



ASIAN JOURNAL OF GOVERNMENT AUDIT

XIIth ASOSAI Assembly Special Issue

OCTOBER 2011

The background of the cover is a photograph of a large, ornate Indian palace, likely the Umaid Bhawan in Jaisalmer, with a blue overlay. At the bottom, there is a scene from a festival with people in traditional attire, including a man in a colorful turban and a woman in a sari, and a decorated elephant.

**ASIAN ORGANISATION OF
SUPREME AUDIT INSTITUTIONS**

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

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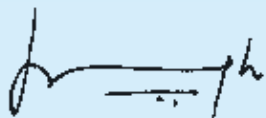
Editorial

I am happy to present the October 2011, special issue of ASOSAI Journal. Since this is the last issue before the 12th ASOSAI Assembly, the Journal includes contributions from Heads of SAs on their vision for ASOSAI and the direction in which they would like to see ASOSAI progress in future. I am extremely grateful to the heads of SAs of Bangladesh, Japan, Pakistan, Turkey and India for contributing these special articles. I also thank the Secretary General of ASOSAI for his contribution.

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

As always, this edition brings you articles contributed by SAs of Nepal, Oman, Pakistan, Vietnam on the topics such as Statutory Domain in Government Auditing, Challenges in auditing Sovereign Wealth Funds, Pension Funds and Investment Companies, Administrative Expediency and the SAs, and Public Debt & the Role of the State Audit Office of Vietnam.

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



(JAGBANS SINGH)

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From the desk of the Secretary General of ASOSAI



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

I am pleased to meet my honorable colleagues in the new column of the *ASOSAI Journal*. The 43rd Governing Board Meeting of ASOSAI was held successfully in Istanbul, Turkey, in September 2011. The meeting was especially meaningful for me because it marked my first time participating in an ASOSAI meeting since my inauguration as the ASOSAI Secretary General in March of this year.

At the 43rd Governing Board Meeting, the key agenda item was the Action Plan of the ASOSAI Strategic Plan for 2011-2015. The Secretariat formulated the Action Plan with a view to supporting the ASOSAI Strategic Plan, which was approved in February of this year. I am very pleased to inform you that the Governing Board approved the Action Plan with overwhelming support.

You are well aware of the vision, mission, and strategic goals of the ASOSAI. The vision of the ASOSAI is to promote good governance by enhancing the role of the SAIs in improving performance, effectiveness, transparency, and accountability in the public sector. The mission of the ASOSAI is to promote professionalism, mutual support, and understanding amongst the member SAIs. The ASOSAI Strategic Plan is composed of three strategic goals: 1) Institutional Capacity Building, 2) Knowledge Sharing and Knowledge Services; and 3) functioning as a Leading Regional Working Group of INTOSAI. The Action Plan was developed in alignment with the organizational vision and mission of the ASOSAI in order to achieve the strategic goals of the ASOSAI Strategic Plan. The Action Plan sets forth four main objectives: 1) to explore more diverse capacity-building activities for the members; 2) to make full use of the established programs or projects; 3) to cement regional and inter-regional cooperation; and 4) to facilitate on-line as well as off-line communication and activities.

Successful implementation of the Action Plan is essential. Therefore, in this column of the *ASOSAI Journal*, I will focus on three main issues regarding the Action Plan: 1) the efficient allocation and distribution of the ASOSAI budget in order to enable more capacity-building activities; 2) the cooperation with EUROSAI, and 3) the implementation of the activities associated with the objectives of the Action Plan.

First, considering the issue of the budget of the ASOSAI, the aim is to build the capacity of member SAIs for promoting accountability and transparency in the public sector. The ASOSAI has invested more than 95% of its resources in capacity activities. The ASOSAI has

From the desk of the Secretary General of ASOSAI

hosted annually one ASOSAI-sponsored workshop and biannually one ASOSAI-sponsored seminar. Annually, ASOSAI and JICA have co-sponsored a knowledge-sharing event. The themes of these workshops, seminars, and events have been based on the common interests of the sponsoring organizations and the member SAIs in public sector auditing. Even though considerable financial resources have been used through the available ASOSAI budget, unfortunately the present programs provided by the ASOSAI cannot satisfy the increasing needs for capacity-building activities. Therefore, the ASOSAI must secure the requisite financial resources to enable expansion of the training opportunities. However, the estimate for the triennial budget (2012-2015) shows that the training costs will exceed the available financial resources by USD 396,905. The total ASOSAI revenues from 2012 to 2014 would reach USD 695,040, while the total expenses would reach USD 1,091,945. Thus, the Secretariat will explore the means to provide more training opportunities at the lowest possible cost.

Second, considering the issue of cooperation between ASOSAI and EUROSAI, the establishment of a new inter-regional cooperation program is a major aim of the ASOSAI Strategic Plan for 2011-2015. Aligned with the goal of the Strategic Plan, the 1st ASOSAI-EUROSAI Joint Conference was held in Istanbul, Turkey, immediately after the 43rd ASOSAI Governing Board Meeting. The Governing Board members of ASOSAI and EUROSAI discussed the theme *Challenges for Ensuring Transparency and Accountability in Public Financial Management*. This impressive conference was the first-ever cooperation project of the ASOSAI with another regional group since its inception in 1979. This conference offered many valuable opportunities to discuss issues related to transparency and accountability amongst the SAIs. The Governing Board members shared their experiences and committed themselves to tackling the challenges.

During the Joint Conference, an MoU on cooperation between the ASOSAI and the EUROSAI was signed. Through the MoU, the ASOSAI and the EUROSAI are securing a strong basis for expanding the scope of their cooperation to several areas, including joint research, exchange of training experts, and training for auditors. Initially, the ASOSAI Secretariat will learn from the good practices which the EUROSAI already has experienced in its shared activities with other organizations. Thereafter, ASOSAI can interact more effectively in the planning and the implementation of cooperative activities with EUROSAI. I am confident that the cooperation with EUROSAI will provide a solid basis for the further development of ASOSAI.

Third, considering the implementation of the ASOSAI Action Plan, successful implementation will only be achievable by aiming for all of the member SAIs to commit earnestly to its objectives and to contribute steadily to its activities. Thus, in my capacity as the Secretary General of ASOSAI, I ask you to join your efforts in implementing the Action Plan. The ASOSAI Secretariat stringently will pursue all possible means to achieve the goals of the ASOSAI Strategic Plan and the objectives and the activities of the associated Action Plan.

In conclusion for this column, I would like to express my deepest gratitude to the member SAIs for their sincere support for and cooperation in the activities of the Secretariat. Your active participation is essential for the achievement of the vision and mission of the ASOSAI and for the achievement of the strategic goals of the ASOSAI Strategic Plan.

From the desk of the Secretary General of ASOSAI

Overview of the ASOSAI Strategic Plan

Vision of ASOSAI

ASOSAI promotes good governance by enhancing the SAI's role of improving performance, effectiveness, transparency, and accountability in the public sector.



Mission of ASOSAI

ASOSAI is a professional and non-political organization established to enhance member SAI's professionalism; to provide mutual support and understanding; to foster continuous improvement among member SAI's; and to promote cooperation with INTOSAI and other organizations in the field of public audit.



Goals of the ASOSAI Strategic Plan for 2011-2015

Goal 1
Institutional
Capacity Building

Goal 2
Knowledge Sharing
and
Knowledge Services

Goal 3
Leading
Regional Working
Group of INTOSAI



Objectives of the Action Plan

1. To explore more diverse capacity-building activities for the members
2. To make full use of the established programs or projects
3. To cement regional and inter-regional cooperation
4. To facilitate on-line as well as off-line communication and activities

Special Contributions



The ASOSAI Today and Tomorrow - Achievements, challenges and opportunities

Mr. Muhammad Akhtar Buland Rana
Chairman ASOSAI & Auditor General of Pakistan

The Transition

When I took over as the Chairman, the ASOSAI had smoothly transitioned from the nine years old Secretariat in the SAI India to a brand new Secretariat in the SAI Korea, and the Chair had passed on to the SAI Pakistan from China in a seamless way. **What normally happens in transitions, the ASOSAI transcended that.** In transitions the focus remains on stabilizing the outcomes of previous initiatives and there is a reticence in launching newer interventions to avoid any possible disruptions to what had already been achieved. But it is a matter of great satisfaction for me that the ASOSAI did not unnecessarily slow down under the perceived weight of the transition.

In the period preceding the 11th ASOSAI Assembly in Pakistan, when the transition took place, the ASOSAI had already been recognized as a responsive Regional Working Group of the INTOSAI, matching other Regional Working Groups in enhancing collaboration between its members and contributing positively to the profession of state auditing with research projects, capacity building training and incisive technical papers. And the challenge during the transition was not only to maintain the impetus, but also to break new grounds for future sustenance of the organization. In this short article I do not wish to recast all the activities of the ASOSAI carried out during the last three years as they are already covered in my and the Secretary General's reports that we will be presented before the XII ASOSAI Assembly. **My intention here is to underline some of the critical measures that were taken by the ASOSAI as an organization during the last two years for furthering its objectives.**

Tweaking the institutional arrangement

With the overall membership of ASOSAI reaching 45, it remains the second largest Regional working Group of the INTOSAI. With a view to involving a larger number of its members in decision making and with an eye on ensuring continuity, **the size of the Governing Board was increased from nine to eleven.** This enabled the outgoing Chairman to remain on the GB for another term to ensure that the first hand experience of managing the affairs of the organization was available to the GB which is the collective body responsible for running the organization on day to day basis. The decision of increasing the size of the GB also underlined that the main activity of the INTOSAI and its Regional Groups remains to be the capacity building of its members. Since training is the axis around which the capacity building revolves, it was felt that **the Training**

Special Contributions

Administrator should also be made an integral part of the ASOSAI GB. With the increase in the number of GB members from nine to eleven, the GB has approved the proposal to amend the Rule 15 of the ASOSAI Rules and Regulations to revise the quorum from five to six and it was decided that decisions on all matters would require agreement of at least six GB members. The next assembly will ratify the proposed change.

Another institutional change that took place during the last two years resulted from a decision of the previous Assembly. The 11th Assembly held in Pakistan in 2009 amended the ASOSAI Charter to make the Training Administrator of the ASOSAI an ex-officio member of the ASOSAI Governing Board. Since we needed to select the new Training Administrator as an ex-officio member in 2012, there was a **need to establish the selection procedure for the Training Administrator**. This was also accomplished during the 43rd GB meeting held in Istanbul. In addition, a comprehensive, encyclopedic document explaining the selection procedures for important ASOSAI posts has been assembled by the Secretariat and circulated to all member SAs in June 2011.

It was also in this period after the 11th ASOSAI Assembly that the Secretariat prepared a **three-year rolling budget plan**. This was made possible with the help of the SAI of Japan, the Training Administrator, and the SAI of India, the publisher of the ASOSAI Journal, who submitted their budget estimates for Training and the publication of the Journal for a three years period.

Towards professional competence

The untiring efforts of the Training Administrator and the Secretariat and the active participation of the member states resulted in a **significant number of capacity building programmes during the last two years**. The member states benefited from the following activities:

- The Instructors' Design meeting for the ASOSAI-sponsored workshop on the Audit on Public Debt Beijing, China
- The JICA-sponsored seminar on "How to Strengthen SAs to Meet the Public Expectation on SAI" Tokyo, Japan
- The Strategic Planning meeting for the program on "Quality Assurance in Performance Audit" (QAPA) Hanoi, Vietnam
- Instructors' Design meeting for the program on QAPA Paro, Bhutan
- Workshop for the program on QAPA, Kuala Lumpur, Malaysia, followed by a Review Meeting, Bangkok, Thailand
- Workshop on "Environment Audit" Istanbul, Turkey
- Seminar on "How to Integrate Ethics and Integrity into the Auditing Practice of an SAI", Seoul, Korea

In search of excellence

The ongoing 9th Research Project on “Evaluation and Improvement of Internal Audit Systems and Relationship between the Internal Audit Units (IAUs) and SAIs” is progressing productively with the cooperation of 12 member SAIs, namely, China, India, Indonesia, Iran, Iraq, Korea, Kuwait, Malaysia, Pakistan, Russia, Saudi Arabia, and Vietnam. The result of the 9th Research Project will be reported to the 12th Assembly to be held in Jaipur, India in February 2012. I hope that the research results will afford the ASOSAI members an opportunity to make the best use of both ISSAI GOV 9140 on Internal Audit Independence in the Public Sector and ISSAI GOV 9150 on Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector.

Knowledge sharing

Regular and timely publication of the Asian Journal of Government Audit biannually indicates the member states' interest in current developments in the profession of state auditing. The SAI India deserves commendation for not only making the publication possible but also for **introducing new features to make the ASOSAI journal an effective and popular medium for sharing professional experience and exchange of information** among the ASOSAI fraternity and the SAIs the world over.

It is also a matter of satisfaction that the ASOSAI **website upgraded in January 2010 with new features has received increased attention** of the member SAIs. In this age of online exchanges, it is heartening to know that the ASOSAI members are also collaborating with each other actively in a virtual environment besides engaging in physical exchanges in conferences, meetings and seminars. This healthy change is indicative of the responsiveness of the ASOSAI members to the changing realities in the fields of knowledge sharing and capacity building.

Reaching out

The ASOSAI has come a long way in the past 32 years and this was evidenced by **the 1st Joint conference that on “Challenges for Ensuring Transparency and Accountability in Public Financial Management” that we held together with the EUROSAI in Istanbul 2011**. It is a sign that we continue to break new grounds for mutual benefits of the SAIs around the world. Organizations continue to thrive as long as there are new initiatives on the anvil of their organizers and stakeholders. Holding of this Joint Conference is also an evidence of our desire to bring together the rich pool of competent professional auditors in many subject areas that would be mutually beneficial for the capacity building of member SAIs of both the regional Working Groups. This desire has been translated in the **Istanbul Memorandum of Understanding**, which has indeed become a milestone in the international collaboration between the SAIs.

Strategy & Action

At the beginning, when I underlined that the ASOSAI did not capitulate under the weight of transition, my major reference was to the finalization and approval of the 2nd Strategic Plan of the ASOSAI. Traditionally, we had been working under the umbrella of the INTOSAI Strategic Plan, till such time when it was realized that there was a need to structure the initiatives of our Regional Working Group into workable plans and discreet chunks of activities. That was when the 1st ASOSAI Strategic Plan was conceived in 2004. It was necessitated, if also for the fact that when we have distinct targets it becomes easier to measure the performance. **The approval of the ASOSAI Strategic Plan 2011-15 is thus a cornerstone in that it underlines the resolve of the organization to realize its objectives under a structured approach.** This was achieved despite procedural stumbling blocks. And it goes to the credit of our Secretariat that it devised an ingenious way of getting the approval of the member states for the Strategic Plan despite the fact that the Assembly was far away in time.

