such as recording bogus cash flows from a normal bank borrowing, boosting cash flows by selling receivables or even inflating them by faking sales of receivables some of those techniques may sound hard to interpret but the book discusses a lot of cases that were engaged in such techniques like general motors, the key here is that if you suspect a company of receiving an earnings benefit from improper capitalization, don't forget that there may be a boost to operating cash flow as well.

Investors may also look for warning signs and red flags things like those listed below shall be taken into consideration:

1. Inheriting operating cash inflows in a normal business aquisition
2. Companies that make numerous acquisitions.
3. Declining free cash flow while CFFO appears to be strong.
4. New categories appearing in the cash flow.
5. Acquiring new customers and contracts rather than developing them internally.

Part four: Key metrics shenanigans

Evaluation of a company's "economic" performance is not an easy task it requires skills and knowledge in many fields now that two mountains are done one related to earnings

manipulation and the other one related to cash flow manipulation, only one mountain is left to climb in order to be able to understand and evaluate the economic performance of a company and this is the “key metric” mountain.

Key metric shenanigans are split into two main categories as follows:

1. Showcasing misleading metrics that overstate performance.
2. Distorting balance sheet metrics to avoid showing deterioration.

As an investor you will be loaded with tons of information, the key here is to be able to know where to start what to look at and how to look at this information the book mentions that when it comes to having massive amount of data to analyze and read remember to ask these two questions:

1. What are the best metrics for that specific company's performance and does the company highlight, ignore, distort or even make up its own version of these metrics?
2. What are the best metrics that would reveal a specific company's deteriorating economic health and does management highlight, ignore, distort, or even make up its own version of these metrics?

The solution here is to evaluate the company from both sides using performance and economic health metrics, management do provide enough information but in many cases they try to camouflage some information and this is called key metrics shenanigans. The investor may also evaluate the financial performance and economic health metrics using the metric grading chart which allows the investor to give a grading to the company's metrics as shown in the table below.

Grade	Reason
A	Essential and properly used by management
B	Useful addition
C	Neutral- no real value
D	Correct metric, but misused by management
E	Misleading metric created by management

Tips that investors shall keep in mind:

1. Sound the alarm if a key metric goes missing.
2. Scrutinize the organic growth calculation of acquisitive companies as it may include revenue that spilled over from the target company.
3. Subscriber data are often disclosed in both the earnings release and the 10Q. Look for inconsistencies between the two sources particularly discrepancies in which subscribers are shifted between categories.
4. Calculate ratios and compare figures.

5. Investors shall be concerned with changes in ratios especially large decrease and increase.

As investors you should always look for red flags that will help in identifying key metric shenanigans things like changing the definition of a key metric, unusual definition of organic growth, highlighting a misleading metric as a surrogate of earnings or even pretending that one-time gains are recurring in nature.

Part Five: Putting it all together

Congratulations on reaching the last part of the article which is part five; you have done a tremendous amount of brain exercise and will soon see the effect on your body and soul, you have also climbed three mountains that's you should remember their names!

This article gave a brief summary of one of the top reads related to forensic accounting. The article defined financial shenanigans which are "actions taken by management that mislead investors about a company's financial performance or economic health." The article then showed how the book categorized financial shenanigans into three broad groups and those are as follows:

- a) Mountain 1: Earning manipulation shenanigans.
- b) Mountain 2: Cash flow shenanigans.
- c) Mountain 3: Key metrics shenanigans.

All in all, the book is easy to read and digest and gives a recap of (1) the holistic approach to detecting financial shenanigans (2) the breeding ground for shenanigans (3) earnings manipulation shenanigans (4) cash flow shenanigans and (5) key metrics shenanigans. Relying upon one financial statement is not always a good idea and one should look for factors that show that this organization is a breeding ground for shenanigans like:

- a) Absence of checks and balances.
- b) Single family dominating management.
- c) Presence of related party transactions.
- d) Unqualified audit firm.
- e) Auditor lacking objectivity and the appearance of independence.

To sum it all up, this book is a must-read and shall be in the library of all accountants and auditors since it helps in giving lessons gleaned from examining many of the deceptive financial reporting practices employed during the last decade. Investors should assume that the urge to exaggerate the positive and hide the negative will never disappear, where temptation exists, shenanigans will follow.

Auditing the Zoo - Understanding Key Risks and Determining Audit Criteria

By Aamir Fayyaz, SAI Pakistan

A Zoological garden, commonly known as 'Zoo', is a place where mostly wild animals are housed and exhibited in captivity.¹ Zoos entertain and educate the public and profess a strong emphasis on research and conservation.² A modern Zoo is expected to ensure 'conservation, (from animals' perspective) education, research and recreation' (for humans).³ Since most residents of the Zoos are taken away from their wildlife habitats, it is imperative, and those charged with the governance of the Zoos are under an obligation to see to it that their connection with the 'wild' is never lost. A liberal flow of funding is required to maintain a modern Zoo besides making available huge areas for housing the animals. Most of the time, the private sector may not have the motivation to dedicate the resources for such maintenance and consequently Zoos might be wholly or partially dependent on the consistent flow of public funds.⁴

Auditors from the Supreme Audit Institutions (SAIs) are under an obligation to follow the public money to vouch for propriety, regularity and value for money, equally for zoo residents as well as for humans, in the instant case. Since Zoos are expected to actively contribute towards protection of bio diversity, their public funding creates the need for transparency and accountability in their operations and a scrutiny of their actions and inactions by the SAIs.⁵ An attempt has been made here to sensitize the auditors with the key risks facing these unique organizations. An understanding of these risks, which cannot be termed exhaustive and conclusive, by the auditors is expected to give him or her a starting point in determining audit criteria and help achieve regularity or performance audit objectives as per the terms of audit engagement or mandate.

At the very outset, auditors need to develop a global view of the objectives of a modern Zoo. Questions like 'Why do Zoos exist?' and 'What value do they provide to the stakeholders?' should be asked.⁶ From the perspective of evidence gathering, auditors must be alive to the fact that people, the members of the audit team being no exception, may have an undecided and confused view of Zoos and their utility. Some may consider these

valuable for the animals because these, inter alia, conserve⁷ the otherwise endangered species in a wild world which operates on the principle of survival of the fittest. Others may term these as places of confinement for the animals.⁸ Auditors must note if this ambivalence works at the

¹ <http://www.britannica.com/EBchecked/topic/657894/Zoo>

² http://education.nationalgeographic.com/education/encyclopedia/zoo/?ar_a=1

³ Zoos Expert Committee Handbook, p.4, available at www.gov.uk/government (brackets added)

⁴ For instances as to how the zoos are financially supported across the world, see <http://www.britannica.com/EBchecked/topic/657894/Zoo>

⁵ For further guidance, see INTOSAI WGEA—Auditing Biodiversity: Guidance for Supreme Audit Institutions, p.28

⁶ To know who are the stakeholders in the public sector, see 'Introduction to the INTOSAI GOV 9130-Further Information on Entity Risk Management'

⁷ Tudge, Colin. Last Animals in the Zoo: How Mass Extinction Can Be Stopped, London 1991 & Manifesto for Zoos John Regan Associates, 2004, as cited at footnotes Nos 32 & 33 in the Wikipedia encyclopedia at <http://en.wikipedia.org/wiki/Zoo>

⁸ <http://www.spanishzoos.org>

governmental or policy making level by interviewing key players involved in the management of Zoo. The placement of a Zoo under the administrative control of Wildlife or Education Ministry can speak volumes for the tone at the top of the governmental level. Nevertheless, auditors must guard against any preconceived notions to avoid loss of objectivity.⁹

One major risk that the auditors must address and collect evidence against relates to the management framework. Potential risk areas for auditor could be the gaps in the sufficiency of the staff with respect to the magnitude of the work. Better, that the auditors compare staff strength of the Zoo when it was established and its current position keeping in view the local, national and international context. Analysis should cover the compliance and performance aspects. Checking adequacy of funding to the Zoo and gaps between the budgeted allocations and actual utilization is to be done for all the major components but specially those pertaining to nutrition, health and safety of Zoo residents. Daily levels of calories for different categories of animals including the diet plans in case of quarantines or illnesses require attention side by side with inspection of storage of food. Direct testing of food, water and medicines will be done from an independent laboratory on the basis of a sample representative of the entire year and not of some particular days or weeks as animals may be fed differently in times of festivity, when the Zoo may receive more than average visitors, leading the auditors to draw false conclusions. The results would help auditors judge with reasonable assurance as to whether the animals are getting the right type of food, in the right quantity, of the right quality, at the right time and at the right place (never in front of the watchful eyes of public!). Auditor must also identify the major sources of his audit criteria¹⁰ while addressing specific risk as to the availability or otherwise of an exclusive and comprehensive legislative and legal framework for the Zoo under audit¹¹ and whether there is clarity in the policy statements of the government.¹²

Procurement of animals is a major risk area from the compliance point of view specially when this has been estimated that for every 20 animals on display in a modern Zoo, about 5 were bred in captivity, the rest are collected in the wild, and usually purchased.¹³

Evidence to be collected by the auditors would extend to areas like smuggling of animals, theft and deaths of animals as there is high inherent risk of animals being siphoned off and shown dead or being procured on papers and subsequently shown dead. Sale of animals and public donation programs also carry specific risks.

Developing appropriate expectations about generalized level of care and services for the residents require appropriate research as this has huge potential to contribute towards audit report especially when the Zoo, under audit, is located in a developing country or in some congested urban centre. 'Five Freedoms' framework and the 3Rs approach could be a good working criteria.¹⁴ Auditors will do well to study the tone at the top¹⁵ as a first steps towards the understanding of Zoo control structure. Identification of risks pertaining to the housing of animals is to be done in the light of fresh thinking on the subject, which remains in a flux in view

⁹ ISSAI 30 - Code of Ethics

¹⁰ Some of the sources of criteria could include: World Wild Fund, Convention on Biological Diversity, Convention on International Trade in Endangered Species, and American Association of Zoological Parks and Aquariums.