But we all know that plans remain promises till such time they are translated into concrete and verifiable actions. For us responsible for the management of ASOSAI, it is quite satisfying that the 43rd Governing Board has **approved the Action Plan diligently prepared by the Secretariat to implement the ASOSAI Strategic Plan 2011-15.** It may not be out of place to mention here the salient features of the Action Plan for the plan perspective will enable us to visualize future interventions. The Action Plan for the implementation of the Strategic Plan focuses on the following:

1. exploration of more diverse capacity-building activities for the members,
2. making full use of the established programs or projects,
3. cementing regional and inter-regional cooperation, and
4. facilitating on-line as well as off-line communication and activities.

While presenting the Action Plan, the Secretary General of the ASOSAI underlined that the Action Plan has been designed to pursue the following three goals:

- Building capacity through ASOSAI-EUROSAI Cooperation, INTOSAI-Donor Cooperation, implementation of the International Standards of Supreme Audit Institutions (ISSAI), and new capacity-building activities;
- Sharing and disseminating knowledge through the *ASOSAI Journal*, the ASOSAI website, and various other knowledge-sharing events, such as the ASOSAI-EUROSAI Joint Conference, the ASOSAI Symposium and Seminars, and the ASOSAI Research Project; and
- Empowering ASOSAI to become a model of excellence amongst the seven Regional Working Group of INTOSAI – to be achieved through collaborating with INTOSAI for the implementation of INTOSAI Initiatives, through successfully implementing the ASOSAI budget reform, and through modernizing the operations of the ASOSAI Secretariat.

While the ASOSAI goals remains within the overall framework of the INTOSAI, their utility lies in providing the ASOSAI member states a platform where they can further their collaboration for professional development.

Moving forward

Now, that the medium term objectives emanating from the goals of the ASOSAI Strategic Plan 2011-15 have been defined in the finalized Action Plan, is the time for us to take concrete measures for realization of these objectives. While the institutional changes that I referred to above provide a platform for structured interventions, there will always be a need for a proactive approach for ensuring that our programs and projects stay on course. The following need a mention in this regard:

- We need to ensure availability of resources for our capacity building programs and research projects through increased donor participation.
- We need to enrich our recent collaboration with the EUROSAI and contemplate joint ventures with them in research and modular training programmes.
- We also need to persuade our national governments to provide adequate resources to the SAIs so that their improved functioning leads to greater transparency in governmental operations.

This in my view can be achieved if the SAIs can demonstrate that they are functioning under the internationally accepted principles encoded in the ISSAIs. **The remaining part of my article thus highlights the importance incorporating the ISSAIs into state auditing practices and I believe that in the coming years, the ASOSAI can play a proactive role in this regard.**

Embedding the ISSAIs in the SAI systems

Interesting though the genesis of the ISSAIs is, it remains to be seen as to how the SAIs embed them in their systems and procedures. We are all aware of the trials and tribulations of variegated auditing systems when it came to developing a consensus on the adoption of a common standards system. State auditing systems, owing to differing state structures and management systems, were initially perceived to require massive customization to suit the state-specific requirements. And such adjustments were thought to require auditing standards parameterized to match the so called geo-political ground realities. Sustained interaction between state auditing institutions, slowly but surely, resulted in awareness that differences are essentially the manifestations of form rather than the substance. The resultant consensus on core values like Independence, integrity, Professional Competence, Due Care and the like, provided the basis for an agreement on common auditing standards. And when the financial management systems across the board gave in to the idea of transparency in financial reporting, the stage was set for the promulgation of IFRS that finally culminated into IPSAS with a general consensus on common accounting and financial reporting framework. Time was not far off when commonly accepted auditing standards were to be adopted for state auditing as well. This in my view has been the genesis of the ISSAIs.

Despite, consensus and formalization of the International Standards on Auditing (ISAs) into ISSAIs, the challenge, for the world SAI community and for the ASOSAI in particular, is to align the state auditing practices to meet the requirements of the ISSAIs. **At the XX**

INCOSAI held in Johannesburg, South Africa in November 2010, the implementation of ISSAIs was adopted as the 2011 INTOSAI Initiative. In this regard, all of the seven Regional Working Groups of the INTOSAI were requested to play their own parts in supporting their respective member SAI's implementation. I am glad that **the ASOSAI community has agreed to deliberate on this issue during their next triennial seminar to be held together with the 12th Assembly** in Jaipur, India. While the SAI Pakistan will be presenting a detailed paper on the implementation of ISSAIs in a particular area, here I would like to flag two areas on which the ASOSAI as an organization can possibly dilate during the next few years. **One is ensuring the independence of the SAIs, and the other relates to developing a working model for the implementation of the ISSAIs.**

Towards SAIs' Independence

The first principle of the Mexico Declaration on the Independence of SAIs, also coded as ISSAI 10, stipulates the *"existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework"* as a precondition for effective functioning of an SAI. It also requires *"legislation that spells out, in detail, the extent of SAI independence is required."* While the SAIs are striving to move in this direction, there are specific examples of SAIs that have made leaps towards attaining their independence. For instance, during 2010 the SAI Pakistan's independence received constitutional protection. While on the one hand, the tenure of the head of the SAI Pakistan was constitutionally protected, on the other the sanctity of his audit jurisdiction was recognized in the constitution in the following words:

"The audit of the accounts of the Federal and of the Provincial Government and the accounts of any authority or body established by, or under the control of, the Federal or a Provincial Government shall be conducted by the Auditor-General, who shall determine the extent and nature of such audit"

It needs to be noted that with this amendment to the Constitution of Pakistan, any restrictions on the mandate of the SAI Pakistan, which may have been perceived by some quarters to have existed in the prior legislation, have been lifted. And now all operations of the federal and provincial governments fall squarely in the audit jurisdiction of the SAI Pakistan. I am sure that in other countries of our region also there are efforts in hand to secure greater independence for the SAIs. Dissemination of information about such developments in the mandates of SA.

Is from the platform of the ASOSAI in a structured way is likely to encourage a larger number of states to make similar legislative changes for ensuring the independence of the state auditing functionality.

Model for implementing ISSAIs

The other area where the ASOSAI can lend its functional arm for enabling the member states to move towards ISSAIs is to develop a model for the implementation of the ISSAIs. In its own effort to cooperate with INTOSAI, The Board of Audit and Inspection of Korea as the Secretariat of ASOSAI has put the entire collection of the ISSAI into one CD to make it handy for the members. The CD has been circulated to the member SAIs in February 2011.

This may be an opportune time for the ASOSAI to launch its first Working Group on the pattern of the INTOSAI working Groups. This WG on Embedding ISSAIs in State Auditing Practices (WGEISAP) can be mandated by the ASOSAI to develop a model for the purpose. This can be achieved when the WG is chaired by an SAI that has re-aligned its codes, manuals and guidelines along the ISSAIs and the other member of the WG identify other such initiatives in this regard. As a matter of fact, the development of such a model can lead to standardized codes, manuals and guidelines for various sectors of state auditing.

I remain confident that the ASOSAI will continue to thrive as a responsive Regional Working Group of the INTOSAI alert as ever to the changing realities taking place in our profession of state auditing.

Special Contributions



Future Vision for ASOSAI in coming years

Mr. Vinod Rai
Comptroller and Auditor General of India

We stand on the threshold of the 12th Assembly of ASOSAI. The ASOSAI movement has come a long way from its modest beginning in 1979. From 11 members who first got together in New Delhi, we now have a community of 45 SAIs. SAI India was bestowed with the honour of hosting the first meeting of the Governing Board and the first Assembly in 1979 in which rules and regulations of ASOSAI were framed. We were again reposed with the responsibility of hosting the 6th ASOSAI Assembly in year 1994 and we now have the privilege of welcoming you to India for the third time.

These are momentous times in the histories of many nations. New paradigms are evolving in the political systems of some countries. Global economy is in a tumult and nations are seeking novel solutions to critical economic problems. All these events pose major challenges to the Supreme Audit Institutions of our countries. We have to respond to these challenges to help our respective Governments tackle these problems in the most effective manner. Only by doing so can we remain relevant and credible.

Technological innovation has revolutionised the way Governments conduct their business today. The range of public activity has proliferated areas hitherto alien to the Government and new structures for delivery of goods and services have been created. With the Government operations becoming more complex and the Government adopting innovative methods to foster development and partnering with local bodies, societies, NGOs and the private sector to deliver public services, it requires an equal degree of sophistication to detect and prevent attempts at subversion of such complex governance structures. The SAIs are expected to unravel this vast and complex maze and provide assurance to their stakeholders that public moneys are being spent as these were intended to be and public programmes are being implemented with due regard to economy, efficiency and effectiveness.

The International SAI community has not been a bystander while these developments have been unfolding. INTOSAI has been quick to focus its attention on these issues with a view to recommend effective ways for SAIs to respond to the situations prevailing in their countries. While INTOSAI can only provide a broad guidance, the regional groups are better placed to define a more focused approach towards these issues. This is where ASOSAI needs to step in and foster conditions within the group which encourage exchange of experiences, knowledge and skills.

ASOSAI Assemblies are apt occasions for us to take stock of things and set our sights at our future goals. The strategic plan of ASOSAI for year 2011-2015, as adopted in 42nd Governing Board Meeting held in Hanoi, has set the ball rolling. I am sure that ASOSAI would emerge as one of the leading regional group of INTOSAI committed to bringing the smaller and new SAIs at par with established SAIs through frequent exchanges of ideas, knowledge and various capacity building measures. The recent development of signing of MoU with EUROSAI and proposed collaboration with IDI within the frame work of INTOSAI Donor Cooperation for capacity building initiatives is a step in this direction. It is also a matter of great satisfaction that the Research Projects undertaken by ASOSAI have yielded good dividends.

The 12th ASOSAI Assembly would once again give us an opportunity to rededicate ourselves to the tasks set out in our Charter. The 5th Symposium on the topic, "Assimilating the International Standards of Supreme Audit Institutions" could not have been organized at a better time given the fact that the Johannesburg INCOSAI adopted a large bouquet of ISSAIs. The Symposium would provide an excellent opportunity to the ASOSAI fraternity to discuss strategies which would best suit individual SAI situations in adoption of these Standards.

I am extremely grateful to the Chairman and Secretary General of ASOSAI and the Heads of the SAIs of Bangladesh and Turkey for sharing their vision for ASOSAI through this Journal. I also thank my other colleagues for contributing very enlightening articles which make this Special Edition of the Journal a collectors' item.

I eagerly look forward to receiving you in the historic city of Jaipur in February 2012.

Special Contributions



Capacity Building Goals, Efforts and Achievements

Mr. Hiroyuki Shigematsu
Training Administrator of ASOSAI and
President, Board of Audit of Japan

Introduction

It is my great privilege to share my view on the future prospect of ASOSAI in this memorial ASOSAI Assembly Special Issue prior to the XIIth ASOSAI Assembly to be held in India in 2012. I greatly appreciate the editors of the Asian Journal of Government Audit who kindly provided me with this precious opportunity.

ASOSAI is one of the successful regional working groups of INTOSAI with the membership of 45 SAls as of today, which has promoted understanding and cooperation among the members through exchange of ideas and experiences in the field of public audit and provided facilities for training and continuing education for government auditors since its establishment in 1978. In concrete, ASOSAI has undertaken various training activities on emerging audit issues, ASOSAI Symposiums, Research Projects, activities of ASOSAI Environmental Working Group, and establishment of communication tools such as journal and website.

In the 21st century where socio-economic situation is dramatically changing due to globalization, innovation of information technology, etc., government activities have been complex and specialized for addressing challenges in broad areas and expectation towards SAls has been increasing and unprecedented challenges to the SAls have been presented. The SAls in the Asian region are urged to further improve the quality of audit to ensure transparency and accountability in public financial management. In parallel, the role of ASOSAI has become more important and range of its activities is expected to be expanded moreover. Under the current circumstances, I, as Training Administrator of ASOSAI, fully recognize my own responsibility for making utmost efforts in order to provide the member SAls with useful opportunities of capacity building in close cooperation with Chairman, Secretary General and other all parties concerned. Therefore, I would like to focus on the future prospect of the capacity building activities in ASOSAI in this article.

Before starting, let me briefly touch upon my role of Training Administrator of ASOSAI. I am taking office as my capacity of President of the Board of Audit of Japan. The President of the Board of Audit of Japan has been continually serving as Training Administrator of ASOSAI (Administrator of the ASOSAI Training Program before 2009) since 2000 when the position was established in ASOSAI. Thanks to the members' acknowledgement of our contribution, Training Administrator has become an ex-officio member of the Governing Board since the 11th Assembly in 2009. The Terms of Reference of the ASOSAI Training Committee stipulates that the Training Administrator of ASOSAI shall plan, implement and

follow up of the area of training activities under direction of the Governing Board and in close cooperation with the Secretary General. In line with this, we have been conducting training needs surveys every few years to grasp the actual needs and expectation of the member SAls, planning training programs by reflecting the needs, submitting the proposal to the Training Committee, Governing Board and Assembly, implementing training programs in the efficient manner, and following up and reporting the results of the programs. We have also coordinated capacity building programs with important partners such as the IDI which provides us with tremendous and value-added assistance. Taking this opportunity, I wish to extend my sincere gratitude to all parties concerned who have kindly cooperated in the training activities.

ASOSAI-sponsored training activities

Human resources are utmost crucial in every organization, particularly in SAls. Accordingly, capacity building such as training activities is the most important pillar in ASOSAI as the fact shows that more than 96% of the current ASOSAI budget is allocated to the training activities. Looking back to the past, as you may know, ASOSAI had already recognized and acknowledged the importance of training activities for government auditors of the region as early as at the 1st Assembly in 1979. ASOSAI conducted seminars and workshops in collaboration with donors such as Asian Development Bank (ADB), IDI and Japan International Cooperation Agency (JICA) from the late 1980s to the mid 1990s. Along with these collaborations, ASOSAI started its own training programs in 1992 by using its own funds, that is, annual and voluntary contributions. Currently the programs are organized as ASOSAI-sponsored workshop every year to strengthen the audit capabilities of its member SAls. The targets of the said workshop are junior or middle-level auditors who shall be under 40 years of age. The topic of the workshop changes every year to cover latest and various needs of the member SAls to the extent possible. For instance, ASOSAI dealt with the areas of Audit of Public Debt, Environment Audit, Audit of Privatization, Performance Audit and Financial Audit in an IT environment for the recent five years.