¹¹ For elaborate questions, see, INTOSAI Working Group on Environmental Auditing (WGEA)—Auditing Biodiversity: Guidance for Supreme Audit Institutions, p.29

¹² INTOSAI WGEA—Auditing Biodiversity: Guidance for Supreme Audit Institutions, p.26

¹³ <http://www.britannica.com/EBchecked/topic/657894/Zoo>

¹⁴ 'Guidelines for standards of care in animal shelters, 2010', p-12, available at <http://www.sheltervet.org> & Zoos Expert Committee Handbook', p14-15, available at <https://www.gov.uk>, & <http://advocacy.britannica.com>

¹⁵ See para 2.1.5 of INTOSAI GOV 9130-Further Information on Entity Risk Management

of technological advancement. It is generally accepted that housing for the animals need to be as near to their natural abode as possible. Further, there is now talk of recognizing and giving animals legal property rights of their habitats.¹⁶ This has the potential to reorient our entire thinking on the subject. Auditors would need to gather evidence as to whether the authorities that be and the Zoo management at the ground level are alive to these 21st century dynamics and are these being reflected in their strategic and operational plans. Physical evidence would include judging the appropriateness of the space available per animal, etc.¹⁷

As far as the health of the animals is concerned, it would be in the fitness of things if the auditors consults local veterinaries to arrive at the appropriate criteria from the preventive as well as the curative aspects. Visitors to the Zoos, especially children may be at higher risk of contracting zoonotic¹⁸ if the Zoo authorities do not exhibit proper understanding of disease transmission and animal behavior. Auditors need to gather evidence to that effect through interviews and inspection of the vicinity as to what measures have been taken (e.g. hand washing facility) to reduce the risk of zoonotic diseases.¹⁹ Availability and adequacy of in-house, as well as outsourced medical and emergency facilities, preventive and curative programs, fire services, waste management are critical areas requiring attention of the auditors.

Since Zoos may proclaim ex-situ conservation of the animals as the *raison d'être* for their existence, audit programs should focus on gathering evidence as to how the Zoo is achieving this objective through education, research and providing support for in-situ programs.²⁰ Standards require the Zoos to have a written education strategy and an active education program.²¹ This aspect needs to be given due importance in the audit program as it has the potential to affect future attitudes of the coming generations towards animals and their rights, in and outside Zoo. Analysis by the auditors of the number of structured visits for schools over a period and whether students are charged routine entrance fee, discounts or a complete waiver may provide evidence to the auditor as to the management's efforts to achieve this objective. It would strengthen the evidence if auditors also observe, on a random basis, if the visits take place in a structured manner with appropriate intervals and that the residents' rights for rest and privacy are not compromised and their stress level is not increased in view of a pressing crowd.

The above discussion leads us to conclude that auditing a modern Zoo is not an ordinary, run of the mill type of activity. It is not meant to be and should not be. Auditors deployed must have a very sharp eye and must exhibit keen observation as during audit they are expected to employ their interviewing techniques to converse with the animals at Zoo, to observe them without compromising their privacy and to understand their unspoken words. A great amount of empathy would be expected besides a thorough knowledge of the best practices in the Zoo world.

¹⁶ http://www.animalsaustralia.org/media/in_the_news.php?article=2205; also cited on <http://advocacy.britannica.com>

¹⁷ Secretary of State's Standards of Modern Zoo Practice, paras 2.9, 2.10, 3.24 & 8.4.4; available at <https://www.gov.uk> & National-Zoo-Bio Security Manual available at <http://farmbiosecurity.com.au>; pp.15 & 21

¹⁸ <http://www.cdc.gov/mmwr/preview/mmwrhtml/rr5404a1.htm>

¹⁹ <https://www.aza.org/animal-contact-policy/> & Zoos Expert Committee Handbook, p.182

²⁰ Zoos Expert Committee Handbook, p-3,13 & INTOSAI WGEA—Auditing Biodiversity: Guidance for Supreme Audit Institutions, p.17

²¹ Secretary of State's Standards of Modern Zoo Practice, para 7.9

Basic Approaches to the Audit of the Public Debt Management in the Context of the Program Method of the Federal Budget Planning and Execution

SAI Russia

At present, the Debt Policy of the Russian Federation is being implemented under the conditions of the accomplished transition to qualitatively different principles of formation and execution of the federal budget.

In 2013-2014, the program method of planning and execution of the federal budget was introduced in the Russian Federation. The program method allows solving the problem of approaches to selecting criteria for evaluating the efficiency and quality of management of public assets, including in the field of public debt.

One of the objectives of this State Program "Public Finance Management and Regulation of Financial Markets" is determined as follows: "to ensure a long-term equation and sustainability of the budget system, to improve the quality of public finance management". The second objective is the improvement of the efficiency of the finance market.

One of the subprograms of the State Program is Subprogram "Management of the Public Debt and Public Financial Assets of the Russian Federation", which is to be implemented within the period from 2014 to 2020. Six tasks to be taken into account during the audit have been determined to achieve the established objectives: to achieve acceptable and economically feasible amount and structure of the public debt of the Russian Federation; to minimize the cost of borrowings; to maintain sovereign credit ratings of the Russian Federation at the investment level, to create conditions for improving the ratings up to the "A" category; to perform financial obligations under international agreements; to manage the assets of sovereign wealth funds (the Reserve Fund and the National Welfare Fund); to improve the state policy in the field of the public debt of constituent entities of the Russian Federation.

The implementation of the Subprogram is expected to allow achieving the following results, which will be checked in the framework of the public debt audit: preservation of the national debt of the Russian Federation at a level not exceeding 15 - 20% of GDP; creation of a long-term source of funding for the federal budget deficit and support of the pension system of the Russian Federation through ensuring the preservation of the assets of the Reserve Fund and the National Welfare Fund and the stable level of revenues from the allocation thereof; creation of conditions for maintenance and improvement of the reliability of subnational borrowers and their budgets on the national debt market.

To evaluate the efficiency of implementation of the objectives and the tasks of the Subprogram, the indicators have been developed that allow assessing the results of management of foreign and domestic debt obligations, identifying risks and developing the measures of risk management.

Such indicators as “Share of costs of public debt service in total federal fiscal spending”, “Relation of annual costs of redemption and service of the public debt of the Russian Federation to federal fiscal revenue”, “Relation of public debt to federal fiscal revenue” characterize the solvency of the state. In the event of debt indicators approaching threshold values, it will be necessary to pursue the policy of limiting government spending and borrowing.

The indicators of Target value of the yield to maturity of the portfolio of federal loan bonds at the end of the relevant year and Share of internal public debt in total public debt allow assessing the changes in the cost of public borrowings on the domestic capital market and the public debt structure. The share of internal public debt in total public debt will be more than 50%.

The “Duration of the market portfolio of federal loan bonds” indicator characterizes the average term to maturity of federal bond loans. The limiting value of this indicator is defined at the level of 5 years.

Taking into account the introduction of the program method of the federal budget planning and execution, the Accounts Chamber of the Russian Federation re-considered its approaches to the audit (control) of the status of public domestic and foreign debt of the Russian Federation.

In July 2014, the Collegium of the Accounts Chamber of the Russian Federation approved the standards of external state audit: SGA 201 “Preliminary Audit of the Federal Budget Formation” and SGA 203 “Follow-Up Control over the Execution of the Federal Budget” taking into account the provisions of international INTOSAI standards for Supreme Audit Institutions.

In September 2014, the Accounts Chamber carried out a set of control and expert activities using the Preliminary Audit standard (SGA 201), which involved the assessment of the proposed debt policy (including the validity of the projected volume and structure of public debt), as well as the verification of compliance of the draft federal budget parameters for the next three years with the main provisions of the proposed debt policy for the next financial year and the planning period.

In the framework of the follow-up control over the federal budget execution, the Accounts Chamber audited the issues of compliance with the provisions of regulatory legal enactments and regulations in the budgetary sphere and assessed the credibility of accounting and reporting on the federal budget execution (including the credibility of the data of the Government Debt Book).

A separate stage of the follow-up control was the assessment of efficiency of operations performed (including the degree of achievement of the debt policy goals, the indicators of the State Program and Subprogram).

The results of the activities proved that, on the one hand, the State Program “Public Finance Management and Regulation of Financial Markets” and its Subprogram “Management of the Public Debt and Public Financial Assets of the Russian Federation” contain clear objectives, tasks and indicators which facilitate the selection of criteria and indicators to assess the efficiency of the public debt management.

On the other hand, the importance of issues associated with control over various risks in the area of public debt management and, especially, the forecast of these risks at the stage of developing the draft federal budget is increasing in the current context.

The main financial risk is a significant deterioration in the external economic environment parameters, which entails the increase in the federal budget deficit, causes the growth of the amount of borrowings and the public debt and, consequently, increase the cost of public debt servicing.

This refers, in particular, to the risks that are considered in the INTOSAI Governance on the Guidance for Conducting a Public Debt Audit (ISSAI 5440):

1. The prevailing part of state borrowing of the Russian Federation is currently made through the issuance and placement of government securities of the Russian Federation in national and foreign currency.

100% of domestic government borrowing of the Russian Federation is made in the form of government securities.

As for government foreign borrowing, within the next three-year period the share of government securities in foreign currency in the total amount of the public external debt of the Russian Federation will be no less than 93.3%. Due to this fact, the importance of the assessment of the liquidity risk (the risk of sufficient demand for government debt instruments) increases.

2. Under present conditions, when the main amount of government securities is placed for the mid-term (5-10 years) and long-term (10 and more years) periods, the importance of the interest rate risk assessment is also great. The provision regarding the importance of assessing interest risks and risks associated with the upcoming debt repayment fully applies, for instance, to such debt obligations as foreign bond loans, due to substantial amounts of planned borrowing and the forthcoming repayment of the bonds in the next few years.
3. Besides, the risks of deterioration of the situation on the domestic government securities market are great. Consequently, it is necessary to assess the market risk (the risk of fluctuations in the market value of the securities).
4. Due to the fact that substantial proportion of payments for repayment and servicing of the government debt of the Russian Federation consists of payments for foreign government debt, it is important to assess the currency risk, i.e. the risk of losses from unfavorable changes in the currency rate within the period from the date of formation of debt obligations to the date of their servicing and repayment.