Programs funded by ADB and the IDI

For implementing fruitful ASOSAI-sponsored workshops, capable instructors are indispensable, indeed. Focusing on this point, ASOSAI implemented first and second Long Term Regional Training Programs (LTRTPs) with ADB funds in cooperation with the IDI from 1997 to 2000 and 2002 to 2004 in order to establish a regional training infrastructure with which ASOSAI can plan and implement more regional based training programs,. Thanks to the two LTRTPs, ASOSAI fostered 27 training specialists from 15 SAls and 32 training specialists from 20 SAls respectively. In addition, the IDI kindly provided ASOSAI with another program named E-enabled Blended Training Program for Trainers (EBTPT) for creating new training specialists by using a combination of e-learning technology and traditional training methods in 2007 to 2009 and 32 training specialists from 15 SAls were nurtured. These competent training specialists of various countries have actively played important roles through participating in the ASOSAI-sponsored workshops and other activities as instructors and many of them have also played important roles in the training courses of their own SAls. I believe these professional training specialists have made a great impact on the capacity building environment in the region as a whole.

IDI-ASOSAI cooperation program

As per the LTRTPs and EBTPT programs, ASOSAI have received great assistance from outside partners, particularly in the fields that ASOSAI cannot cover with its funds. For instance, ASOSAI organized an ADB-IDI-ASOSAI cooperation program in 2005 to 2007 for supporting newly developed SAIs to fill the gap of audit capabilities with SAIs having long history. ASOSAI and the IDI have further accelerated its cooperation programs on capacity building since 2004. Targeting the member SAIs which are eligible for the IDI assistance and have not participated in the IDI programs of other regional working groups, ASOSAI organized, in close cooperation with the IDI and its funds, a workshop on fraud and corruption, a program on "Quality Assurance in Financial Audit", a program on "EBTPT", and a program on "Quality Assurance in Performance Audit" in 2004 to 2011 which require long-term and active commitment of the participating SAIs and it has led to the institutional capacity building of the SAIs, indeed.

Seminars for knowledge sharing

Since 2005, ASOSAI has launched a new training scheme called "Seminars for Knowledge Sharing" for middle- or senior- level audit managers. One is "ASOSAI seminar" and the other is "JICA-sponsored ASOSAI seminar." The seminars' topics are also determined by the results of the training needs surveys. The ASOSAI seminar is organized every alternate year by using ASOSAI's own funds, covering the topics of "managing audit results", "how to strengthen internal controls in SAIs" and "how to integrate ethics and integrity into the auditing practices of an SAI" so far. Meanwhile, the JICA-sponsored ASOSAI seminar is organized with the funds of JICA and the technical and administrative support of the Board of Audit of Japan for the member SAIs eligible for JICA assistance. JICA provided seminars on "challenges to new audit frontiers-how to develop and manage human resources for dealing with emerging audit issues-", "tackling fraud and corruption in auditing" and "how to strengthen SAIs to meet the public expectation on SAI" in 2005 to 2011. The seminars are nowadays regarded as precious opportunities for senior officials to share and exchange the common challenges and to seek practical solutions.

As described above, ASOSAI has keenly focused on capacity building activities with the joint efforts of all the member SAIs and the great partners. I believe such continuous endeavor of ASOSAI will contribute to good communication and mutual understanding among the members as well as to enhancement of audit capabilities of each SAI.

ASOSAI Strategic Plan for 2011-2015

On the other hand, ASOSAI should not be satisfied with the current stage since environment surrounding the member SAIs has been changing and the needs for capacity building activities for addressing diversified challenges have been risen. To meet such members' expectation, ASOSAI approved the Strategic Plan for 2011-2015 and its Action Plan which incorporate the undertaking of future capacity building activities. Particularly, "Goal 1 Institutional Capacity Building" and "Goal 2 Knowledge Sharing and Knowledge Services" describe the future prospect of ASOSAI's capacity building in concrete.

Goal 1 Institutional Capacity Building

Goal 1 consists of four sub-goals, that are, “1.1 enhance the practicality and effectiveness of training programs”, “1.2 explore e-learning as a future capacity building methodology”, “1.3 implement international audits standards and guidance in collaboration with INTOSAI” and “1.4 facilitate financial and technical assistance to capacity building activities.”

For achieving “1.1 enhance the practicality and effectiveness of training programs”, a scheme of planning, monitoring and evaluation of training programs should be strengthened. ASOSAI will regularly conduct surveys on details of the members' training needs and formulate a multi-year training plan in more concrete by reflecting the survey results to the maximum extent possible. After the implementation of training programs, evaluations will be continually conducted and the results will be carefully monitored by the Training Committee for more effective training programs. ASOSAI will also try to diversify the contents of capacity building programs.

In addition to the current programs, ASOSAI will explore possibilities for new capacity building activities in consultation with the INTOSAI-Donor Cooperation. INTOSAI-Donor Cooperation is a joint effort of INTOSAI and donors with the objective of providing a common approach towards strategic focus and coordination between donors and the SAI community in strengthening SAI capacity in partner countries. Taking into account considerable demand for increased levels of support to the member SAIs, ASOSAI continues to seek collaboration with the INTOSAI-Donor Cooperation. If this effort is succeeded, I believe options of capacity building will be further diversified to the member SAIs.

In order to enhance the quality of training activities, ASOSAI will make an attempt to mobilize competent trainers from inside and outside of ASOSAI such as EUROSAI which signed Istanbul Memorandum of Understanding (MoU) with ASOSAI in terms of cooperation at the 1st ASOSAI-EUROSAI Joint Conference in September 2011. Various expertise from other region will enrich ASOSAI's activities.

With regard to “1.2 explore e-learning as a future capacity building methodology”, ASOSAI is currently considering the introduction of e-learning for its capacity building activities as one of the methodologies given the current constrains of funds, time and human resources. As a first step, ASOSAI will conduct a research to the member SAIs and other parties concerned and carefully formulate a strategy for the development of e-learning programs which meet the members' expectations. Since IT environment of each SAI is different, ASOSAI will proceed with e-learning approach in a careful manner.

In terms of “1.3 implement international audits standards and guidance in collaboration with INTOSAI”, as you may be aware, the main concern is International Standards of Supreme Audit Institutions (ISSAIs). The XX INCOSAI in 2010 affirmed that the ISSAIs present the essence of public sector auditing and called upon INTOSAI 's members to implement the standards in accordance with their national mandates. Thus, ASOSAI will continually make efforts to disseminate the ISSAIs materials to the members and to incorporate the ISSAIs into the contents or/and courseware of ASOSAI capacity building activities as well as to provide the members with opportunities for discussion on the

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ISSAIs. In order to achieve the above sub-goals, it is necessary for ASOSAI to pursue the sub-goal of “1.4 facilitate financial and technical assistance to capacity building activities.” For better capacity building activities, ASOSAI needs continual contributions from the members and outside donors. In this regard, the Board of Audit of Japan as Training Administrator of ASOSAI will make the best efforts to continue the largest scale of voluntary contribution to ASOSAI. At the same time, ASOSAI will keep talking with external partners such as INTOSAI-Donor Cooperation for exploring sources for further activities.

Goal 2 Knowledge Sharing and Knowledge Services

Goal 2, namely “Knowledge Sharing and Knowledge Services,” also refers to capacity building activities whose sub-goals are “2.1 Enhance the utility of the ASOSAI website and the ASOSAI Journal”, “2.2 increase opportunities for knowledge sharing and exchange of experiences”, “2.3 promote technical cooperation and consulting services among member SAIs”, “2.4 facilitate peer learning through sharing best practices”, and “2.5 develop audit guidance and best practices through research on issues of mutual interests and concerns.”

For instance, “2.1 Enhance the utility of the ASOSAI website and the ASOSAI Journal” encourages ASOSAI to make the website function as information hub of capacity building. ASOSAI will keep the current manner to upload the course materials of the ASOSAI-sponsored workshop on the ASOSAI website so that the member SAIs could easily refer to.

In terms of “2.2 increase opportunities for knowledge sharing and exchange of experiences” and “2.3 promote technical cooperation and consulting services among member SAIs”, ASOSAI encourages own initiatives for organizing knowledge sharing events to be hosted by the member SAIs and facilitating joint work and study visits, etc. among the member SAIs. I believe wide-ranging activities not only by ASOSAI but also by the member SAIs will lead to further institutional capacity building in the region. In this momentum, ASOSAI will be a catalyst of the communication among the member SAIs through collecting the information of each member's initiative and sharing it on the ASOSAI website.

The sub-goals of “2.4 facilitate peer learning through sharing best practices” and “2.5 develop audit guidance and best practices through research on issues of mutual interests and concerns” also encourage member SAIs' commitment to ISSAIs and communication among member SAIs. At the same time, ASOSAI will continually promote the current platform of knowledge sharing such as ASOSAI Symposium, ASOSAI seminar and JICA-sponsored ASOSAI seminar as well as Research Project.

Through various activities associated with the said Goals such as enhancement of the relationship among ASOSAI members as well as with INTOSAI and other working groups, facilitating of partnership with international donor community, etc., “Goal 3 Leading Regional Working Group of INTOSAI” of the Strategic Plan is to be also accomplished.

Closing

As mentioned above, ASOSAI is now embarking on the new period of its history, adopting the newly developed strategic plan which aims at broadening the area of ASOSAI's activities. ASOSAI has continually paid greater attention to capacity building and set Goals 1 and 2 in the Strategic Plan to achieve in the coming five years. ASOSAI will soundly continue its efforts in implementing the current programs on capacity development. In addition, ASOSAI aims to expand the scope of capacity building activities through various actions, such as consultation with external partners, e-learning, cooperation with other regional working groups, the members' initiatives and so on. ASOSAI also intends to improve the quality of its activities through enhancement of evaluation and monitoring, arrangement of capable instructors, information sharing, etc. The benefits brought by these endeavors of ASOSAI will make a greater impact on the member SAs, leading to improvement of accountability and transparency of public administration and finance in the region. With all these hopeful signs, I cannot help but expect ASOSAI's further progress in coming years. As Training Administrator of ASOSAI, I will do my best in order to achieve the Goals of the Strategic Plan and to enrich the capacity building activities, in close cooperation with all the member SAs and parties concerned. To fully meet the members' expectations, I would be obliged if the member SAs could candidly give us recommendations and/or opinions towards the capacity building activities. I believe our joint efforts will benefit all as the INTOSAI's motto says "mutual experience benefits all."

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ASOSAI – Vision for Cooperation

**Mr. Ahmed Ataul Hakeem, FCMA,
Comptroller and Auditor General of Bangladesh**

Introduction

- 1.1 ASOSAI had been formed with a vision of mutual cooperation among Asian SAIs to forge unity in diversity in the structure and auditing methodologies for ensuring transparency and accountability in public financial management. Since its initiation in 1979, ASOSAI has been successfully involved in developing understanding and cooperation among member SAIs to build institutional capacity in promoting good governance. ASOSAI continues to play an important role through the support it provides to member SAIs in terms of training, developing methodologies, guidelines and sharing knowledge and experiences. In all these efforts, ASOSAI has addressed issues of common interests fulfilling its strategic goals and members' needs.
- 1.2 The continuous changes in the economic, social and political arena within the region, innovations made in communication technology and growing expectations of the stakeholders have made it essential for ASOSAI to become more dynamic in its activities. ASOSAI, therefore, needs to pursue its predefined goals of strengthening institutional capacity of SAIs, increasing knowledge sharing and services among SAIs and leading Regional Working Groups of INTOSAI with more cooperation and coordination.
- 1.3 All these issues demand that we further align the existing strategy to face the immense challenges of the future. Accordingly, this article evaluates the ongoing efforts, highlights the key challenges and suggests future role of ASOSAI in coming years.

2.0 Ongoing Efforts and Challenges

- 2.1 ASOSAI enters the fourth decade of operations with an impressive record of achievement and an ambitious strategic plan that includes a variety of capacity development initiatives within the region. Its membership has grown to 45 from 11 SAIs at the very outset of its journey. This has resulted in encouraging and promoting research in auditing and related fields, organizing training, conferences and seminars for the exchange of ideas and experiences in the field of public sector audit.
- 2.2 ASOSAI is one of the diversified regional organizations in INTOSAI, in terms of geography, culture, language and development of government audit. While such

diversity is strength to the organization, it also poses difficulties related to various training needs of member SAs, language, financial constraints, etc. Moreover, the member SAs range from those 150 years old to others that were established very recently. The varied experience levels make for rich debates and exchange of ideas.

- 2.3 The adoption of the Strategic Plan for 2011-2015 comes at exactly the right time and sets forth a blueprint for concerted action that is adapted to the priorities of our time. The ongoing ASOSAI strategic plan aims to achieve three strategic goals: 'Institutional Capacity Building', 'Knowledge Sharing and Knowledge Services' and 'Leading Regional Working Group of INTOSAI'. These are in line with the INTOSAI's goal structure. Each goal consists of several strategies which will fulfill the mission of ASOSAI. The focus of the plan is to promote professionalism and cooperation among the member SAs.
- 2.4 Much has been achieved in this regard. However, many of the features that are still very central to the functions of ASOSAI are yet to be formulated. As a result, further changes have become imperative. The challenges ahead are to strengthen ASOSAI capability for collective action and thus forge a common destiny.

3.0 Making ASOSAI More Beneficial for its Members

- 3.1 ASOSAI has adopted the INTOSAI motto of 'Mutual experience benefits all' in all its activities and capability building initiatives. The basis of ASOSAI's achievements lies in mutual understanding, cooperation and knowledge sharing among its members SAs. To meet the challenges of this context, ASOSAI would have to focus on the following areas for continued progress:

3.1.1 Diversifying the Existing Cooperation Regime

ASOSAI needs to center its capacity development interventions in mitigating deficiencies of its member SAs to attain essential capacities and know-how. As a first step, a need analysis of the member SAs can be conducted. This would identify common as well as specialized requirements needed to foster strong and effective institutions capable of promoting good governance through ensuring transparency and poverty reduction.

3.1.2 Enhancing Institutional Development

In developing effective institutions, ASOSAI can be encouraged to further develop training programs to address the common capacity needs. Successive E-blended trainings may be introduced to cover more participants with inadequate resources. A Management Development Program may be launched for heads and senior managers of SAs. This intends to familiarise them with key management skills, attitudes, knowledge and their roles and responsibilities for addressing the challenges faced by the supreme audit institutions.

3.1.3 Developing Strategic Plan

ASOSAI can assist individual SAs in creating capacity and providing support for developing Strategic Plans and Capacity Building Strategies to address the

specialized needs of different SAIs. These documents have to be flexible and adaptive to support changing circumstances, and can become the catalysts to further professionalism and enhance SAIs' performance effectiveness in line with the development trends of SAIs around the world.

3.1.4 Ensuring Implementation of ISSAIs

Another major area is the development of institutional capacity of SAI to support all types of audit they conduct - financial and regularity audits, performance audits, environmental audit, social audit, IT audit, special audits and forensic audits. Efforts to implement International Standards for Supreme Audit Institutions (ISSAIs) and INTOSAI GOVs must be completed under a project to be put into effect covering its member SAIs. Accordingly, ASOSAI can arrange training programs, pilot audits, workshops, joint audits to improve audit quality.

3.1.5 Collaboration with Professional Bodies

Collaborating with professional bodies and other organizations such as IFAC, IIA, ISACA, legislature, civil society and media to further the performance effectiveness of its member SAIs are fundamental to the development of individual SAIs. Cooperation between SAIs and its citizens is a key element to enhance transparency and ensure public accountability. SAIs also need to clearly demonstrate their values and benefits so that they can be recognized by society as a credible model institution that makes a positive impact on the lives of the citizens. This can also help to identify new grounds for capacity development and sharing of knowledge.

3.2 Strengthening Peer to Peer Support

Previous experiences in the INTOSAI and its Regions have shown that collaborations between peer SAIs are recognized by the members as the most effective form of capacity building intervention. Therefore, ASOSAI needs to develop a forum for facilitating peer to peer support among its members in the areas discussed below:

3.2.1 Attachment for Experience Sharing

The first step in this process is to identify areas where various member SAIs would want to share their expertise with or provide assistance to their peers. The mode of assistance can take the form of attachment of auditors in the supporting SAI, as well as exchange of auditors among SAIs, to experience at firsthand how audits are conducted. Experts can also be provided to the recipient SAIs for capacity development and sharing of skills and knowledge.

3.2.2 Joint or Parallel Audits

The implementation of Memorandum of Understanding (MoU) between members SAIs can help mobilize more resources to establish partnership and strengthen the capacity of signing SAIs. Under the MoU, joint or parallel audits can be conducted to the benefits of countries sharing similar social needs and circumstances. Further collaboration may be forged between countries and respective SAIs for conducting joint audits in areas of environment and sustainable development (climate change, marine pollution, forest resources,

atmospheric air pollution, international environmental accords, etc.) disaster management, regional concerns (poverty reduction, border water sharing, financial crisis management, etc) covering cross national borders.

3.2.3 Peer Review

ASOSAI also has the opportunity to facilitate Peer Reviews among its members and with SAIs from other INTOSAI Regions. This will facilitate the exchange of information between SAIs on completed audit. And at the same time, it will meet the frequently asked question 'who audits the auditors?'

3.2.4 Network of Trainers & Training Institutions

Developing a network among the training institutes of member SAIs will create an opportunity for SAIs to avail the opportunity to participate in training programs organized by other SAIs. In this way, SAIs can also utilize experts from another SAI in their training programs.

3.2.5 ASOSAI – Donor Cooperation

Partnership with international organizations and donor community should continue to benefit member SAIs. ASOSAI can learn from the experience of INTOSAI in the perspective of collaboration with the donor community to increase funding available for its development initiatives and peer to peer cooperation. Similar to INTOSAI Donor Secretariat, ASOSAI can develop a database for need assessment reported by various SAIs, ongoing cooperation programs and a list of potential cooperation partners. In this process, mobilization of support from inter donors will allow ASOSAI to further move forward.

3.2.6 Research Projects

Finally, joint research projects and exchange program can be introduced for specific areas and relevant topics. Emphasis should also be given on addressing points of constraints and weaknesses by using the experience of other SAIs.

4.0 Conclusion

ASOSAI exists and presents itself as a significant opportunity for mutual experience sharing. Future efforts should focus more on successfully creating a dynamic environment conducive to meaningful development and effective cooperation within the region. The priority will be set at creating a vibrant learning community. The accomplishment in terms of forming a learning community will depend on how flexible the ASOSAI as an organization can become and acquire the strengths to adapt with the changing environment and perspective.

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Need for effective cooperation among Asian SAIs and the role of ASOSAI

**Dr. Recai AKYEL,
President of Turkish Court of Accounts**

Containing countries with the highest growth rate in the world, Asia is at the same time one of the regions that most need development. We can readily say that with its dynamic population, rich natural resources and enormous potential for growth, Asian continent has a promising future. For Asian communities to reach its well-deserved level of welfare and to achieve sustainable development, supreme audit institutions (SAIs) as well as public administrations have critical roles. ASOSAI plays an important part and assumes responsibilities for SAIs to fulfil their mandates in an effective manner. Each and every activity to be performed under the umbrella of ASOSAI is of great importance, whereby we can contribute to the rise of Asia in the world as well as to the welfare of our nations.

Mission of SAIs in Promoting Good Governance

The main elements of good public financial governance are transparency, participation, responsiveness, compliance with the rule of law, effectiveness, oversight, accountability and predictability. These are key factors for economic and social development as well. Likewise, the World Leaders at the 2005 World Summit concluded that good governance is integral to economic growth, the eradication of poverty and hunger, and sustainable development. The ex-Secretary General of the United Nations, Mr. Kofi Annan also emphasizes that “Good governance is perhaps the single most important factor in eradicating poverty and promoting development”.

In ensuring good governance, SAIs are key institutions, and independent auditing is one of the most effective instruments. As it's well known, SAIs have crucial roles in ensuring the soundness of public financial system and its stability and sustainability through strengthening the management of potential risks of public finance, and ensuring the effectiveness of systems of budgetary and financial control.

Strong connection between the quality of the public management and social and economic growth and the level of democratization in any country shows the importance of SAIs and their audit function as an independent oversight body. There is no doubt that one of the most important driving forces of achieving high level of quality in public management is independent auditing and SAIs have crucial roles to improve public management at national and international level.

The audit function exercised by independent Supreme Audit Institutions (SAIs) plays an instrumental role in coping with the most important challenges that all human being face and in achieving vital objectives which may ensure a better life for current and next

generations. SAIs have a wide range of responsibilities and functions such as maintaining social security and peace, promoting human rights and democratic values, eradicating corruption and money laundering and protecting disadvantaged groups of the population.

SAIs have crucial roles in detecting mismanagement and inefficiency and can improve strategies and measures against corrupt practices in public management. By promoting efficient and effective financial management, they enhance good governance and add value to the life of the citizens.

They contribute to promotion of good financial governance through their work, which has potential effects in the fields of;

- Increasing transparency and disclosure of public financial information,
- Enhancing external scrutiny of public finances,
- Performing an educational and preventive function on auditees,
- Strengthening the demand for greater accountability in the management of public resources,
- Ensuring contribution to savings or more efficient use of funds in individual areas.

SAIs contribute also to better governance by objective, independent and credible reporting, and by successfully demanding the implementation of their recommendations. At the same time, they generate a better understanding of the principle of government accountability and of the role accorded to it by the public.

An effective, independent and credible external public audit is key for the strengthening of parliamentary scrutiny and the building of the confidence of citizens in the government and public administrations. As recognized in the Lima Declaration, SAIs' credibility in delivering value is affected by their degree of independence, adequacy of resources and skills, adoption of international auditing standards, reliability and results.

As emphasized in the "Conclusions and Recommendations" of 19th UN INTOSAI Conference on "The Value and Benefits of Government Audit in a Globalized Environment" in Vienna, the value of SAIs stems from promoting good governance for today and tomorrow, through:

- enhanced government financial and budgetary reporting and accountability to their parliaments, citizens and the international community, including supporting the adoption of international accounting and reporting standards;
- greater transparency of government and advocacy of the importance of parliamentary scrutiny, improving public awareness and supporting a culture of scrutiny among legislative bodies and citizens;
- improvements in public management and public service delivery, increasing its economy, efficiency, effectiveness, equity and ethics; and
- deterring fraud and corruption in public administration and addressing it in collaboration with anticorruption bodies.

According to ASOSAI Strategic Plan for 2011-2015, the core of the vision of ASOSAI is promoting good governance, which is stated as "ASOSAI promotes good governance by enhancing the SAI's role to improve performance, effectiveness, transparency and accountability in the public sector."

Need for Enhancing SAls' Capacity

The last global financial and economic crisis, which was recently transformed into a debt crisis in some countries, has highlighted the major advantage of a professional, accountable and high quality public auditing. This kind of audit would provide a clear and reliable image of the problems and their origins, and would focus on the appropriate solutions that may redress the situations in time and prevent major and prejudicial risks.

To achieve this in a progressive, professional and efficient manner, SAls must be endowed with sufficient professional, organizational and institutional skills to meet the challenges of conducting effective auditing. Especially the maturity of SAls in new audit areas such as auditing e-government is generally proportional to the level of technical capacity and the skills in the SAls themselves.

SAls need to have a greater capacity to enhance reporting on public finance and national budgets with a view to achieving stronger accountability of governments and administrations. Audit effectiveness needs to be raised primarily through increased attention to quality control process, and for that reason, one of the most important components of building capacity in any SAI is focusing on quality assurance activities.

SAls fulfill their duties and responsibilities on behalf of the parliament and they ensure that parliament has access to independent audit information as part of the framework of accountability. So, one of the main areas to focus on in enhancing their capacity is improving relations between SAls and the Parliament. Good communication with the Parliament gives ample opportunities to improve their effectiveness and legitimacy.

Improving communication capacity of SAls in relations with audited entities, the media, academic institutions, civil society organizations and the public at large is very important for effectively fulfilling their roles and responsibilities. Setting up a strong and effective SAI will contribute to strengthening the trust of parliaments, governments, citizens and civil society in the independence, objectiveness, quality, efficiency and effectiveness of government audit, and hence national stability, economic growth and good governance as well.

Technological infrastructure of SAls also needs to be developed. There is no doubt that SAls should play a proactive role in promoting e-government, as it can lead to more transparency and better services to citizens. To help government in such fields, SAls need to improve their technical capacity and qualifications of staff as well.

We can add any other areas where SAls are in need to improve their institutional and operational capacities. In Asian region, we know that different SAls have excellences in different areas and each SAI may set an example for the others in that specific area. So, effective cooperation is an exceptional tool to strengthen capacity of our respective SAls, and ASOSAI must support each member in this process and engage in a joint effort towards achieving and strengthening independence and excellence.

In brief, to improve their effectiveness and impact, SAls need to improve their institutional capacities. This will improve their legitimacy at the same time and add value to their works.

International Cooperation for Enhancing SAI's Capacity

To improve their institutional capacities, international cooperation is one of the most essential tools for SAIs. To be tied into international networks of exchange gives great opportunities to any organization for development.

Increasing global dimension of governments' action and more frequent translation of this dimension into internationally agreed goals, such as the Millennium Development Goals adopted by the UN, requires also for SAIs enhanced degrees of international coordination in order to assist governments in pursuing their common and agreed objectives.

Some issues that SAIs have to focus on reflect international or global characteristics more than national. Close cooperation is key for success in dealing with such problems. Auditing environmental issues is the most relevant example that refers to the need for cooperation among SAIs. Corruption is also a pervasive, global problem, which threatens public finance, legal order and social prosperity, endangers social security and impedes the reduction of poverty. ASOSAI can build up a framework and develop required tools for SAIs to fight against corruption and fulfil their responsibilities to ensure transparency and prevention.

To prevent and fight against corruption, close cooperation is required by INTOSAI and its Regional Working Groups including ASOSAI and individual SAIs, with international organizations and civil societies in an anti-corruption network and other similar activities, provided that this cooperation fully addresses the independence of INTOSAI and its member SAIs and the objectivity of the auditing work, as well as the national SAIs' mandates, scope and pertinent legal framework.

From international activities held by INTOSAI, ASOSAI and other regional organizations, we can learn clearly that each SAI has different experiences in different areas. Whereas some of them are more capable in developing new audit methodologies, some have effective techniques in fighting against corruption. Some SAIs are highly experienced in communication with the parliament, civil society, the media, etc. and the others have comprehensive training facilities for developing human resources to produce more effective outputs. Therefore, to improve the institutional and operational capacity of each SAI, mutual sharing of experiences is the key, as is highlighted in INTOSAI's motto "Experientia mutua omnibus prodest" (Mutual experience benefits all).

The Communication Policy adopted by XIX INCOSAI in 2007 focuses on the benefits of free flow of information, ideas, experience and knowledge between INTOSAI members, and encourages free communication among themselves.

Importance of ASOSAI for International Cooperation

ASOSAI was founded in 1978 and since then, has been working for effective cooperation among respective members to fortify and strengthen them through exchange of ideas and experiences in the field of public audit. According to its charter, the objective of ASOSAI is to provide facilities for training and continuing education for government auditors with a view to improving the quality of their performance; to serve as a center of information and as a regional link with organizations and institutions in other parts of the world in the field of

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public audit and to promote closer collaboration and brotherhood among auditors and regional groups.

To achieve its objectives, the Charter of ASOSAI determines main tools as organizing conferences and seminars for the exchange of ideas and experiences in the field of public audit, encouraging and promoting research and undertaking publication of research papers and professional articles in auditing and related fields.

ASOSAI Strategic Plan for 2011-2015 sets its mission as promoting member SAI's professionalism and mutual support and understanding. Likewise, its vision is set to promote good governance by enhancing SAI's role to improve performance, effectiveness, transparency and accountability in the public sector. The Strategic Plan has three strategic goals: 'Institutional Capacity Building', 'Knowledge Sharing and Knowledge Services' and 'Leading Regional Working Group of INTOSAI'. The focus of the plan is on how to promote professionalism and cooperation among member SAI's.