The indicators of State Program "Public Finance Management and Regulation of Financial Markets", as well as Subprogram "Management of the Public Debt and Public Financial Assets of the Russian Federation", will be improved and supplemented.

One of the main aspects of this work is the monitoring and evaluation of the impact of risks and external factors on the implementation of the state program.

Auditing Public Procurement: Roles of the Office of the Auditor General of Thailand in ensuring Transparency and Accountability in Public Procurement

Sutthi Suntharanurak¹

ABSTRACT

Supreme Audit Institution (SAI) is one of the most important pillars of good governance and anti-corruption agencies. SAI could enhance transparency and accountability in public procurement. Transparency and Accountability are the main characteristics of good governance. In 1977, the Lima Declaration was intended to provide criteria to ensure independence and effectiveness of government auditing. This document showed that the government auditing could play an important role in enhancing transparency and accountability in public financial management.

Presently, the auditing of public procurement is another type of audit of Office of the Auditor General of Thailand (OAG). Under compliance audit, the main audit objective is to ensure that the procurement process of goods and services including public works as laid down in the public procurement law and regulations have been followed. It is essential to check whether public procurement is made through transparent processes, supporting competitive public procurement market and obtaining values for money. For OAG Thailand, the auditing of public procurement consists of three phases. The first phase is the audit of preparation of procurement plan. In the next phase, the auditor will review the tendering and awarding processes. For the last phase, the auditor will examine the execution of public procurement contract. Under the State Audit Act, the audit report and recommendation will be submitted to the audit entity in order to improve its procurement management. However, many cases of irregularities were submitted to anti-corruption agencies because these cases might be related to corruption in public procurement. Many previous audit findings will be revised for developing measure of transparency and accountability in public procurement system. Additionally, OAG Thailand still plays another role to improve transparency by publishing main detail of contracts of audit entities through OAG website. This paper attempts to analyze how OAG Thailand contributes to ensuring transparency and accountability in public procurement.

Keywords: *Supreme Audit Institution, Auditing public procurement, Office of the Auditor General of Thailand*

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INTRODUCTION

Each year Thai government spends a large share of taxpayers' money through public procurement-purchasing goods and services ranging from stationery, military weaponry, medicine, road construction, and so on. For this reason, the Office of the Auditor General of Thailand (OAG) emphasizes on auditing public procurement to ensure that transparency and accountability exists at all stages of the procurement procedures. This paper will discuss the role of OAG Thailand in public procurement through the audit of public procurement. The author attempts to explain how OAG Thailand contributes to enhancing good governance in public procurement. This paper is consisted of four parts of which the next part will summarize briefly about background of public procurement in Thailand. For the third part, the author will clarify the auditing of public procurement by OAG Thailand which will reflect the role of Supreme Audit Institution (SAI) in enhancing transparency and accountability in public financial management. The final part will be conclusion and looking forward to improving the auditing of public procurement under value for money audit.

BACKGROUND OF PUBLIC PROCUREMENT IN THAILAND: LEGAL FRAMEWORK

The main legislation about public procurement in Thailand is the Regulation of the Office of the Prime Minister on Procurement and its amendment (ROPMP) of 1992. Chulasingh Vasantasingh (2008: 39) noted that this regulation has been revised to be in line with the public procurement of the UN Commission on International Trade Law (UNCITRAL). Also it was based on the basic principles of proper procedures which ensured fairness, prudence, transparency and accountability. However, the Thai government has established a central procurement agency called the Office of Procurement Management or OPM in the Comptroller General's Department (CGD) within the Ministry of Finance. The duty of the OPM is to supervise or consult the individual procuring entities, monitor compliance with the regulatory framework, set and harmonize procurement policy, as well as recommend reforms. Since 1992 the government has set the Committee in Charge of Procurement (CCP) to interpret the ROPMP, make recommendations concerning its enforcement and amendment, grant exemptions from the ROPMP to procuring agencies, and hear complaints. Further, Thailand's law, regulations, and policy guidelines on public procurement are published in the Royal Gazette. Also they are posted on the websites of the Ministry of Finance.

Under the ROPMP, the procurement methods depend on several factors including the value of the contract, the nature of the goods and services, and the urgency of the procurement. However, since 2005 procurement valued at above 2 million baht has had to be conducted through an electronic auction (e-auction). In the procurement process, the procuring agency must publish the criteria of prequalification and method of selection. The publication of procurement opportunities increases bidding participation, and consequently reduces the risk of collusion or bid rigging in the procurement process.

Generally, all procuring agencies must announce their procurements on the Governments' central procurement website (www.gprocurement.go.th) and relevant agencies' websites. Additionally, they must make these announcements to the Mass Communication Authority of Thailand, the Broadcasting Authority, and the Office of the Auditor General of Thailand. Hence,

clear definitions of the criteria and procedures for bid selection are the important factors in reducing corruption in the procurement process. (Chulasingh Vasantasingh, 2008: 41) Normally, the ROPMP provides general selection criteria, namely, price, bidder's qualification, and quality. The selection committees are responsible for evaluating and selecting the lowest bidder. The lowest bidder under government criteria will be announced on the website of the procuring agency and finally a contract is signed by the government agencies involved.

After post-procurement processes, the ROPMP provides the principles of public contract management, for example, the Material Inspection and Acceptance Committee is in charge of inspecting the fulfillment of the procurement contract, in terms of quality and quantity of goods and services.

AUDITING PUBLIC PROCUREMENT OF OAG THAILAND: COMPLIANCE OR PERFORMANCE AUDITS

In the past, SAIs attempted to audit public contracts especially the auditing of public works which is mentioned in section 21 of the Lima Declaration² in 1977. The Lima Declaration² (1977) defined the guidelines on auditing precepts which should be implemented in each country. This declaration contains a comprehensive list of all goals and issues relating to government auditing particularly the independence of SAIs. Additionally, it was intended to provide criteria to ensure independence and effectiveness of government auditing. This document shows that the government auditing could play an important role in enhancing transparency and accountability in public financial management.

The audit powers of SAIs relating to the public procurement is elaborated in the Lima Declaration. It mentions the audits of public tendering, especially the competitive issue. The emphasis is on the auditing of public works.

Box-1 : Section 21 of Lima Declaration (1977)

- 1. The considerable funds expended by public authorities on contracts and public works justify a particularly exhaustive audit of the funds used.*
- 2. Public tendering is the most suitable procedure for obtaining the most favorable offer in terms of price and quality. Whenever public tenders are not invited, the Supreme Audit Institution shall determine the reasons.*
- 3. When auditing public works, the Supreme Audit Institution shall promote the development of suitable standards for regulating the administration of such works.*
- 4. Audits of public works shall cover not only the regularity of payments, but also the efficiency of construction management and the quality of construction work.*

² Presently, Lima Declaration (1977) is adapted to the first International Standards of Supreme Audit Institutions or ISSAI 1 which stated the basic prerequisites for the proper functioning and professional conduct of Supreme Audit Institutions and the fundamental principles in auditing of public entities. This guideline consists of seven principles ,i.e., (1) purpose and types of audits, (2) independence of SAIs and its members, (3) relationship to parliament-government and the administration, (4) powers of SAIs, (5) audit methods, audit staff, international exchange of experiences, (6) reporting, and (7) audit power of SAIs.

Box 1 shows Section 21 of Lima Declaration (1977) which explains the basic concept of auditing public procurement. This concept is further developed into audit guideline in public procurement for example, the guidelines for audit of public works performed by the Board of Audit of Japan (BOJ). Under the viewpoints of compliance, economy, efficiency, and effectiveness, the BOJ will examine the appropriateness of public work project at each stage as following: planning, design, cost estimation, bidding, contract, construction, and inspection and receipt of the completed work. Meanwhile, in Germany, Bundersrechnungshof (BRH) or SAI of Germany performs the auditing public procurement as a routine exercise. Werner Pelzer (2010) concluded that the audit approach of BRH in public procurement is designed to verify whether there is an actual need for the particular procurement. From a legal point of view, the auditor will check that the procedure has been conducted in accordance with public procurement regulations. In addition, the auditor attempts to prove whether the result of the procurement procedure achieves values for money. Therefore, the auditing public procurement in Germany seeks to ensure regularity as well as good performance. In practice, the BRH will identify subject matter and scope of audit in public procurement by using budget plan, procurement statistics, complaints, evidences and petitions from the third persons.

Hence, auditing public procurement is based on audit approach in both regularity auditing and performance auditing. Normally, the regularity auditing is consisted of the financial and compliance auditing. The main objective of regularity auditing is to verify that the procurement processes has been conducted under public procurement laws and regulation. Presently, some SAIs still carry out audit of public procurement under this approach such as the Office of the Comptroller and Auditor General of Bangladesh, and OAG Thailand. Meanwhile, many SAIs attempt to implement the performance auditing approach for verifying that the result of the procurement process promotes values of money. For example, National Audit Office of United Kingdom (NAO, UK) examined the improving public procurement of UK government by using the value for money audit approach. The NAO audit report showed that there have been problems in implementing the procurement reforms such as ineffective governance structures, unrealistic targets, incomplete data, and weaknesses in the management of the central contracts. These problems might affect the value for money in public procurement reforms.

For OAG Thailand, auditing public procurement is a main audit type for which OAG has established a separate department for public procurement auditing. According to *the Notification of State Audit Commission about setting organizational structure and duties in Office of the Auditor General of Thailand B.E. 2555 (2012)*, in headquarter office there are five procurement audit units or known as *Procurement and Investigative Offices 1-5*. These offices perform public procurement auditing and investigative auditing. In addition, in regional audit offices there are 15 procurement and investigative auditing units known as *Regional Special Audit Offices 1-15* distributed across the country.