Particularly SAI's in the developing countries need to cooperate with others. To achieve its goals, it is important for ASOSAI to work with SAI's with particular attention to the specific needs of developing countries to build their capacity and define their training needs and working with others, including INTOSAI and its specialized units such as IDI.

As it is well known, cooperative audits facilitate mutual sharing and learning, capacity building, networking, and identification of best practices for SAI's. However, cooperative audits among SAI's in the region are very limited. ASOSAI should motivate member SAI's and undertake active role to extend such internationally coordinated and parallel audits.

Adoption and implementation of ISSAI framework highlights the need for sustained capacity building efforts. Therefore, ASOSAI shall play role to help raise awareness of international standards and provides training. ASOSAI should also continue to develop audit guidance and best practices through research on issues of mutual interests and concerns, as is determined in its strategic plan as an objective.

As a working group of INTOSAI, ASOSAI can play important roles to improve awareness of INTOSAI's outputs in the region. INTOSAI is an autonomous, independent and non-political organization established as a permanent institution in order to foster the exchange of ideas and experiences among SAI's on government auditing. As the internationally recognized leader in public sector auditing, INTOSAI issues international guidelines for financial management and other audit topics, develops methodologies, provides training and exchange of experiences. ASOSAI can support such activities more actively and make the outputs of them available for the benefit of its members.

ASOSAI can add value to the quality of governance in the region through strengthening its members and is therefore convinced that good governance in Asian states can be promoted in a joint effort by the following:

- Enhanced reporting on public finance and national budgets, and stronger accountability of governments and public administrations;
- More transparency of government action, and active endorsement of the essential role of parliamentary scrutiny, deepening public understanding and media

perception of the functions and tasks of government audit, as well as raising awareness with the law-making bodies and the people at large;

- Improving public management and better public service delivery at greater economy, efficiency, effectiveness, fairness and integrity;
- Promoting legitimacy of state organs through enhancing their sensitiveness for demands and expectations of public and ensuring efficient and effective receipt and use of public resources for the benefit of citizens;
- Preventing and fighting fraud and corruption in the public sector in cooperation with anti-corruption agencies.

ASOSAI can also undertake important roles to support the international position and global strengthening of SAs as external auditors of government in their respective nations.

Conclusion

As a regional organization, ASOSAI has to review its roles and commitments to achieve further accomplishment and maximize its contribution to the member SAs, and should continue to promote and support further development in their performance. It should be the primary objective of ASOSAI to add value to its member SAs to make more visible the value and benefits of external government audit in the region and to provide a suitable platform for an extensive exchange of experience between SAs of developed and developing countries as well as between SAs of different legal and organizational forms.

To support its members more effectively, ASOSAI should maintain an open and regular dialogue with global and regional professional organizations, international donor community, global civil society and others for the benefit of its members.

In brief, ASOSAI should be a staunch advocate of a closer exchange of experience and best practice in public management and auditing to strengthen government audit as a contribution to social and economic development. Each and every SA should be active and volunteer partners in international cooperation to promote its effectiveness and impacts at national and international level.

I am more than confident that SAs, which will further strengthen thanks to the assistance of ASOSAI, will contribute to building up welfare, peace and security not only in their societies but also in the whole world at a time when the world is globalized, societies have converged and mutual interaction is on the rise.

New Heads of SAIs

Pakistan

Mr. Muhammad Akhtar Buland Rana, Auditor General of Pakistan

Mr. Muhammad Akhtar Buland Rana took the oath of office on 27th August, 2011 as the seventeenth Auditor General of Pakistan for a four year term. At the time of his appointment Mr. Rana was the senior-most officer of the Pakistan Audit and Accounts Service.



Mr. Muhammad Akhtar Buland Rana joined the Central Superior Services in February 1976. He carries a Masters degree in Political Science and a Law degree from the Punjab University Lahore. His overseas exposure includes training courses in Public Financial Management from the University of Connecticut, Heart-Ford, USA, Commercial Practices in Telecommunication Accounting from UK and Australia. As a career public servant he has received intensive and extensive training in Investment Analysis and Economic Management, Problem Resolution & Decision Making, Advance Performance Auditing, and Advance Public Management. He is a fellow of the National School of Public Policy, Lahore after attending its National Management Course.

Mr. Rana brings rich experience to this assignment as the Auditor General of Pakistan. Starting his career with public sector auditing, he remained engaged in managing and maintaining the accounts of the Defence Services of Pakistan and later in the consolidation of national accounts. Besides, he served in key public sector commercial entities of Communications and the IT sectors as an advisor on Investment and Finance. Prior to being appointed as the Auditor General of Pakistan, he headed the Ministry of Human Rights as its Additional Secretary In-charge. As the 17th Auditor General of Pakistan, Mr. Rana envisions the SAI Pakistan as an increasingly professional and responsive public body addressing the concerns of the domestic and international stakeholders in good governance.

For additional information, please contact the office of the Auditor General of Pakistan.
E-mail: saipak@comsats.net.pk, Web site: www.agp.gov.pk

Maldives

Mr. Niyaz Ibrahim, Auditor General of Maldives

Mr. Niyaz Ibrahim assumed office as the Auditor General on 4th May 2011 to begin his 7-year term as the Head of the Supreme Audit Institution of the Maldives. Pursuant to the section 210 of the Constitution of the Republic of Maldives, President Mohamed Nasheed presented Mr. Niyaz to the People's Majilis as his nominee for the post. After due consideration, the Public Accounts Committee decided that Mr. Niyaz was qualified to be the Auditor General, and this decision was subsequently approved by all the members of the People's Majilis that participated in a vote held in the People's Majilis.



Prior to Mr. Niyaz's appointment as the Auditor General, he was the head of Internal Audit Department of the state-run Maldives Ports Limited. When Mr. Niyaz assumed office the position of the Head of the Supreme Audit Institution of the Maldives had been vacant since 29th March 2010. Mr. Niyaz, who is a Chartered Certified Accountant, has extensive experience working in the Supreme Audit Institution (SAI) of Maldives. Mr. Niyaz joined the Maldives Audit Office in late 2000 as an Accounts Officer (trainee). His responsibilities as an accounts officer trainee included working with auditors conducting audits of government offices, ministries and departments. He was also involved in the audits of state-owned business enterprises. After a two-year break, Mr. Niyaz rejoined the Maldives Audit Office in July 2004 where he assumed the role of an audit manager responsible for handling multiple audit assignments providing direction and guidance to his subordinates. His position as an audit manager afforded him the opportunity to travel to different parts of the world to gain more exposure in the field of auditing. Mr. Niyaz took a one-year break from work in 2007 to concentrate on his academic and professional studies. He began his second stint as an audit manager at the Auditor General's Office in 2008 during one of the most hectic periods in the history of Supreme Audit Institution of the Maldives. He was tasked with reviewing and updating the Audit Manual of the Auditor General's Office. Mr. Niyaz took up employment in the state-run Maldives Ports Limited in late 2009 as the head of the Internal Audit Department. He remained in their employ until his appointment to the post of the Auditor General. His academic and professional qualifications are as follows:

Educational Qualifications

2002-2004	HELP Universtiy College, Malaysia, BA (Honours) in Accounting and Finance awarded by University of East London of the United Kingdom
2007-2008	Birmingham City University, United Kingdom, Master of Science in Audit Management and Consultancy

Professional Qualification

2007-2010	Association of Chartered Certified Accountants (ACCA), United Kingdom
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Vietnam

Mr. Dinh Tien Dung, Auditor General of the State Audit Office of Vietnam

Mr. Dinh Tien Dung was appointed as Auditor General of the State Audit Office of Vietnam by the National Assembly of the Socialist Republic of Vietnam on 2nd August 2011, succeeding Mr. Vuong Dinh Hue who took on a new task as Minister of Finance of Vietnam.

Mr. Dinh Tien Dung was born on 10 May 1961 in Ninh Binh. He has a Master degree in Economics.

Mr. Dinh Tien Dung has wide leadership experience in finance-accounting field as well as other fields from Central level to Provincial Level. He used to be a Chief Accountant in



New Heads of SAls

the Corporation - Ministry of Construction of Vietnam. In October 1997, he was appointed as Director of the Finance – Accounting Department of the Ministry of Construction of Vietnam. In June 2003, he sat as Deputy Minister of Construction of Vietnam. In May 2008, he was appointed as Vice-Secretary of the Dien Bien provincial Party. In July 2008, he took the role as Chairman of the Dien Bien provincial People's Committee. In October 2010, he was appointed as Secretary of the Ninh Binh provincial Party.

Cambodia

Mrs. Som Kim Suor, Auditor General of National Audit Authority, Cambodia

Personal Data

Name	:	Som Kim Suor
Nationality	:	Cambodian
Place of birth	:	Kampong Cham Province, Cambodia
Present Address	:	# 24, Street 200, Sangkat Boeng Rang, Khan Daun Penh, Phnom Penh
Mobile Phone	:	(+855) 12 912 789
Email	:	somkimsuor@yahoo.com
Marital status	:	Married

Education Background

- Master of Science in Economic and Agricultural Development
- Doctor of Philosophy in Agricultural Science

Work Background

- October 2011-Present : Auditor General, National Audit Authority of Cambodia;
Member of National Anti Corruption Council
- 2008-October 2011 : Minister of National Assembly, Senate Relations and
Inspection
- 2003-2008 : Secretary of State, Ministry of Women's Affairs

Working Group on Key National Indicators met in Finland

The INTOSAI Working Group on Key National Indicators (KNI) held its fourth meeting in Helsinki, Finland, in April 2011. During the meeting, participants reviewed the working group's activities over the past 3 years. These activities included implementing five subprojects and elaborating a white paper on the development and use of KNIs in SAI activity. In November 2010, the XX INCOSAI recognized the working group's accomplishments and extended its mandate for the next 3 years. Also, the INTOSAI Governing Board acknowledged the working group's participation in developing the *INTOSAI Glossary of Audit Terms*.

The working group's other subprojects included its review of international experiences in developing and using KNIs, principles for SAs to use in applying KNIs, and recommendations on developing and using KNIs in innovative economies and Commonwealth of Independent States countries. Representatives of other INTOSAI working groups expressed significant interest in the outcomes of these subprojects at the second meeting of the INTOSAI Knowledge Sharing Steering Committee in 2010.

Developing the white paper on KNIs was a major outcome for the working group over the past 3 years. It not only provides information to help understand the complex issues related to developing and using KNIs but also makes specific recommendations. The working group has prepared analytical material that INTOSAI members are to present for discussion as a manual for developing and using KNIs in SAI activity.

In addition, the Working Group Secretariat is using Organisation for Economic Co-operation and Development (OECD) information resources to develop an electronic database on KNIs that will be available to all INTOSAI members. This tool will draw on multiple data sources (such as the International Monetary Fund, the World Bank, and OECD) to analyze economic processes over different time periods, countries, regions, and economic sectors.

The SAs of South Africa and Armenia became members of the working group at the Helsinki meeting, demonstrating the growing interest in KNI issues among the INTOSAI community.

EUROSAI held Seminar on SAI Communication with the Media

Communication is a vitally important issue for SAs, whose task is to provide the public with information on the condition of the government. It is especially important in view of the new tools and platforms available in today's changing communications environment. To discuss this topic in the EUROSAI community, a seminar entitled *SAs' Communication with Public Opinion via the Media* was held May 10–11, 2011, in Warsaw, Poland. More than 50 participants from 20 European SAs and the European

Court of Auditors attended the seminar, which was organized and hosted by the Polish SAI (NIK), the EUROSAI President at the time. The seminar was targeted to SAI staff responsible for designing and implementing media policy as well as public relations / press / media officers. Its main objectives were to discuss the communications process from the perspective of both an SAI's public relations services and the media and to consider how communications between SAIs, the media, and the general public can be improved.



In the seminar's opening address, Mr. Jacek Jezierski, President of the NIK, stressed the importance of cooperation between SAIs and the media. His presentation discussed why SAIs should communicate the results of their audits to the media and the need for civil society to be informed if it is to make informed decisions in a democratic country.

The seminar was divided into three sessions.

- The SAI public relations perspective: When journalists get on press officers' nerves.
- The media perspective: When media officers get on journalists' nerves.
- Problems communicating with the media that arise from an SAI's specific situation: When an SAI gets on its press officer's nerves.



During each session, representatives of the participating SAIs discussed their institutions' communication policies, relationships with the media, and problems they have observed in the field. Several external speakers—journalists and an expert in public relations—also participated and presented their experience in cooperating with SAIs. Seminar participants sought to identify the most common communication problems and possible solutions.

They also focused on the need to protect the interests of auditees when communicating audit findings to the public.

Working Group on Public Debt

INTOSAI's Working Group on Public Debt (WGPD) is celebrating its 20th anniversary in 2011. Since its creation in 1991, the WGPD has carried out specialized research and generated and published guidelines and other products to encourage sound reporting and proper auditing and management of public debt.



The National Audit Office of Lithuania (NAO), a member of the WGPD since 1996, hosted this year's meeting, which took place in a time when the current financial crisis has made public debt—in particular its rapid growth and implications for general fiscal stability—an issue of primary importance for many countries. Public debt has posed many unexpected challenges to governments as well as their SAIs.

In this context, Lithuanian Auditor General Mr. Giedrė Švedienė, noted the following during her opening address at the WGPD meeting: "Such [a] situation demands that SAIs redouble their efforts to help provide accountability for their governments, to ensure transparency of borrowing, [and to] look for more effective ways to manage the debt. The WGPD is uniquely positioned to support SAIs now facing emerging public debt issues and, I believe, will pay particular attention to new debt management issues and challenges emerging from the recent financial turmoil."

The WGPD's activities are part of goal 3 of the INTOSAI Knowledge Sharing Committee and currently revolve around six themes ranging from the impact of financial crises on public debt to contingent debt and information systems related to public debt management. Since 2002, the WGPD has worked closely with the INTOSAI Development Initiative to help create capacity-building programs on public debt management. It also supports the work of the Professional Standards Committee in developing the International Standards of Supreme Audit Institutions (ISSAI).

Thus, the WGPD is harmonizing its official products with the new ISSAI standards and determining which should be modified, eliminated, or maintained. As of July 2011, the members of the WGPD are Mexico (Chair), Argentina, Austria, Brazil, Bulgaria, Canada, Chile, Egypt, Fiji, Finland, Gabon, Indonesia, Jordan, Korea, Lithuania, Moldova, Portugal, the Russian Federation, Sweden, the Ukraine, the United States, Yemen, and Zambia.

Working Group on the Fight against Corruption and Money Laundering

The Working Group on the Fight against Corruption and Money Laundering, chaired by the SAI of Egypt, held an international seminar on September 12, 2011, in Prague, Czech Republic. The seminar included sessions on trends, approaches, and successes in the fight against corruption; promoting integrity, transparency, and accountability in public administration; and the status and powers of SAIs in the fight against corruption, as well as the risks, and proposals for anticorruption measures. These sessions featured presentations from experts in governments, SAIs, and international anticorruption organisations.

After the seminar, the working group held its fifth meeting on September 13 and 14. During the meeting, the working group discussed its progress on the new work plan for 2011–2013, which had been approved at INCOSAI XX. The group discussed cooperative efforts among SAIs in preparing guidelines to support efforts to detect and fight corruption and money laundering.



The working group also addressed implementing the following:

- reviewing channels of communication and cooperation with key international partners named by the World Bank's Financial Market Integrity group,
- cooperating with the INTOSAI Working Group on Environmental Auditing to develop a guideline on corruption and fraud in environmental auditing,
- developing a database of SAI best practices and expertise in fighting corruption and money laundering,
- publishing the Russian SAI's document on guidelines and principles for SAIs and translating it into INTOSAI's five official languages, and

publishing the working group's First Book 2007-2010 in Arabic and English on its Web site.

The 43rd Governing Board Meeting of ASOSAI

The 43rd Governing Board Meeting of ASOSAI was held in Istanbul, Turkey during 20-21 September 2011. The meeting drew 65 delegates from 13 member SAs of the Governing Board and the Audit Committee of ASOSAI. IDI also participated as an observer.



The participants discussed various issues and reached agreement on the following points:

1. The Governing Board adopted the Secretary General's report on the multi-year estimates of revenue and expense for 2012-2014. The Secretary General formulated the report in close cooperation with the Training Administrator (the SAI of Japan) and the SAI of India, in accordance with the Secretary General's budget reform proposal, which was approved at the 42nd Governing Board Meeting in Vietnam in 2010. The Secretary General informed the Governing Board that, by the next Governing Board meeting, he will devise a plan to maximize the training opportunities at the lowest possible cost.
2. The Governing Board approved the "Action Plan" of the "ASOSAI Strategic Plan for 2011-2015," which was drafted by the Secretariat in consultation with the ASOSAI Training Administrator and the Governing Board members with a view to spurring the implementation of the ASOSAI Strategic Plan.
3. A strategic planning meeting for a new IDI-ASOSAI cooperation program on "Development and Implementation of Strategic Plan" was held in Istanbul, Turkey, during 25-26 September 2011. The ASOSAI-sponsored workshop for 2012 will be hosted by the SAI of the Philippines on the theme "Dealing with Fraud and Corruption."

** For more details, please see "From the Desk of the Secretary General of ASOSAI."*



4. The 12th Assembly of ASOSAI will be held in Jaipur, India, from 29 February to 3 March 2012. The theme of the 5th ASOSAI Symposium will be "Assimilating International Standards of Supreme Audit Institutions (ISSAI)."
5. As decided at the 11th ASOSAI Assembly in Islamabad, Pakistan in October 2009, the number of the Governing Board members increased from 9 to 11. In conjunction the Secretary General suggested to the Governing Board that the requirement be changed from the current five (5) to the required six (6) in order to achieve the quorum for a meeting or a majority for making decisions. The Governing Board approved the amendment to Rule 15 of the ASOSAI Rules and Regulations.
6. Dr. Kun Yang, Secretary General of ASOSAI, sought for renewal of his term of office for the period 2012-2015. The Governing Board offered overwhelming support for the Secretary General's earnest willingness to continue contributing to the development of ASOSAI. Dr. Yang has been exerting impressively tireless efforts for the ASOSAI members during his current term. Accordingly, Dr. Yang's second term as Secretary General was approved by the Governing Board and will be placed before the 12th Assembly for final approval.
7. Three meetings of the 9th ASOSAI Research Project thus far have been held sequentially in the Republic of Korea, India, and Malaysia. The research team discussed a roadmap for the project through the framework of the country paper. The final report will be submitted to the 12th Assembly. The two remaining meetings will be held in Kuwait in September and in Indonesia in December 2011.
8. Concerning the 13th ASOSAI Assembly, to be held in 2015, the SAI of Malaysia was nominated as a candidate host after winning the majority of the votes among the four self-nominating SAs – Malaysia, the Philippines, Thailand, and Vietnam.

9. In recognition of the absence of an established selection procedure for the ASOSAI Training Administrator, as an ex-officio Governing Board member, the Governing Board adopted the due selection procedure, as suggested by the Secretary General. Thus, the Training Administrator for the period 2012-2015 will be selected in accordance with this newly established rule at the 44th Governing Board Meeting on 28 February 2012.

The 43rd Governing Board Meeting of ASOSAI was, indeed, a reflection of harmony and cooperation within the ASOSAI family, thanks to the sincere support of the ASOSAI Governing Board members. All agenda items were approved without a single objection. All of the participants expressed their deepest gratitude to the SAI of Turkey for its excellent organization and warm hospitality as the host of the 43rd Governing Board Meeting.

Seminars for Knowledge Sharing

JICA-sponsored ASOSAI Seminar on “How to Strengthen SAls to Meet the Public Expectation on SAI” (Japan, June 2011)

A JICA-sponsored seminar on “How to Strengthen SAls to Meet the Public Expectation on SAI” was conducted in Tokyo, Japan from May 31 to June 8, 2011. JICA provided financial assistance for eight senior officials from six member SAls, namely, SAls of India, Indonesia, Jordan, Mauritius, Nepal and Thailand. An experienced audit director from SAI Pakistan was invited as a facilitator to enrich the



discussion. During the seminar, participants exchanged their views and experiences regarding the seminar topic and formulated a document on innovative practices based on the discussion, lectures by staff members of SAI Japan and study visits. The document on innovative practices is uploaded on the ASOSAI website.

Instructors' Design meeting for the ASOSAI-sponsored Workshop on “Audit of Public Debt” (China, July 2011)

An instructors' design meeting for the ASOSAI-sponsored workshop on “Audit of Public Debt” was held from July 4 to 15, 2011 in Beijing, China with the administrative support of the National Audit Office of the People's Republic of China.



Six ASOSAI training specialists from six member SAls, namely, SAls of Bangladesh, China, India, Malaysia, Nepal and Philippines attended the meeting to design the course and to develop course materials for the workshop and a Subject Matter Expert from the United States provided technical advice to the instructors' team. A representative of the Training Administrator of ASOSAI (SAI Japan) also participated in the meeting for the management of the meeting. The course materials formulated during the meeting will be utilized for the ASOSAI-sponsored workshop to be held in Beijing, China in November 2011.

ASOSAI Seminar on “How to Integrate Ethics and Integrity into the Auditing Practices of an SAI” (Korea, October 2011)



An ASOSAI Knowledge Sharing Seminar on “How to Integrate Ethics and Integrity into the Auditing Practices of an SAI” was held from October 11 to 14, 2011 in Seoul, Korea with the administrative support of the Board of Audit and Inspection of Korea. Thirty participants from thirty member SAls attended the seminar with technical guidance provided by a Subject Matter Expert (SME) from SAI Korea. A representative of the Training Administrator of ASOSAI (SAI Japan) also participated in the seminar for the management of the seminar.

During the seminar the participants gave presentations based on their country reports on the above theme, which were followed by Q&A sessions, and the seminar was wrapped-up by the SME.

Further, a mini-workshop on Into-SAINT (special session by an instructor from the SAI Netherland) was held on the final day of the seminar. Through these activities, all participants enjoyed exchanging their views and experiences regarding the ethics and integrity issues among various ASOSAI member SAls

IDI-ASOSAI Cooperation program

Strategic Planning meeting for the program on Development and Implementation of Strategic Plan (Turkey, September 2011)



As agreed at the 42nd ASOSAI Governing Board meeting held in Hanoi, Vietnam in 2010, the IDI and ASOSAI launched a new cooperation program on Development and Implementation of Strategic Plan with the aim of building capacity in strategic planning in the target SAls of the region.

Based on the results of the IDI-ASOSAI capacity building needs assessment survey, 7 SAls, namely SAls of Afghanistan, Bangladesh, Cambodia, Lao PDR, Mongolia, Philippines, and Vietnam were selected as the target SAls.

A Strategic Planning meeting was organized in Istanbul, Turkey on September 25 and 26, 2011 with the administrative support of the Turkish Court of Accounts. The heads/authorized representatives from the target SAls were invited to the meeting. Representatives of the IDI, the Training Administrator of ASOSAI (SAI Japan), and, as an observer, ASOSAI secretariat (SAI Korea) attended the meeting. Resource persons from SAls of India and Turkey were invited to facilitate the discussion.

During the meeting, the following matters were discussed and agreed on:

- 1) Desired outcomes of the program;
- 2) Outputs required to achieve the outcomes and the corresponding activities;
- 3) Roles and responsibilities of the parties concerned.

At the end of the meeting, a Cooperation Agreement was signed by all the parties concerned.

(ASOSAI News contributed by Secretary General and Administrator of training activities)

Activities in member SAs

SAI Kuwait



News about latest activities of State Audit Board of Kuwait

First: a disciplinary body on financial violations is inaugurated in light of SAB role of protecting public funds and the Fatwa and Legislation Department role defined by law in relevant concepts. Such authority is totally independent from SAB in decision making. It is concerned in protecting public funds and achieving full justice in trial procedures and taking neutral resolutions.

According to SAB establishment Law (No.30 of 1964) of SAB, article (60) of chapter 4 providing the formation of an authority of disciplinary trial on financial violations to be chaired by the president of Fatwa and Legislation Department and the membership of SAB undersecretary, Ministry of Finance Undersecretary, Fatwa and Legislation Department Consulter, and Civil Service Commission Undersecretary.

As per the representation of claim before the above mentioned authority, it is based on the articles (57, 58, and 59) of SAB establishment law and what is stated regarding the right of SAB in expressing objection towards the decisions made by the entities subject to control in solving financial violations. The law provides that SAB president holds the right to file disciplinary lawsuits against violators before the disciplinary body-if required- within a one-month period of SAB receiving the entity response the resolution providing with the necessary documents, or a 10-day period if the entity fail to respond to the body request of reconsidering the resolutions.

Henceforth, filing for a disciplinary lawsuit before the disciplinary body is limited to SAB president thus he is authorized to assign who stands in presenting proclamations before the mentioned body.

It is of the legislator's integrated support of justice and equality in responsibilities and assurances -particularly in administrative aspects - that made it the corner stone of governmental departments. All laws, local and international regulations supported the principle of protecting public funds and preserving the country's fortune. This forms the foundation of development since it has a direct influence on public security.

Second: In terms of increasing the professional awareness among all SAB staff of the strategic planning importance and its dimensions and objectives, and defining SAB strategic plans, SAB organized an informative campaign under the motto "Together towards Excellence" during the period from May 22nd to June 9th, 2011. The campaign included a workshop, seminar, general symposiums, and a professional excellence competition.



Third: The State Audit Bureau participated in the third meeting of the 9th ASOSAI Research Project working group on "Evaluation and Improvement of Internal Audit Systems and the Relationship between the Internal Audit Units", which was held in Malaysia from 16 – 17 of June 2011. The State Audit Bureau of Kuwait also hosted the 4th Meeting of the Working Group during the period from 27 to 29 of September 2011.

Fourth: A delegation from the State Audit Bureau of Kuwait visited the office of the Comptroller and Auditor General of India from 4 to 6 of July 2011, to develop and enhance cooperation among ASOSAI member SAIs, through the exchange of experiences and knowledge and the development of joint cooperation with the leading SAIs to benefit from their applications in performance audit, financial control, compliance control, companies audit, and accountants information technology audit.

Fifth: The State Audit Bureau participated in the 43rd meeting of ASOSAI Governing Board, ASOSAI/EUROSAI first joint conference and the Training Committee meetings that were held in Istanbul, Republic of Turkey, from 19 to 24 of September 2011.

SAI Vietnam



The State Audit Office of Vietnam promulgates the Set of State Audit Standards

On 9th November 2010, Auditor General of the State Audit Office of Vietnam (SAV) signed Decision No. 06/2010/QĐ-KTNN on promulgating a Set of State Audit Standards in place of the Set of State Audit Standards promulgated following Decision No. 06/1999/QĐ-KTNN dated December 24th, 1999 of Auditor General of SAV.

Over 10 years, the Set of State Audit Standards promulgated in 1999 promoted the significant effect on reality. It was an important foundation in drawing up principles of professional competence and implementing audits. However, towards promulgation of State Audit Law in 2005 and the SAV's requirements in developing and improving audit methods and professional competence in accordance with the State Audit Development Strategy to the year 2020, the Set of State Audit Standards in 1999 exposed shortcomings and requested to be reformed and improved. Originating from the reality of those requirements, since 2007, SAV has deployed to study and draw up the Set of State Audit Standards, with the support of EC experts, to be in line with international practices and actual practices in Vietnam.

The Set of State Audit Standards in 2010 includes 3 groups with 21 standards having basic content as follows:

General Standards (from Standard No. 1 to No. 6) stipulate the essential principles and requirements in audit activities; conditions and requirements about ethical qualities and competence of State auditors in the process of conducting audit activities in order to complete SAV's functions and mission.

Standards of Field Work (from Standard No. 7 to No. 19) stipulate the essential principles and requirements in practicing main professional competence of audit activities, including both management activities and audit implementation.

Standards of Reporting (from Standard No. 20 to No. 21) stipulate the essential principles and requirements about content and form of audit reports; drawing up, promulgating the outcomes of auditing, and reporting the outcomes of audit to ensure quality and validity of audit reports.

This Set of State Audit Standards takes effective to implement after 45 days of signed date.

**Promulgation of the action plan to implement
“the State Audit development strategy to the year 2020”**

On 6th, December 2010, Prof. Dr. Vuong Dinh Hue - Auditor General of the State Audit office of Vietnam (SAV) signed to publicize the action plan to implement “the State Audit development strategy to the year 2020”.