However, audit of public procurement is still based on the compliance auditing. The main objective of audit of public procurement is to ensure that the procurement process of goods and services including public works have been conducted according to the public procurement law and regulations. Under OAG audit mandate³, it is necessary to verify whether the public procurement procedures are made through three perspectives (1) transparency

³ Under the Organic Act on State Audit B.E. 2542 (1999) or the state audit act of Thailand, OAG will conduct the state audit, for example, to audit receipt and payment, the retention, and disbursement of money and other properties belonging to or being within the responsibility of the audited agency and give opinions as to whether it is in compliance with the laws, rules, regulations or resolutions of the Council of Ministers, and to, as it wishes, audit the disbursement of money and use of other properties or the procurement under a given plan, work or project of an audited agency and give opinions as to whether they are in compliance with the objectives, economical, worthwhile and achieve their goals.

processes, (2) supporting competitive public procurement market and (3) obtaining value for money. However, the third perspective as obtaining value for money seems to be ultimate goal which the compliance auditing method could not attain this goal.

Presently, the public procurement auditing of OAG consists of three phases as following:

- 1) Audit of preparation of procurement plan;
- 2) Audit of tendering and awarding processes;
- 3) Audit of contract management.

In the first phase, the public procurement auditor will check the preparation of procurement plan under the Notification of State Audit Commission about making preparation of procurement plan of audit entities B.E. 2546 (2003). The objective of this notification is to enhance the good governance in the procurement system of audit entities. The notification determines that all audit entities have to prepare a procurement plan and submit to OAG in order to review this document. The main content of procurement plan consists of category of procuring items, value of good & services and public works (more than 100,000 Bath for goods & services and 2 million Bath for land purchasing& public works), selected procurement method, expected date of bidding process, expected date of signing contract, and expected payment plan.

Under this notification, the auditor will receive the procurement plan during the first month of fiscal year which in Thailand commences in October. Therefore, the auditor could check the procurement needs from procurement plan of audit entities. In particular, the important projects as mega projects must appear in the procurement plan, thus, the auditor could utilize these information to prepare audit plan in the next phase.

In the second phase, OAG will examine the accuracy of the tendering and awarding processes. In this phase, OAG plays a key role especially towards enhancing transparency and accountability. According to the Regulation of the Office of the Prime Minister on Procurement and its amendment (ROPMP) of 1992, it determines that procuring agency has to advertise its procurement in the website: www.gprocurement.go.th, and notify to five public agencies including OAG Thailand. Similarly, the ROMP issues that the procuring agency must submit contracts worth over one million Baht to OAG. Therefore, the audit mandate of OAG defined in the public procurement regulation allows OAG to carry out a procurement audit focusing on transparency and accountability of tendering and awarding processes.

Generally, the public procurement auditor will examine all documents in procurement procedures. Initially, the auditor will check main processes as following:

- (1) The identification of needs should be clarified in the request procurement report of procuring agency. In particular, obvious specification of procuring items should be broad and open for competition.
- (2) The bidding documents⁴ should clearly define the bid evaluation criteria. Also adequate publicity and time must have been allowed for the prospective bidders to respond.

⁴ Generally, the bidding documents are included (1) invitation for bid, (2) instructions to bidders, (3) form of bid, (4) form of contract, (5) general and specific conditions of contract, (6) design and drawings and specifications, (7) list of goods or bill of quantities (BOQ), (8) delivery time or schedule of completion, (9) sample form of securities guarantees, (10) publication of notice, and (11) information to agent.

- (3) The bidding documents should obviously describe the form of bid under the standard bidding documents of ROMP.
- (4) The bidding documents have to be accurate and clear about the work, location, procuring items, plan and schedule of delivery and installation.
- (5) Bidding process must include disclosure to the public under concept of transparency, fairness, non discrimination, and competitive procurement market.
- (6) The estimated cost should be a reasonable price that is beneficial to the government.
- (7) The evaluation committee must be qualified and does not include anyone with a personal interest in the contract. In other words, the auditor will examine the conflict of interest behavior in public procurement.
- (8) The criteria and methodology for selection of awarding bidder should be in accordance with the bidding documents.
- (9) The decisions and reasons of all evaluation committees have to be recorded and could notify to the third persons clearly. Under the principle of bid evaluation, the evaluation procedure will be confidential.
- (10) Terms and conditions of contract have to be the same as the invitation bidding stage.

For the third phase, it is the audit of contract management under which the main objective is to examine the execution of public procurement contract. For example, the auditor will examine whether delivery of goods is different from the one specified during the identification of needs. Further, the auditor could review the extension of time for supply of goods, equipment, and public works construction which should have been completed within the time in contract. Likewise, in case of price adjustment the auditor should also be careful in the audit of payment escalation under reasonable price.

When OAG comes up with audit findings from audit of public procurement, OAG will submit these cases to the *State Audit Commission (SACs)*⁵ in order to decide on the audit cases. The audit report will be rendered to the parliament, council of ministers and audit agency. It is also publicly available. In case of any resistance by the audit agency, SACs will report the irregularity cases to the higher authority supervising the audit agencies. Additionally, if the audit decision is relevant to the penal offences and corruption is suspected in public procurement, SACs will submit these cases to anti-corruption agencies like the Royal Thai Police and the National Anti-Corruption Commissions (NACC).

Nowadays, in order to support principles of transparency and citizen engagement, OAG provides the database of audit entities which have to submit copy of contract to OAG⁶. This database, known as *Public Procurement Watch with OAG*, will show contract information as contract value and name of contractor through <http://procurement-oag.in.th/>.

⁵ The State Audit Commission (SAC) is appeared in the chapter XI Part 1 (Independent Organ under Constitution: Article 252-254) of the Constitution of the Kingdom of Thailand B.E. 2550 (2007). In article 253, it is mentioned that the State Audit Commission has the powers and duties to prescribe the standards and rules for state audit, advice, recommend and propose the remedial measure on state audit.

⁶ The Regulation of the Prime Minister on Procurement 1992, the procurement law of Thailand, determines that all government agencies have to submit copy of contract which valued more than 1 million baht to OAG within 30 days after signed contract.

For the benefit of database, our auditors or researchers could analyze the condition of public procurement market by using this database. The OAG auditors could evaluate whether procurement market of auditee is competitive or not. Likewise, academic researchers or civil society could access the fundamental information of contract through which they could monitor public expenditure more closely.

In addition, many audit findings in public procurement audit will be compiled for developing measure of transparency and accountability in public procurement system. For example, in 2005 OAG proposed the *Measure of State audit about public procurement of Sub district Administrative Organizations* (SAOs)⁷ which explains good practices in each procurement stage of SAOs.

CONCLUSION: LOOKING FORWARD TO IMPROVE AUDITING PUBLIC PROCUREMENT IN THAILAND

The audit of public procurement is one of the important instruments of OAG to enhance transparency and accountability in public procurement in Thailand. OAG has been powered to carry out the public procurement auditing in regards of legality and value for money. Hence, the audit of public procurement could encourage the integrity of the procurement system, and reduce the risk of corruption in public procurement.

However, the audit of public procurement of OAG is still based on the approach of compliance auditing which could verify only compliance with the following procurement laws and regulation. The compliance auditing may not answer the question of value for money which performance auditing could explain.

Presently, many SAs in Europe improve the audit of public procurement by using only the approach of performance auditing, for example, National Audit Offices in UK, Denmark, and Finland. Meanwhile, some SAs utilizes both the compliance and performance auditing in public procurement such as Tribunal de Contas (Portugal), Bundersrechnungshof (Germany), and the Spanish Court of Audit (Spain). Interestingly, many SAs in Europe have attempted to develop a model for public procurement auditing known as *Procurement Performance Model*.

The procurement performance model develops key questions as reference pointers for auditors evaluating the performance of the procurement function of the audit entities. It sets the assessment of public procurement in three levels as following; (1) the meta level will assess the government's overall procurement strategy; (2) the macro level will assess the department's procurement function unit; and (3) the micro level will assess a single procurement project.

Therefore, the audit of public procurement of OAG could ensure transparency and accountability in public procurement; however, OAG Thailand could improve the method in procurement audit by looking forward to the performance auditing in order to obtain value for money in public procurement.

⁷ The Sub-district Administrative Organization (SAO) is another type of local government in Thailand which presently the number of SAOs is more than 7,500 SAOs across the country.

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The Significance of Enhancing Financial Stability to Hedge against Risk of Financial Crisis, and the Role of SAIs

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INTRODUCTION

Beyond any doubt, the impacts of financial and economic crisis are affecting the welfare of each and every country in the world. The recent financial crisis was triggered by mortgage meltdown in the United States in 2007 and spread all over the world in 2008 as a global economic crisis. Substantial number of people were affected by the huge cost of the damage arising from crisis. Unemployment increased and living standards of many people deteriorated. Governments also faced squeezing credit conditions, increasing borrowing requirements, unstable market conditions and eventually decreasing public trust and confidence. Under such circumstances, it is understandable, why Supreme Audit Institutions (SAIs) are expected to play a more active role in ensuring financial stability and warning against the potential risk of financial crisis through findings and recommendations. In this context, below mentioned auditing functions and features are regarded as important for the expected role of an individual SAI in increasing accountability, transparency and also warning against the risk of crises.

AUDITING PUBLIC DEBT MANAGEMENT AND EVALUATION OF PERFORMANCE WITH DEBT INDICATORS

The lessons learned from the financial crisis have underlined the importance of financial stability to preserve sound public finance. In this context, the level, trend, composition and structure of public debt turned into a prior issue due to their direct relation with fiscal vulnerability. As a result, many countries have paid special attention to the assessment of public debt through indicators of indebtedness and fiscal performance. Eventually, the analyses of sustainability, flexibility and vulnerability came to the agenda as the essential components of public debt management.