After 16 years of operation, with the responsibility of Supreme Audit Organization, the SAV has been reinforcing its important role in the development path for the country. The SAV audit result has been used more often in managing, governing, approving and deciding financial – budget issues as well as in completing legal policies. With the goal of determining core values to develop SAV as “Transparency – Quality – Effectiveness and continually strengthen value”, the SAV has developed “the State Audit development strategy to the year 2020” which has been approved by the Standing Committee of National Assembly. The strategy is built up with the purpose to further strengthen effectiveness, professionalism and enhance SAV's performance effectiveness that is in parallel with the development trend of Supreme Audit Institutions over the world.

To realize the Strategy into feasible activities that bind together in an appropriate cornerstone to capture all target of the Strategy, over the year, with support from UK Department for International Development (DFID) and UK National Audit Office (NAO), SAV has constructed the action plan to implement “the State Audit development strategy to the year 2020” which was approved by the Auditor General on 6th December 2010.

The action plan is divided into specific topics with determined outputs such as: requirement, target, activities, priorities and necessary resources to realize the Strategy, risk involved when implementing, methods to reduce risk, timeline, and activities in the next 5 years (up to 2015) and a clear vision of what need to be done in the period 2016 – 2020. The action plan focus on 5 contents: Development and completion of Legal Framework for Organization and Operation of the SAV; Develop the Organizational Structure and Management of Human Resources; Strategic Audit Planning, Modernization of Audit methodology, Management of Audit Activities; Develop and Enhance the Use of Information Technology; Develop and Improve External Relations and Communications.

Organizing the Action Plan successfully is a big challenge for the SAV. To overcome this, the SAV needs to have not only high-determination, professionalism, responsibility, effort from staff and auditor but also support and assistant from National Assembly, Government, Ministries, local government as well as international sponsors.

SAI India



XII Indo-Polish Joint Seminar on Communication with the Public Opinion via the media at Warsaw, Poland during September 2011



Under the aegis of MoU between SAls of India and Poland, SAI Poland hosted 12th Indo-Polish Joint Seminar on Communication with the Public Opinion via the media at Warsaw, Poland during September 2011. From SAI India Ms. Malashri Prasad, Additional Dy. CAG led the delegation which comprises of Mr. Amitabh Mukhopadhyay, Director General, Mr. Subir Mallick, Principal Director and Ms. Alka Rehani Bhardwaj, Principal Director.

Both SAls presented papers on the following themes:

1. Principles of Co-operation of the SAI with the Media.
2. Principles of work and duties of the SAI's Press Officer.
3. Problem in Cooperation / Working with Journalists.
4. Reaching the Public Opinion via the Internet: Chances of the SAI.
5. Internal Communication within the SAI.

2nd Indo-China Young Auditor's Forum at Mumbai, India during October-November 2011

Under the aegis of MoU between SAIs of India and China, SAI India hosted the 2nd Indo-China Young Auditor's Forum. 10 delegates from each SAI participated in the Forum. The topics discussed in the forum were "Unique role of Government Audit and its distinction from other auditing practices" and "Code of ethics for auditors".

**Peer Review of SAI India**

The Australian National Audit Office (ANAO) is leading an international team for conducting peer review of SAI India. Along with ANAO personnel, the international team consists of the United States Government Accountability Office (GAO), Office of the Auditor-General of Canada (OAG), the Netherlands Court of Audit and the National Audit Office of Denmark.



The objective of the peer review is to:

- provide the CAG of India with an assurance that the performance audit function of SAI India adheres to applicable standards of professional practice; and
- identify any opportunities for improvement to SAI India's performance audit function.

The scope of the peer review is SAI India's performance audit function including its quality assurance system covering the Performance Audit Reports presented to the Parliament/ State Legislature during the period April 2010 to March 2011.

The review will cover SAI India's central office and selected regional offices, and will examine a sample of performance audits reported during the relevant period. In identifying opportunities for improvement, the review will consider SAI India's performance audit guidance in light of internationally accepted practices.

The ANAO peer review team conducted initial planning meetings and received briefings at the SAI India over 17-21 October. The entire International Peer Review team will return to India in December 2011, when SAI India will provide an overview of their performance audit function and test the review methodology.

Team from SAI India visits SAI New Zealand to study Public Sector Accrual Accounting

The Government of India has started a challenging initiative to change from cash basis of accounting for its transactions to an accrual based system. The Comptroller and Auditor General of India is major stakeholder in this transaction.

To study the process and modalities followed in migrating to accrual accounting and lessons

learnt by other countries which have managed this process successfully, a team comprising of Mr. T. K. Sanyal, Deputy Comptroller and Auditor General, Mr Shankar Narayan, Director General, and Mr Satbir Singh, Senior Audit Officer visited New Zealand from 17 to 21 October 2011. The team had very fruitful discussions and shared the experiences with the officials of SAI New Zealand, New Zealand Treasury, The Ministry of Education, The New Zealand Transportation Agency and the Inland Revenue Department. The five day programme for the Indian delegation was organized by Ms. Margaret Graham, who is New Zealand SAI's Corporate Planner and International Activities Co-coordinator.



Articles

Administrative Expediency and the SAIs

Mr. Tanweer Ahmed
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Perspective

It is now a widely accepted detail of our lives that executive governments across the world, more often than not, act out of expediency. Changing international scenarios, unpredictability of economic behavior of individuals and markets, and uncertain prospects of peace, compel national governments to take momentary decisions. At times these fire fighting decisions do not come up to the strict standards of trustworthy governance. To mitigate against this arbitrariness of the executive, the civil society creates a system of checks and balances. Legislative accountability, judicial oversight and Ombudsman's vigil are some of the major institutionalized measures that modern societies employ to ensure that expediency does not eat away the fundamentals of the civil society.

In this system of checks and balances, without a hint at adversarial relationship, it becomes imperative for each institution to play its defined role with no reverence for the constraints of the other. Because if any one of these institutions starts acting as a surrogate for another institution, the very basis of institutional counter check can be at a risk of being eroded. **This article is purported to discuss the role of the Supreme Audit Institutions (SAIs) within the framework of legislative accountability in the system of modern governance.**

State functionality and role assignment

It is the job of the executive in a state to prepare and implement financial and administrative initiatives to achieve its goals and objectives. And in the process if they fall short of the expectations of the stakeholders, it is for the legislature to enforce the peoples' will. The executive assessment of a particular initiative can be at variance with the assessment of the people of a country. For an independent and objective evaluation of contrary assessments, in most cases the civil society makes institutionalized arrangement by establishing a review process outside the executive. The expectation from such a process is to objectively evaluate and report to the stakeholders the regularity, appropriateness and efficacy of administrative decisions and their implementation. While it is essential for the reviewers to understand the mechanics of a decision and its implementation, they are not expected to support and defend the decision makers. Because if the reviewer becomes a party to the decision making and implementation process, the civil society loses one of its elementary control on the executive.

It has been argued that it is more efficient to involve the vigil upfront because if they have any concerns about the policy or its implementation, their concerns can be addressed before hand so there would be no need for their post mortem. The real danger in such an arrangement is the possible loss of objectivity; because it has been recognized that human beings get emotionally involved with decisions and processes that have their

authorization. Once the vigil becomes a party to the decision making or the implementation process, independent assurance for the people or their representatives cannot be assured.

Within the executive government also, independent and autonomous bodies are created with a view to courting in the expert view and getting the insight of those who are not directly responsible for the results of decisions. For instance, quite often it has been observed that in order to meet either a political objective or an expedient requirement, executive governments resort to indiscreet fiscal or monetary measures. It is the job of the Central Bank to provide an independent assessment of the proposed measure with a complete disregard for government's priorities. It is not to say that the Central Banks operate in a vacuum and it is always expected of them to obstruct the executive government's financial initiatives. As a vigil, the job of the Central Bank is to make the government aware of the consequences of its fiscal and monetary proposals and the government remains at liberty to accept or reject the Bank's assessment. By their orientation, the executive governments are footloose and fancy free whereas Central Banks are conservative and protective. Effective governmental systems recognize this difference of orientation, and assign various roles to various institutions of the polity.

Legislative Accountability and the SAIs

Legislative accountability operates in multifarious ways. The ineffective government is not returned during future elections. This is the ultimate facet of legislative accountability. But during the interregnum between elections the executive governments are not left unbridled. By prescribing the rules of business, the civil society ensures that the elected government does not misuse its mandate to overrule the societal norms enshrined in the Constitution of the country. On a long term basis, this is done by developing an elaborate system of rules and regulations that are compliant with the Constitution and the executive governments are expected to demonstrate the regularity of their operations with reference to these rules and regulations. On an annual basis, the legislative accountability is exercised through appropriations control by the representatives of the people and the executive government is required to perform in compliance with the authority to spend public money. In most countries the last two components of legislative accountability are realized through the SAIs, who are also frequently required to report on the overall results of governmental operations. As a vigil on behalf of the peoples' representatives, the SAIs are expected to report to the legislatures on the regularity and propriety of public expenditures. In the name of familiarization with the auditees, recently some discussion has been generated that requires the SAIs to assimilate the concerns and constraints of the executive government in their audits, evaluations, and reports. The opposite view is that if the SAIs are integrated in the financial management system of a country, and they start appreciating the expedient concerns of the executive government, who is going to independently report to the parliament as to whether the public funds were spent in compliance with the intention and authority of the people as enshrined in the Constitution and the body of rules and regulations emanating from it?

Expediency as a condition of modern government

Coming to expediency as a condition of modern governmental scene, in a given circumstance an executive may consider it necessary to act in a particular way, which may

not be in conformity with the established norms and rules. The executive in its focused desire for meeting an objective is quite often likely to go around a prescribed procedure because fulfilling the requirements of the procedure may be time consuming or arduous. By avoiding a rule or a procedure, the executive may meet its target and *prima facie* may even deserve commendation for accomplishing its immediate task. But there is always a likelihood that in the process the executive might contribute to the erosion of a desirable societal norm. **Is it for the SAI to appreciate the alacrity of the executive when it achieves its objectives through expedient measures? Or is it the function of the SAI to independently evaluate and report to the legislature the consequence of the expedient measures of the executive government?** Answers to these questions determine the role of the SAI in good governance.

It may be expedient for the government of the day in a country to introduce an Internal Security Regime that leads to infringing on the constitutional rights of its citizens and results in the dehumanization of a section of the civil society. After taking a national security initiative, a government may consider it expedient to freeze the foreign exchange accounts in the country, and this action might lead to the flight of capital from the country and as a result almost completely dry up the foreign investment for a number of years. It may be expedient for the executive government of the day in a poor country to spend most of its current expenditure on national security under a perceived threat perception while as a result an increasing number of people, for whom the security is claimed to be ensured, might be going down the poverty line. Should the SAIs of these countries, where these and similar decisions might take place, be expected to appreciate the administrative expediency? Or should they report to the people the consequences of the policy initiatives perceivably taken as a measure of expediency? And if the SAIs do not evaluate these expedient executive measures who should do that?

Can an SAI be a partner in management?

In recent times there is spate of literature coming up which urges the state audit to act as a partner to the financial management and administration of the country. This is probably due to an emphasis on achieving immediate results without creating any controversy. *Prima facie* it seems very prudent to associate one's possible critics with one's decisions, but societies do not progress by avoiding criticism. Progress is a testimony to human endeavor in which some people or some sections of the society take initiatives and others assess their moves from a different overall perspective and in the process the best policies and initiatives get selected and the ineffective ones are relegated to history. I am sure no one wants to lose the benefits of independent oversight.

Another argument, which is recently being put forward in favor of associating state audit with the administrative processes, relates to courting in expertise. It is argued that there can be cases in point in which an executive may be short of expertise in some critical area therefore it may be more opportune to seek the help of the external auditors in that area. The argument seems to be based on an assumption that the auditors and evaluators are privy to some technical knowledge that is otherwise not available. This assumption is obviously fallacious. Auditors do not invent theories. They use the trade and industry models developed by economists and statisticians. They use the industry standards to compare the performance of their clients. And at all times it is required of the management to be aware of the state of the art, at least, in their own line of work. Experience shows that

almost always the executive, as compared to their auditors, have more resources to acquire the best expertise available in the market. It is very interesting to note that auditors are not known to be the experts in the fields of their auditees but their findings are regarded as expert findings. It seems that there is a difference of diligence. Probably the administrative expediency takes the better of the executive when it comes to application of knowledge available with them. While the post auditors and evaluators, since they are not constrained by the exigencies of specific situations, become attune to applying their knowledge with a greater diligence. So if the society is to benefit from all the available knowledge, it may be more productive to leave the SAs outside the administrative and executive processes so that their independent and diligent hindsight is available to the society for rectifying the decisions taken in the hurry of firefighting, and the longer term gains of advancement in human knowledge and practices are materialized. We must always keep in view the ways in which other disciplines, particularly natural sciences, progressed. Some researchers and pioneers devise theories and prescribe methods; others following them point out their weaknesses and suggest more informed and better ways of addressing the realities on ground. Governance should not be an exception to this time tested method, and it appears that the system of checks and balances prescribed by modern democracies takes cognizance of this indispensable requirement and ensures the independence of SAs against the administrative concerns and conveniences.

Similarly auditors do not make laws and rules and they do not set performance standards. They follow the laws and rules made by the law makers and the performance standards set by a profession. Sometimes it is argued that the executive may not be aware of the intricacies of certain laws and rules therefore auditors' prior concurrence may be sought. By using such an argument the executive absolves itself of the responsibility of following the intentions of the rule makers. And if the executive does not appreciate the purpose of a rule, it is not likely to respect it. An example may be in order.

In a border city in Pakistan a hospital administrator purchased a number of air conditioners from a smuggled goods market which was against the rules that provided for such purchases to be made from the registered suppliers through an open competition. When the purchase was reported to the Public Accounts Committee of the province, the Hospital Administrator defended his position by stating that by not following the rule he was able to purchase a larger number of air conditioners because the price in the smuggled good market was much lower. This was a classic case of administrative expediency overlooking the intentions of the rule makers and thereby compromising some of the principles underlying the use of public funds. The rules requiring purchases from the registered suppliers in an open competitive process, as we all know, is purported to encode the civil society's intentions of economy, fair play, and equal opportunity in public operations besides ensuring the documentation of the economy. By making the said purchase the Hospital Administrator achieved economy at the cost of denying equal opportunity to the citizens and undermining the principle of transparency in government operations. It was probably the administrative expediency that clouded the Administrator's understanding of the intentions of the rule makers and he proceeded with his action without even realizing that his apparently commendable deed was depriving some of the citizens of the country of their constitutional rights. The materiality of the offence in terms of financial costs may be negligible but the stakes of the civil society are indeed very high when such fundamental rules are trespassed under the garb of administrative expediency. Responsive executive is expected to fully comprehend the intentions of the lawmakers as enacted in the rules and regulations, and their intricacy cannot be used as an argument for deviant administrative actions.