THE ANALYSES OF SUSTAINABILITY, FLEXIBILITY, VULNERABILITY

Sustainability briefly can be defined as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy. The measurement of sustainability has the purpose of answering whether the government may keep the same path of expenditures and revenues or it will have to conduct an adjustment to keep the debt constant as a proportion of GDP (ISSAI 5422). The main indicators using debt/GDP ratio are namely; fiscal consistency indicator, Buiter's indicator, short term primary gap indicator, macro-adjusted primary deficit, sustainable fiscal position indicator and currency availability indicators (ISSAI 5411).

Flexibility can be defined as the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its

debt burden. Government interest payments/ revenues and Total Public debt/ revenue are regarded as the most common indicators for flexibility analysis.

Vulnerability can be briefly defined as the degree to which a government becomes dependent on and therefore vulnerable to, the sources of funding outside its control or influence, both domestic and international. As a consequence of financial crisis affecting global economy in the area of both public and private sector, the vulnerability phenomenon in relation with indebtedness became a very crucial issue to be discussed. The international institutions, academic sector and debt management authorities have studies on measurement and evaluation of vulnerability issue, among their studies the most common and acknowledged indicators can be listed as;

Foreign Held Government Debt/ Net Government Debt, Foreign Currency Debt/ Net Government Debt, Current Account Balance/GDP, Total External Debt/ GDP, Foreign Currency Debt/ Current Account Receipts, net international reserves/ foreign debt.

As far as practice in Turkey is concerned, a clear audit mandate is defined through the law on the Turkish Court of Accounts (TCA) for the audit of public debt management and debt-related operations. All types of domestic and foreign borrowing, lending, repayments, utilization of foreign grants received, giving grants, Treasury guarantees, Treasury receivables, cash management and other matters related to these, all transfers of resources and their utilization and the utilization of domestic and foreign resources and funds, including European Union funds are in the audit area of the TCA. In this context, the TCA conducts regularity and performance audit on public debt. Financial audit as a part regularity audit is also conducted on financial statements pertaining to Under secretariat of Treasury including domestic and external borrowing, Treasury receivables and guarantees as a financial risk.

As an audit practice in Turkey, it is also worth mentioning about Treasury Transaction report prepared by the TCA. A special part of this report was devoted to public debt and debt analysis. In this part, public debt structure and composition was analyzed on the basis of selected public debt indicators. Sustainability, flexibility and vulnerability of public debt were assessed on the basis of different public debt definitions and debt indicators. Besides these indicators used to analyze flexibility, sustainability, and vulnerability of public debt, the vulnerability hazard arising from the maturity structure, composition and real interest of the domestic debt stock was exclusively analyzed.

SAIs can play an active role in encouraging the implementation of the best debt management practices with an indicator based risk management framework. A SAI can ask the governments for the construction of a thoroughly complete indicator system to watch over the vulnerability of its debt and give priority to the risk administration (ISSAI 5422). This approach of SAI will also promote governments to focus more on financial vulnerability related monitoring and establishment of a risk management structure that is designed to serve as an early warning mechanism.

AUDIT OF CONTINGENT LIABILITY MANAGEMENT IN THE FRAMEWORK OF RISK ASSESSMENT

Undoubtedly, one of the crucial lessons learned from the financial crisis is the significance of a sound contingent liability management. Contingent liabilities are defined as obligations that do not arise unless a particular, discrete event occurs in the future and can be analyzed in two categories; explicit and implicit.

EXPLICIT AND IMPLICIT CONTINGENT LIABILITIES AS SOURCES OF POTENTIAL FISCAL RISKS

Explicit contingent liabilities are specific obligations, created by law or contract through deliberate public policy or from unforeseen events. Depending on financial and administrative structure and requisites of the country, contingent liabilities can have different forms and types. The most common explicit contingent liabilities can be listed as publicly guaranteed debt, state guarantees on private investment, state insurance schemes (deposit insurance, individual pension plan, crop insurance, flood insurance or war-risk insurance), potential legal claims, indemnities, uncalled share capital.

Implicit contingent liabilities can be defined as a moral and ethical obligation of government felt compelled to assume as a result of pressures coming from public and interest-groups. The defaults of local governments or public or private entities on nonguaranteed debt and other obligations, liabilities of entities being privatized, support for banking failure beyond state insurance, failure of a nonguaranteed pension fund, employment fund, or social security fund (protection of small investors), default of central bank on its obligations (foreign exchange contracts, currency defense, balance of payments stability) can be regarded as the examples of implicit contingent liabilities.

The sum of explicit and implicit liabilities is crucial in the sense that they pose hidden fiscal risks, which can jeopardize fiscal sustainability. In order to reduce the expected fiscal damage, governments may allocate reserve funds and provisions before contingent liabilities fall due and assumed. Therefore, the design and structure of public financial system should take into account the total impact of contingent liabilities on the government's overall risk exposure.

As far as sustaining fiscal stability and ensuring preparedness of public financial system in case of turmoil is concerned, identification, classification and reporting for contingent liabilities have great importance. The problem about contingent liabilities arises from their typical uncertainty over whether a payment will be done or not and potential amount. Therefore, it will be a value adding role for SAIs to prepare reports about the size and characteristics of contingencies, fiscal risks and their potential impact on budget balance. SAIs also can give recommendations on the existence, operation and the adequacy of the control and risk management systems for contingent liability management.

On the other hand, SAIs, through financial audit mandate, can encourage public institutions to disclose contingent liabilities in their own financial statements in the form of memorandum item and foot note explanation. By this way, full disclosure of reliable and accurate financial information in terms of contingent liabilities will also enable governments to measure the fiscal risks and take necessary precautions in its risk management.

For the materially significant contingencies and commitments that governments confront, SAIs can, within the limits of their legal mandates, examine the financial information reported to policymakers and the public and give assurance to the related parties.

As far as practice in Turkey is concerned, within the framework of Turkish Treasury risk management, a ceiling has been introduced in the central government budget law in order to limit the debt assumption commitments for each fiscal year. In addition to this limit-based implementation, the possible impacts of the contingent liabilities arising from debt assumption commitments given by the Treasury are measured and monitored under different scenario

analysis. The potential impact on fiscal discipline and outstanding public debt stock is also taken into consideration for the validity of aforementioned analyses.

The TCA assesses the compliance of actual value of debt assumption commitments with that of predetermined limits set in the budget law and gives assurance to the Parliament on conformity.

ASSESSMENT OF COMPLIANCE WITH FISCAL RULES AND LIMIT-BASED PUBLIC DEBT OPERATIONS

Undoubtedly, the restructuring of public financial system on the principle of fiscal sustainability became a priority for every country to prevent economic crisis. It is clearly understood that an effective fiscal discipline practice aiming to decrease budget deficits and further indebtedness are the key concepts for a sound economy. In this context, fiscal rules and numerical targets are used to support fiscal credibility and discipline. SAs can give assurance to the Parliament and public on the compliance and adherence to fiscal rules and predetermined limits. In this way, SAs can add value to the fiscal rules credibility and contribute in well-functioning of a rule based fiscal policy.

As far as practice in Turkey is concerned; the law on Regulation on Public Finance and Debt Management defines Turkish Treasury as the sole borrowing entity and specifies the limits for new borrowing, loan and Treasury guarantees to assure transparency, accountability and sustainability in debt management.

According to aforesaid law, within the fiscal year, taking into consideration the principle of fiscal sustainability and development targets of the country, net debt utilization can be made up to the difference between the allocations mentioned in the budget law and estimated revenues. The borrowing limit may not be changed. However, this limit can only be increased by up to 5% within the year by taking into account the development and requirements of debt management and an additional 5% increase only through the decision of Council of Ministers upon the opinion of the Undersecretariat of Treasury and the proposal of the Minister. In case of a balanced budget, borrowing may also be increased by up to a maximum of 5% of the principal repayment.

The limit on the special category State domestic borrowing notes that will be on lent within the fiscal year is determined by the budget law every year. Similarly, the limit of guaranteed facility and onlending of foreign facility to be provided within the fiscal year shall be determined by budget laws every year.

The TCA submits the Statement of General Conformity to the Parliament before budget process with a conformity evaluation. The implementation results of the central government budget law are compared with results established on the basis of public administration accounts. Together with the conformity level of these, the limit implementation results of Treasury are evaluated in terms of reliability and accuracy. The TCA Treasury Audit Group recalculates the annual net domestic and external borrowings, the total borrowings, and total guaranteed facility and onlent borrowing notes, then assesses the compliance of these amounts with that of predetermined limits set in the budget law. By this way, the TCA gives assurance to Parliament that total borrowing, guarantee and on lent limits determined by the budget law and debt management law are not exceeded.

EVALUATION OF GENERAL GOVERNMENT FINANCIAL STATEMENTS IN TERMS OF RELIABILITY AND ACCURACY

Especially, in the post financial crisis period, a growing recognition and consensus has been generated on the merits of the accuracy and reliability of government financial statements. Therefore, the significance of establishment of a sound structure for transparent financial reporting has been appreciated as well. Together with accountability and transparency concerns, it is realized that the quality and reliability of financial data is crucial for valid and timely fiscal analysis and risk management. In this respect, SAls can do more through their financial audit to contribute to the disclosure of more reliable, accurate and robust financial information in entity -based financial statements. Undoubtedly, this will open the way for more credible and accurate financial statements for sub-sectors and consolidated general government.

As far as practice in Turkey is concerned, the Ministry of Finance is responsible for the compilation of the financial statistics relating to public administrations within the scope of general government. The principles of integrity, reliability, usefulness, methodological validity, accessibility and consistency with the international standards are taken into consideration in the compilation process.

The financial statistics of the public administration within the scope of general government are prepared by compiling the financial statistics of the social security institutions, local administration and the public administration within the scope of central government published quarterly.

The conceptual and analytical framework of Government Finance Statistics (GFS) is adopted for financial statistics disclosure which provides a reporting base suitable for analyzing and evaluating fiscal policy, predominantly the performance of the general government sector. The core of the analytic framework is a set of four financial statements; the statement of operations, statement of other economic flows, balance sheet, the statement of sources and uses of cash. GFS framework also includes supplementary statements of the Summary Statement of Explicit Contingent Liabilities and Net Obligations for Future Social Security Benefits, which summarizes the explicit and some implicit contingent liabilities. The stock positions of explicit and some implicit contingent liabilities are recorded as memorandum items to the GFS balance sheet.

Annual financial statistics published by the Ministry of Finance are evaluated by the TCA in terms of its preparation, publication, accuracy, reliability and conformity to the predetermined standards. Following that, the evaluation report prepared with this purpose is submitted to the Parliament and sent to the Ministry of Finance. The Minister of Finance shall take the necessary measures in accordance with the assessments stated in this report.

2013 FINANCIAL STATISTICS EVALUATION REPORT

The evaluation in terms of accuracy and reliability of financial statistics includes compilation and consolidation stages and also the audit opinions given to entity based financial statements audited by the TCA. Undoubtedly, the audit opinions given to individual financial statements are crucial, as far as the accuracy and reliability of a consolidated financial statement is concerned. Therefore, material misstatements and omissions affecting the reliability and

accuracy of financial statistics detected through financial audits of public institutions are reflected in the Financial Statistics Evaluation report.

The second part of the report is devoted to findings about consolidation errors that resulted in double counting of reciprocal stock positions and flows in accounts. Consolidation process involves eliminating all transactions and reciprocal stock positions among the general government sector entities being combined. In other words, consolidation eliminates the double-counting and presents financial statements for the combined set of government units as if they constituted a single unit. Therefore, appropriately consolidated financial data will create a sound base for fiscal analysis.

The financial statistics evaluation report is important in the sense that, it helps in better and more reliable reporting of general government sector assets and liabilities, operating balance and budget realizations. Therefore the TCA encourages both the presentation of robust financial information through financial audit and on the other side the accuracy of full picture by evaluation of general government financial statistics. It also helps transparency and provides comprehensive accounting information to underpin and support financial and economic decision making.

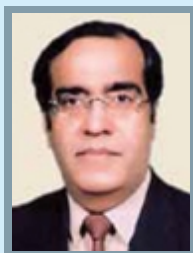
Transparency and the reliability of general government sector financial statistics should be improved in order to serve as a credible and robust base that decision makers rely on. On the other hand, it is also vital for governments to trust the soundness of fiscal analysis and long term strategies on which they built their public financial management policy. In this respect, SAls can safeguard the validity and reliability of the financial information on crucial areas like government assets, liabilities, contingencies and total public debt.

CONCLUSION

The devastating impacts of recent financial crisis raised many questions about the future role of SAls in the public finance area? What kind of a role should they play to ensure fiscal sustainability? How can they contribute to the well-functioning of early warning mechanism of financial crises? Which audit functions and areas should be targeted to add value? In the light of these questions, some potential areas of auditing deserve critical and diligent consideration due to their direct linkage with fiscal risks and instability. SAls should conduct the audit of public debt management and give recommendations to ensure robust and sound public debt practices are in place. Contingent liabilities, as the sources of financial risks, should be monitored in terms of their potential impact on fiscal vulnerability. SAls should promote governments to focus more on the establishment of a risk management system designed to serve as an early warning mechanism. On the other hand, SAls should assess the compliance of fiscal rule and limit implementation and give assurance on conformity. In this way, SAls can add value to the fiscal rules credibility and fiscal sustainability. Last but not least, the foundation of a transparent, reliable and accurate financial reporting using internationally accepted accounting standards should be encouraged.

New Heads of SAIs

Rana Assad Amin **Appointed as New Auditor-General of Pakistan**



The President of the Islamic Republic of Pakistan has appointed Rana Assad Amin as the Auditor-General of Pakistan and he has formally assumed the office of the Auditor-General of Pakistan on June 8, 2015.

Rana Assad Amin brings to his job rich and varied experience gathered over a span of more than thirty five years in public service on various key posts of the Government of Pakistan in areas of Public Financial Management, Auditing and Accounting. He has also been on the Boards of various Public Sector Organizations. Before appointment as the Auditor-

General of Pakistan, Mr. Amin was working as the Advisor to the Ministry of Finance, Government of Pakistan.

Rana Assad Amin holds Master's degree in Project Management from Malardalens University, Sweden and MBA from the Bradford University, United Kingdom. In addition, he also possesses a Bachelors degree in Law and Masters in Political Science from the Punjab University, Lahore, Pakistan.

For additional information, please contact the Office of the Auditor-General of Pakistan:

Email: saipak@comsats.net.pk

Web site: www.agp.gov.pk

SAI Philippines **Chairperson Michael G. Aguinaldo**



Commission on Audit (COA) Chairperson Michael G. Aguinaldo was appointed to head the Supreme Audit Institution on March 24, 2015. Chairperson Aguinaldo is a lawyer with extensive legal, governance and administration expertise acquired from 23 years of professional work as private law practitioner, government official and professor.

Prior to his appointment to COA, Chairperson Aguinaldo was the Deputy Executive Secretary for Legal Affairs of the Office of the President, handling formulation of operational policies, standards and processes for efficient and effective provision of legal and legislative assistance and services to the organizational units of the Office of the President and the different departments and government agencies.

As Deputy Executive Secretary, he reviewed and prepared decisions on appeals from resolutions, orders and actions of different departments under the jurisdiction of the President and petitions for executive clemency. He also reviewed and submitted recommendations on proposed bills and enrolled bills passed by Congress, the legality of treaties, conventions and executive agreements entered into by the government with other countries for consideration of the President.

He headed the Investigation and Adjudication Office (formerly the Presidential Anti-Graft Commission) and oversaw the implementation of integrity initiatives consistent with the United Nations Convention Against Corruption.

Before joining government, Chairperson Aguinaldo was a partner and member of the Executive Committee of the Romulo Mabanta Buenaventura Sayoc & de los Angeles law firm. Having been with the law firm for 17 years, Chairperson Aguinaldo acquired extensive expertise handling special projects, particularly in infrastructure, telecommunications and energy sectors. He has extensive experience in the conduct of legal audit and due diligence of acquisitions and mergers and in compliance-related matters for both foreign and domestic corporations. He has also handled litigation and arbitration for both domestic and international clients in civil, tax, securities and labor cases, and petitions and appeals before the Court of Appeals and the Supreme Court.

Chairperson Aguinaldo is also a faculty member of the Ateneo de Manila University School of Law, and has taught courses in Obligations and Contracts, Credit Transactions, Legal Forms, Labor Relations, Labor Standards Law and Negotiation Seminar.

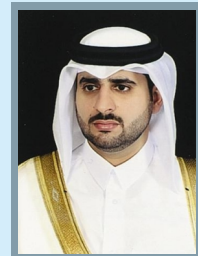
He obtained his law degree from the Ateneo in April 1992. Afterwards, he worked as an associate at the De Borja Medialdea Ata Bello Guevara and Serapio law office.

Chairperson Aguinaldo also holds a Special Degree in International Economic Law obtained from the University of Michigan in Ann Arbor, Michigan in May, 1997. He was placed 7th in the 1992 Philippine Bar Examinations.

SAI Qatar

His Excellency Sheikh Bandar bin Mohamed bin Saud Al-Thani, President of the Audit Bureau-Qatar

- HE Sheikh Bandar bin Mohamed bin Saud Al-Thani was born in 1977.
- He holds Executive Master of Business Management from Paris Graduate School, and Bachelor of Science in Business Management (Finance) from the American University - Washington, DC, United States.
- Sheikh Bandar had been working in the financial sector for a long period of time before assuming his current position as President of the Audit Bureau-Qatar (ABQ). He had held several senior positions in several areas in Qatar Central Bank. The latest position he had held was the CEO of Qatar Credit Bureau.
- He was appointed president of ABQ by the Emiri Decree No. 16 of 2015.



SAI Thailand

New Chairman, State Audit Commission, and Auditor General appointed

On September 25, 2014, Prof. Chaisit Trachoetham, six members and Mr. Pisit Leelavachirapas have been appointed by King as the Chairman of the State Audit Commission, the Members of the State Audit Commission and the Auditor General respectively. According to the Organic Act on the State Audit 1999, the State Audit Commission shall have the powers and duties in connection with the formulation of the state audit policies while the Auditor General shall be responsible for the performance of official affairs of the Office of the Auditor General and shall report directly to the Chairman.

New Heads of SAIs

Resume

Name : **Prof.Chaisit Trachoetham**
Present Position : Chairman of the State Audit Commission
Education :

- LL.B. (Honors)
- Barrister-at-Law
- LL.D. (Honorary Degree)
- Certificate in International Taxation (New South Wales University, Duke University, London University)



Working Experience :

- Former President of the Appeal Court
- Former Justice of the Supreme Court
- Lecturer in Taxation at Thammasat University, Chulalongkorn University, Ramkhamhaeng University, Khon kaen University, Thai Bar, Thai Lawyer Society

Royal Thai Orders and Decorations :

- Knight Grand Cordon (Special Class) of the Most Exalted Order
- Knight Grand Cordon of the Most Noble Order of the Crown of Thailand

Address :

Office of the Auditor General of Thailand, Soi Areesamphan, Rama VI Road, Samsennai, Phayathai, Bangkok 10400
Tel : +66-2271-8242, Fax : +66-2298-5929, E-mail : chaisit_justice@hotmail.com

Resume

Name : **Mr. Pisit Leelevachiropas**
Present Position : Auditor General
Education :

- Bachelor of Laws, Ramkhamhaeng University
- Graduate Diploma in Public Law, Thammasat University
- Master of Public Administration: NIDA (National Institute of Development Administration)
- National Defense College Class 2548 (2005)



Working Experience :

- Deputy Auditor General
- Director of Legal Office
- Director of Regional Audit Office No. 5 (Ubonratchathani)
- Director of Special Audit Office

Royal Thai Orders and Decorations:

- Knight Grand Cordon (Special Class) of the Most Noble Order of the Crown of Thailand

Address:

Office of the Auditor General of Thailand, Soi Areesamphan, Rama VI Road, Samsennai, Phayathai, Bangkok 10400
Tel: +66-2271-8003, +66-2271-8004, +66-2273-9703, Fax: +66-5618-5763
E-mail: pisit@oag.go.th

8th Meeting of the INTOSAI Performance Audit Subcommittee (PAS) at New Delhi, India, 24– 25 March 2015

The Comptroller & Auditor General of India hosted the 8th meeting of the INTOSAI Performance Audit Subcommittee (PAS) in the premises of the Comptroller and Auditor General of India at New Delhi, India from 24 to 25 March, 2015.

The meeting was inaugurated by Mr. A.K. Singh, Deputy Comptroller and Auditor General from SAI-India and was attended by 24 delegates from the member SAIs and INTOSAI bodies. Mr. Singh stated that the INTOSAI has made momentous strides since its inception and more particularly during the last decade. The formulation of auditing standards for Supreme Audit Institutions and guidance on best practices for good governance; building up partnership with multilateral international donors and national development agencies to promote capacity building in Supreme Audit Institutions which are in need of such efforts; and having the United Nations to adopt a resolution in the General Assembly to acknowledge the role of SAIs in promoting the efficiency, transparency and accountability of public administration are examples of the growing stature and confidence of INTOSAI.

Mr. Dagomar Lima chaired the meeting and thanked SAI of India for efficient organization of the 8th PAS Meeting. The PAS is making an important contribution to several SAIs by facilitating them in conducting performance audits and, consequently, make practical contributions to improving the efficiency and effectiveness of the public administration. The task of reviewing level 4 of the ISSAI framework is particularly important for the INTOSAI community. The drafts of ISSAIs 3000, 3100 and 3200 were also discussed in the meeting.

The Subcommittee meeting was very fruitful, successful and all the delegates appreciated working culture of office of the Comptroller and Auditor General of India and also enjoyed their stay at New Delhi.



ASOSAI News

From 9 to 13 February 2015, the 13th Assembly including the 6th Symposium, the 48th and the 49th Governing Board meetings of ASOSAI were held successfully in Kuala Lumpur, Malaysia

The 13th Assembly was attended by a total of 180 participants - delegates of 39 member SAIs as well as observers from INTOSAI, IDI, EUROSAI, AFROSAI, etc.

The 48th Governing Board meeting (9 February)

At the 48th Governing Board meeting, various activities of ASOSAI were reported and discussed for appropriate collective actions. The main agenda items of the 48th GBM are identical with those of the 13th Assembly. Please refer to the 13th Assembly for the details of the agenda items discussed in Kuala Lumpur.



The 13th Assembly (10 and 13 February)

The main agenda items discussed at the 13th Assembly are as follows:

- The 13th Assembly approved the draft of the ASOSAI Strategic Plan for 2016-2021 which prescribes upgrading the extant training programs into capacity development programs for which a blended approach will be employed for two years (starting from 2017) on a pilot bases. In the first year, an electronic learning program will be provided whereas in-person audit planning workshops at sub regional-level and review workshop at regional-level will take place in the second year.
- The name of the Training Committee and the Training Administrator were renamed into the Capacity Development Committee and the Capacity Development Administrator, respectively to reflect their expanded roles and responsibilities.
- The ASOSAI financial statements for fiscal years 2012-2014 and the Audit Committee's report on external audit thereof were adopted while the three-year budget plan for fiscal years 2016-2018 was approved.

- The Financial Rules and the Accounting Policies of ASOSAI were adopted to take effect on 1 January 2016.
- The SAI of Vietnam was selected as the host of the 14th Assembly slated for 2018; hence, assuming the Chairmanship for 2018-2021.
- The term of the Secretary General, the Chairman of the Board of Audit and Inspection of Korea, was renewed for the period 2015-2018.
- The 13th Assembly introduced electronic voting system to elect six Governing Board members and two Audit Committee members for 2015-2018. Six SAIs, namely, the SAIs of Indonesia, Nepal, Pakistan, Saudi Arabia, Thailand and Turkey were elected as the members of the Governing board while the SAIs of Jordan and Mongolia won the seats on the Audit Committee.
- The final report of the 10th ASOSAI Research Project on "Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering" was adopted.
- The best article award went to Dr Recai Akyel, the President of the Turkish Court of Accounts for his article titled, "*The New Approach to the Audit Management System,*" which figured in the April 2014 edition of the *Asian Journal of Government Audit*.



The 6th ASOSAI Symposium (12 February)

The 6th ASOSAI Symposium was held with great success, under the theme, "Leveraging Technology to Enhance Audit Quality and Effectiveness". The Symposium stood not only as a knowledge-sharing platform among the member SAIs, but also as a useful vehicle to learn cutting-edge audit technologies developed by entities in the private sector who were specially invited to this particular Symposium.

The morning session was moderated by the Comptroller and Auditor General of India, and four panelists from the SAIs of Australia, China, Pakistan and Vietnam shared their views in the panel discussion. In the afternoon session, speakers from private entities including Audit Command Language Services Ltd. (ACL) and private audit firms, i.e., Private Waterhouse Coopers and

KPMG, as well as representatives from IDI shared their insights and experiences on IT audit-related topics.

As indicated above, this Symposium was open for the first time to anyone who held interest in the theme, whether or not they are from the public sector, such as students, and consequently, drew 801 participants.

The 49th Governing Board meeting (13 February)

At the 49th Governing Board meeting, the newly constituted Governing Board made the following important decisions :

- For ASOSAI Research Project two topics were selected: 1. “Methods for Developing Risk-based Audit Plans” and 2. “Audit of Public Private Partnership Arrangements”. It was also decided to have a flexible period for finalizing the research project.
- The SAIs of Thailand and Indonesia were selected as the hosts of the 50th meeting in 2016 and the 51st meeting in 2017, respectively.
- Dr Doan Xuan Tien, Deputy Auditor General of Vietnam, announced that the 14th Assembly will be held in Ha Noi, Vietnam in September or October 2018.



ASOSAI Journal Award for Assoc. Prof. Dr. Recai AKYEL



ASOSAI Journal Award was given to Assoc. Prof. Dr. Recai AKYEL, the President of the Turkish Court of Accounts.

In 1997, the ASOSAI Governing Board had established an award titled "ASOSAI Journal Award" in order to encourage wider participation of member SAs and to improve the quality of the ASOSAI Journal. This award is presented in each Assembly for the best article published in the journal in the last three years preceding the Assembly. The first such award was given during the 7th ASOSAI Assembly held at Jakarta, Indonesia in 1997 and since then time, six awards have been given to the authors of the best articles.

For this year's ASOSAI Assembly, which was held in Kuala Lumpur, Malaysia from 10-13 February 2015, a total of 31 articles published in the last six issues of the ASOSAI Journal from April 2012 to October 2014 were evaluated by the Board of Editors of the Journal. As a result of this evaluation, Assoc. Prof Dr. Recai AKYEL's article, which was titled "The New Approach to the Audit Management System" published in April 2014 issue of ASOSAI Journal, was selected for the ASOSAI Journal Award.

The award was presented to Assoc. Prof Dr. Recai AKYEL by the chair of ASOSAI, Mr. Shashi Kant Sharma during the 13th Assembly.

IDI Programme

IDI-ASOSAI iCAT Review Workshop

(Dhaka, Bangladesh, December, 2014)



IDI-ASOSAI iCAT Review Workshop was held in Dhaka, Bangladesh from December 8 to 12, 2014, with the administrative support of the Office of Comptroller and Auditor General of Bangladesh. 32 participants from 13 SAls of Bangladesh, Bhutan, Cambodia, China, Indonesia, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines and Thailand participated in this workshop, delivered by the resource team comprising worldwide 7 mentors from 5 SAls of Bangladesh, Bhutan, Brazil, Norway, Philippines as well as from European Court of Auditors and IDI. A representative of the Training Administrator of ASOSAI (SAI Japan) also attended the event.

Under the 3i Programme, SAls have signed the Statement of Commitments to conduct the ISSAI Compliance Assessment Tools (iCATs) and make implementation strategies based on iCAT results. The workshop was organized to provide further support to the SAls in completing the iCATs and implementation of the ISSAIs. The objective of the workshop was to:

- Provide ISSAI facilitators and their SAls an update on the new Level 3 ISSAIs and their implications for ISSAI implementation
- Receive SAI feedback on use of iCATs and document lessons learned
- Review and feedback on iCATs by experts and mentors
- Discussion on using iCAT findings in crafting an ISSAI Implementation Strategy.

During the workshop, the SAI teams started reviewing and revising the iCATs. At the end of the workshop, the SAI teams agreed to finalize their revised iCATs based on the discussion and feedback received from the mentors.

Activities in Member SAIs

SAI India 21st Indo-China Seminar

SAIs of India and China have an existing Memorandum of Understanding (MoU) for cooperation in the field of public sector auditing, with a view to upgrade the professional knowledge and skills among their staff. An Indo-China Seminar is held every year, alternatively in each country under the aegis of this MoU. The 21st Indo-China Seminar was held from 27th to 30th November, 2014 at Kochi, Kerala on the topic "Audit of Public Debt".



Delegation from both SAIs consisting of top and middle management level officer participated in the seminar. Indian delegation was headed by Mr. A.K. Singh, Deputy Comptroller & Auditor General whereas the Chinese delegation was headed by Mr. YUAN Ye, Deputy Auditor General. Both the countries presented two papers each during the seminar.

SAI Kuwait

First: In the framework of activating the Fourth Chapter of the state Audit Bureau Establishment Law related to disciplinary trials for financial deviations committed by state bodies staff, an amendment was made to the Decree Law no. 15 for the year 1979 regarding the civil service. The amendment allows SAB to conduct disciplinary trials in accordance with SAB Establishment Law no.30 for the year 1964.

Second: In activation of the cooperation agreement signed between the Office of the Comptroller & Auditor General of India and SAB of Kuwait, SAB hosted the 6th joint seminar on "Environmental Audit" during the period 14-17, April 2014. During the seminar, knowledge and experiences related to environmental audit were exchanged. The two countries discussed common environmental issues, as well as the Environmental Audit Methodology. The seminar concluded with recommendations to improve coordination among different authorities in dealing with environmental issues, and to focus on sustainable development processes and

Activities in Member SAIs

biodiversity loss and its impact on the environment, which should be part of the strategic plan for both SAIs. In addition, recommendations included developing a methodology and an evaluation system to assess environmental losses impact and consequences, focusing on water pollution, electronic and medical wastes, and to take into consideration the concerned parties' opinions before selecting an issue.

Third: SAB participated in the 5th Seminar on *Environmental Auditing* and the 4th ASOSAI Working Group Meeting on Environmental Audit (WGEA) during the period 15-17, April 2014 in Hanoi, Vietnam.

Fourth: SAB participated in the ASOSAI XIII Assembly and the 6th ASOSAI Symposium on *Leveraging Technology to Enhance Audit Quality and effectiveness* during the period 10-13, February, 2015 in Kuala Lumpur, Malaysia.

Fifth: In activation of the cooperation agreement between SAB of Kuwait and the National Audit Office of Mongolia, SAB organized and hosted a training program on "Oil Audit" for the Mongolian SAI auditors during the period 15-19 March 2015. This program is in accordance with SAB policy aiming at supporting the INTOSAI members capabilities. Annually, SAB hosts a program for the Mongolian National Audit Office auditors according to their training needs.

Sixth: SAB of Kuwait website and e-mail address are as follows:

Website: www.sabq8.org

E-mail: training@sabq8.org

COA, Philippines appointed External Auditor of the International Labour Organization (ILO)

The International Labour Organization (ILO), a specialized agency of the United Nations, appointed the Philippine Commission on Audit (COA) as its External Auditor for a period of four years beginning on April 1, 2016.

The ILO's Governing Body made the appointment following the unanimous recommendation of the Selection Panel during the ILO's 323rd Session being held in Geneva, Switzerland from March 12-27, 2015. The Philippines was selected over other shortlisted candidates, France and the United Kingdom.

The Selection Panel, a tripartite body composed of Ghana, China, the United States of America and Greece representing Governments, South Africa and Japan representing the Employers group, and Belgium and Denmark representing the Workers group, considered the high level of professionalism and technical qualities as well as non-technical aspects such as diversity in audit base and approach to client relations.

The Selection Panel, particularly appreciated how the Philippines described "positive experience of working with management of a UN agency to which it was External Auditor, to develop the organization's Enterprise Resource Planning Center, commitment to reviewing results-based management, diversity and two-way learning culture."

"This appointment is an affirmation not only of COA's audit expertise but also its integrity and independence. We assure the ILO of our promise to deliver quality external audit to the highest professional standards and to work together with the ILO in its pursuit of its mandate," said COA Commissioner Heidi L. Mendoza who presented COA's bid.

Consul Arnel Talisayon, representing the Philippine Permanent Mission to the United Nations and other International Organizations in Geneva, for his part, appreciated "the objective, holistic, and systematic procedure of evaluating the proposal of each of the candidates which reflects on the high level integrity and professionalism of the ILO."

Accompanying Commissioner Mendoza during her oral presentation on March 14, 2015 for the ILO bid were COA Directors Lito Q. Martin, Michael Racelis, Danilo Cabug and Visitacion Mendoza, Auditor Heherson Visaya, Ms. Jennifer Andrea Imperial of the Office of Commissioner Mendoza, Labor Attaché Ma. Celeste M. Valderrama, and Finance Officer Tomas A. Valerio of the Mission. Her Excellency Cecilia B. Rebong and Deputy Permanent Representative Noralyn Baja also supported the COA in its bid.

The Accounts Chamber of the Russian Federation celebrates its 20th anniversary

The Federal Law "On the Accounts Chamber of the Russian Federation" came into force on January 14, 1995.

For the past 20 years, the Accounts Chamber has performed enormous work: about 9,000 control activities have been conducted, violations of law in financial and fiscal area have been detected to the amount of 4.6 trillion rubles. Based on the findings of control activities, almost 9,000 submissions and orders have been sent with requests to eliminate the violations identified. More than 1,700 criminal cases have been initiated by law enforcement bodies based on the materials provided by the Accounts Chamber.

For 20 years of operation, the Accounts Chamber has managed to build up an efficient external state financial audit system in Russia based on unified organizational principles and methods. This is confirmed by the fact that the Accounts Chamber is among the leaders of the global audit community, being a member of the international, European and Asian Organizations of Supreme Audit Institutions (INTOSAI, EUROSAl and ASOSAl) and a member of their Governing Boards. Upon the initiative of the Accounts Chamber, the Council of the Heads of Supreme Audit Institutions of the CIS countries was established and has been operating successfully for 14 years. The relations with foreign Supreme Audit Institutions (SAIs) are developing fruitfully. Cooperation agreements with control bodies of 67 countries have been concluded and are valid. The representatives of the Accounts Chamber work in more than 20 governing and working bodies of the international organizations of SAls.

Today, the Accounts Chamber is a full member of the budget process with sufficient powers to exercise efficient control over public finance and property. Thanks to amendments to the Federal Law "On the Accounts Chamber of the Russian Federation" adopted in 2013 and 2014, the powers of the control body have been significantly expanded, and a substantial long-term development capacity has been provided.

Email/Webpage addresses of member SAIs

SAI	Email address	Home page
Afghanistan	afghancao@gmail.com, sao.noor@yahoo.com,	www.sao.gov.af
Armenia	intrel@cocmail.am	www.coc.am/DefaultEng.aspx
Australia	ag1@anao.gov.au	www.anao.gov.au/
Azerbaijan chairman@ach.gov.az	office@ach.gov.az, www.ach.gov.az/?/en/	
Bahrain	plan&dev@nao.gov.bh	www.nao.gov.bh
Bangladesh	cag@cagbd.org, international@cagbd.org	www.cagbd.org
Bhutan	bhutanaudit@bhutanaudit.gov.bt raa@druknet.bt	www.bhutanaudit.gov.bt
Brunei Darussalam	info@audit.gov.bn	www.audit.gov.bn/
Cambodia	naakh@naa.gov.kh, sg.audit@naa.gov.kh	
China	cnao@audit.gov.cn	www.audit.gov.cn/
Cyprus	cao@audit.gov.cy	www.audit.gov.cy/
Georgia	iroffice@sao.ge	www.sao.ge
India	ir@cag.gov.in	http://cag.gov.in
Indonesia	international@bpk.go.id	www.bpk.go.id
Iran(Islamic Republic of)	pria@dmk.ir	www.dmk.ir
Iraq	bsa@d-raqaba-m.iq, bsairaq@yahoo.com	www.d-raqaba-m.iq
Israel	sco@mevaker.gov.il	www.mevaker.gov.il/
Japan	liaison@jbaudit.go.jp	www.jbaudit.go.jp/
Jordan	info@ab.gov.jo	www.audit-bureau.gov.jo/
Kazakhstan	int.rel@esep.gov.kz	http://www.esep.kz
Korea(Republic of)	koreasai@korea.kr	www.bai.go.kr
Kuwait	president@sabq8.org training@sabq8.org	www.sabq8.org/
Kyrgyzstan	kyrsai@mail.ru	www.esep.kg
Lao People's Democratic Republic	ird.sao.la@gmail.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	www.audit.gov.mv
Mauritius	auditoffice@intnet.mu	http://nao.govmu.org
Mongolia	info@audit.gov.mn	www.audit.mn
Myanmar	AUDITORGENERAL@mptmail.net.mm	
Nepal	info@oagnep.gov.np, bpacharya@oagnep.gov.np	www.oagnep.gov.np/
New Zealand	oag@oag.govt.nz; information@oag.govt.nz	www.oag.govt.nz/
Oman	chairman@sai.gov.om, intr@sai.gov.om	www.sai.gov.om
Pakistan	saipak@comsats.net.pk	www.agp.gov.pk/
Papua New Guinea	agopng@ago.gov.pg	www.ago.gov.pg
Philippines	cmgptan@coa.gov.ph	www.coa.gov.ph
Qatar	info@abq.gov.qa	www.abq.gov.qa
Russian Federation	inorg@ach.gov.ru, intrel@ach.gov.ru	www.ach.gov.ru/en/
Saudi Arabia	gab@gab.gov.sa, develop@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.gov.lk
Tajikistan	chairman@sai.tj; info@sai.tj	www.sai.tj
Thailand	pisit@oag.go.th	www.oag.go.th
Turkey	int.relations@sayistay.gov.tr	www.sayistay.gov.tr/
United Arab Emirates	president@saiuae.gov.ae	www.saiuae.gov.ae/
Vietnam	vietnamsai@sav.gov.vn, vietnamsai@gmail.com	www.sav.gov.vn, www.kiemtoannn.gov.vn
Yemen	coca@coca.gov.ye	www.coca.gov.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	eurosai@tcu.es	www.eurosai.org
OLACEFS	contralorgeneral@contraloria.cl	www.olacefs.com
PASAI	enquiry@pasai.org	www.pasai.org
ARABOSAI	secretaire.general@courdescomptes.nat.tn	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.environmental-auditing.org
International Journal of Government Auditing	intosaijournal@gao.gov	www.intosaijournal.org
Asian Journal of Government Audit	ir@cag.gov.in	http://asosai.org/asasai/index.jsp#none

Schedule of Events for 2015

Year	Date/Month	Event	Venue
2015	May 18 - 29	Instructors' design meeting for ASOSAI-sponsored workshop on "Assessment of Internal Control"	Tokyo, Japan
	September (tentative)	IDI-ASOSAI 3i Cooperative Audit Program on Audit of Disaster Management eLearning course on audit of disaster management	(Online)
	October	ASOSAI - Sponsored Workshop on "Assessment of Internal Control"	Kuala Lumpur, Malaysia
	December 7 - 11	ASOSAI Seminar on "SAI Management"	Noida, India