Major principles of convention between the stakeholders and their appointed managers are at stake when management betrays its ignorance of the rules of business. Stakeholders entrust governance of their affairs to managers on the basis of their competence and on an understanding that the appointed managers will understand and respect stakeholders' goals and intentions. We have noticed that a state's stakeholders encode their aims and objectives in the rules of business and supporting regulations. When someone argues that the SAI's collaboration with the executive is likely to ensure better observance of rules and regulations, it amounts to telling the stakeholders that their managers are not fully capable of understanding their aims and intentions. It can never satisfy the stakeholders that the governance of their affairs is in those hands that are dependent on external props for understanding their aims and intentions.

Realization in the private sector

It may be of significant interest for the state players to note that only a few years back the private sector realized that the independence of the external auditors was compromised when they acted as management consultants for their auditees. This rather late realization led to the bifurcation of all accounting firms into general practice and consultancy firms. As a matter of fact now firms in the business of general practice, which is the trade term for external audit, have been debarred from offering consultancy services¹. Fortunately, in the public sector there has always been an emphasis on making the external auditors independent of their auditees and, given the stakes involved, it has not been misplaced. In the private sector the external auditors essentially assure the stakeholders of the security of their investments. In the public sector the assurance of the external auditors goes beyond the financial security only and encompasses societal norms and constitutional rights. If the private sector has segregated the audit functionality from the management consultancy, there is a stronger case of ensuring the same in the public sector.

Conclusion

It is thus not the job of the SAIs to coalesce with the executive governments of the day in understanding their perceived expediency. SAIs are not expected to exercise the prerogative of the peoples' representatives by attesting the actions of the executive without reporting to the legislature. Whenever an intention of the civil society as enshrined in the Constitution, body of rules and regulations, and appropriation orders, is not respected by an executive, it is the job of the SAI of the country to report this to the people through their representatives. It is for the people and their representatives to either accept or reject the executive's perception of expediency and the SAIs would not be fulfilling their obligation if they do not objectively report the deviant actions of the executive government to the people of the country. The peoples' representatives can empower the executive to take expedient actions by amending the rules of business. Experience shows that such empowerment is to be accounted for by the legislatures when they face the civil society during the next electoral process. And if the granted empowerment goes beyond the societal norms, the granting legislatures are not returned to their lawmaking role and the cycle of legislative accountability is completed.

¹ Although even now some general practice firms are doing Consultant's work in the name of Advisory Services for their auditees, yet the conflict of interest underlined by the American Court has been driven home.

Statutory Domain in Government Auditing

Mr. Janak Raj Gautam

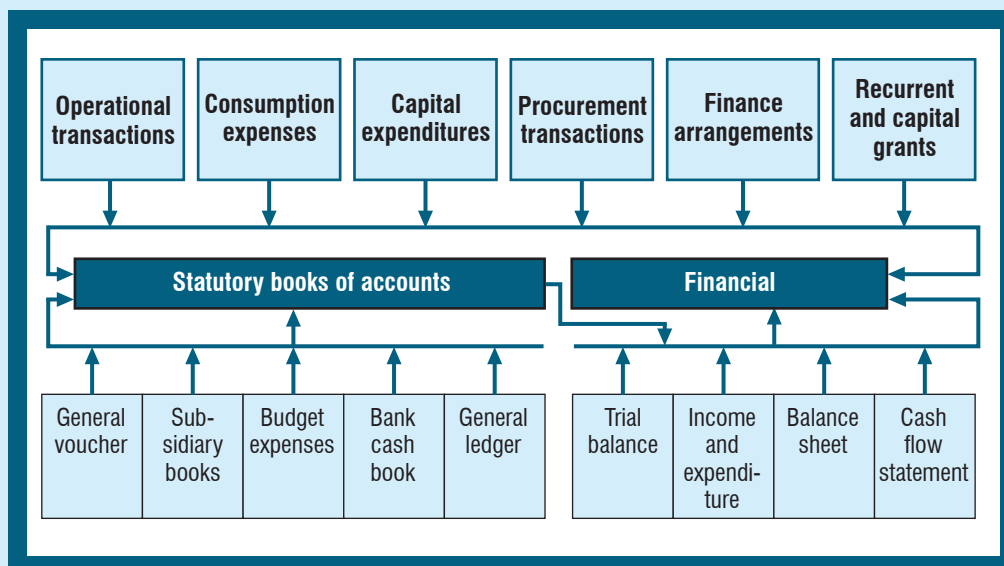
Assistant Auditor General Republic of Nepal

1. **Introduction – Statutory** is that one should follow all the legal basis since as fixed by or as the spirit of law and also that must be done in congruence to law. If **statutory provisions** are not adhered regularly with covenants in the operation of the organization, it could lead to punitive charges under the law. Additionally, the Office of Auditor General (OAG) of Nepal should carry out audit functions through **statutory mandate** regarding axiom, postulates, concept, principles and accounting standards. Regarding this fact, this small article mostly deals with the elements of **statutory aspects** particularly with reference to government auditing of Nepal.

Practically, it is important to make a list of laws and regulations for **statutory compliance** that are applicable to the entities. Therefore, **statutory acknowledgement** to the **statutory auditors** is fundamental to perform **statutory auditing** in compliance closely to par excellence. Together with this, it is a professional practice requiring a wide-range of knowledge, skill, experience and abilities with sufficient expertise in reviewing, verifying, evaluating and assessing the financial transactions. Our mandate is to audit either in detail, sporadically or sampling a few percentage of financial transactions. In this connection, **statutory criteria** as a verification base must be relevant primarily to reliability, integrity, confidentiality, and likewise, it is secondarily to compliance, effectiveness and efficiency.

2. **Structures** - The Government auditor, OAG, is **statutorily empowered** to implement the provisions for various spectrum of **statutory audit** with a sense of functions, onerous duties, accountability and reporting. At present, one of the most responsible posts, the Auditor General (AG), which is vacant because of the failure to recommend by the Constitutional council because of the long standing deadlock. The **statutory auditor**, credited with fiduciary responsibilities, examines the books of accounts being initiative towards vision, mission, goals and professional values of government auditing. **statutory records** are kept with orderliness as operational results, financial position, loans, grants with accounting of financial transactions enclosing vouchers and sub-vouchers in view of **statutory requirements**. Furthermore, **statutory audit** can also be selective with risk-based approach because of both time and cost constraints. The expenditure incurred, revenue earned, foreign sources and internal loans should be in compliance with the framework of accounting policies and legal requirements and the financial transactions are recorded in the **statutory forms of accounts**.
3. **Process** - The general standards, techniques, procedures and principles are applied for checking of accounts and documents in the audit of financial statements i.e. stand-alone and consolidated form as developed on the **statutory grounds**. This **Statutory statements** needs to be submitted with informative, accurate, well-presented, disclosures, accounting notes, tailor-made documentation and **statutory periodical reports** within **statutory deadlines**.

Testing and checking in this set of books of accounts and statements



4. **Roles** - SAI auditors have their own **statutory right** to have an access to the books of accounts, vouchers, documents and other **statutory evidences** to be gathered for inspection and verification along with the **statutory books of accounts**. Furthermore, they have **statutory authority** to determine the nature, scope, methodology, extent and timing of audit. The **Statutory responsibility** is whether the financial transactions are in compliance with the **statutory criteria** with utmost fairness. According to Mexico declaration, 2008 SAI needs to have adequate powers to obtain timely, unfettered direct and free access to all the necessary documents and information for the proper discharge of statutory responsibilities. Therefore, Auditors monitor the performance of **Statutory tasks** like functions, duties, roles and authorities of auditee maintaining **Statutory relationship** between them. The other way round, a **statutory auditor** should not accept such an audit assignment when the limitation infringes on the auditor's **statutory duties**. Eventually, the Responsible officers and Chief accounting officers of government of Nepal are **statutorily obliged** to comment and give explanatory responses and facts on every qualification reflected in the auditors' report within one year. It may enforce various ministries and departments to quickly respond with specifics against audit differences rather than sitting on the pile of discrepancies for a very long times, i.e. more than two decades. AG, as **statutorily independent** apex authority, should not be a subject of reducing the scope and functions but instead feel free for verification without prejudice, biasness, interference and pressure. A comprehensive approach for conducting performance audit varies according to the **statutory limitation** and organizational constraints on their wisdom, faithfulness, amount of discretion and professional prudence.
5. **Elements** - It is better to know for auditors about the **statutory elements** along with brief particulars are explained in nutshell as follows :-

S.No.	Statutory	Particulars in brief
1	Body	Office of the Auditor General of Nepal (1959) is the apex watchdog. The Institute of Chartered Accountants of Nepal was setup to regulate the accounting profession in 1996.
2	Criteria	A set of rules, regulations, decisions, procedures, standards, and orders are for executing and recording the financial transactions.
3	Annexure	Bank reconciliation statement, advance amount, program and achievement, position of loan and grant, previous years' irregularities.
4	Accounting System	Government accounting as approved by the then Head of the State in 1960.
5	Period	Fiscal year starts from July 16 of current year to July 15 of the coming year.
6	Decision	An incumbent's authority for the budgetary expenses and receipts concerning public fund.
7	Payment	Payment should be based on rate, norms, scale, price, and cost plus charging through budgetary line items of expenses, clearance certificate of all dues and custodians in case of transfer of any incumbents
8	Scope	Regarding nature, time, extent and way of checking of books of accounts, documents and financial statements.
9	Liabilities	Provident fund, tax deduction at source, value-added tax, employee's insurance, citizen investment fund, deposits, expenses booked in the accounts but not paid.
10	Basis	Carrying out the audit assignment as functions of the Auditor General.
11	Coverage	Examine one-on-one basis or sporadically, or only a few percentages of the financial transactions.
12	Approval	The books of accounts, annual progress report, stand alone and consolidated financial statements with annexure.
13	Responses	Responsible officers make responses on every audit observation within 35 days of receiving the preliminary audit report.

6. **Procedures - Statutory documents** should ensure compliance in maintaining annual accounts with financial, legal, administrative and founding evidences. Statutory control must fundamentally be an appropriate division of responsibilities not to derail the financial transactions. The discrepancies are detected with severe loopholes exposing in the form of fraud, mismanagement, falsification, alteration of records, leakage, abuse of authority, omission of transactions and so on. Because

they are not-so-subtle threats to be found by the auditors contentedly. The **statutory sources** for auditing, as disclosed below, are primarily undertaken to be systematic, reasonable, lawful and a matter of judgment of the auditors on the same.

S.No.	Area of concern	Governing law for auditing and its findings
1	Mandates for government auditing 1991	Interim Constitution of Nepal, 2007 Audit act, Nepal Chartered Accountants act, 1996
2	Personnel management	Civil Service act, 1993 Civil Service rules, 1994 Traveling expenditures rules, 2007
3	Budget and expenditures	Fiscal procedures act, 1999 Fiscal procedures rules, 2007 Annual budget declaration Budget and program authorization letter Public Procurements act, 2006 Public Procurements rules, 2007
4	Tax and other revenue	Income tax act, 2001 Fiscal act of concerned year VAT act, 1996 and its rules Central excise tariff act and its rules
5	Local bodies	Local body act, 1998, Local body rules, 2007 Local body fiscal rules, 2007
6	Corporate bodies	Company act, 2006 Public corporation act, 1963 Development committee act, 1956

7. **Reporting** - The books of accounts are to be corrected and restated before signed and authenticated to the report as introductory, scope, opinion paragraph, and recommendations in the report. In fact, public sector auditors may be able to **statutory measure** the audit difference as a qualification or reservation in terms of monetary expression. It should be regarded as an organizational based comprehensive audit in-total and but not treated as issue wise and segment wise. **Statutory finding** may also relate to economy of transactions and public interest. One thing is to be noted that **Statutory disclosures** is not a substitute for audit findings.

The OAG certifies the appropriateness of total amount of cash, disbursement, reimbursement, receipts and payments of any projects as required by the donors. Recently, OAG is planning to start the issue of the auditor's final report with opinion in the operational level accounting of every ministry from the fiscal year 2010-11 bearing in mind the matters and the types of opinion as underneath reflected in the table:-

Articles

Nature of matters	Judgement about the occurrence	Effect on the Financial statements
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Unqualified opinion will also be presented if the financial statement is out of material misstatements and able to get sufficient appropriate evidences. Our Supreme Audit Institution formally submits the report to the President of the Republic of Nepal for necessary actions, responses, review and follow up on recommendations and remedial measures to be taken by the government. Then the veil of secrecy of the audit report shall be lifted when the same is sent to the Public Accounts Committee (PAC) of the Legislative-Parliament. Members of the PAC discuss the audit paragraph and make decisions for the settlement of the queries. Any one of the catch phrases "true and fair" or 'full and fair', or 'present fairly, in all material respect' are used by the of accompanying with opinions, recommendations, conclusion, and other remarks expressing truthfulness and fairness, or dissent upon the financial statements and books of accounts. The OAG, as the supreme audit institution, has the full discretion of deciding the contents, timing, materiality level and audit findings for the for the presentation in the **statutory audit report**.

Challenges in auditing sovereign wealth funds, pension funds and investment companies

Mr. G. Srinivas

Sovereign Wealth Funds (SWF) have dawn a new era in the global economy. An era of huge Government owned investment with multiple objectives propelling economic activity across the boundaries. One of the spill-off effects of the increase in crude oil prices has been the large scale increase in SWF in the oil producing countries and more particularly in the Middle East. SWFs along with pension funds of Government and other investment vehicles (investment companies) poses major challenges to Public Sector Auditors in reviewing their activities and establishing accountability mechanism. This articles attempts to a critical insight into practical issues faced by Supreme Auditing bodies in reviewing the activities investment vehicles.

Sovereign Wealth Funds (SWF)

Sovereign Wealth Funds (SWF) are State Owned Investment Funds. They represent Government owned or Controlled investments. The surplus wealth of Government (budgetary surplus, proceeds of privatization or the oil surplus) is specifically allocated to a fund for investment in various kinds of investment opportunities. Principally, the investments are in stocks (shares), fixed return yielding investments (bonds), private equity investments and short term deposits. The objective is to gain a reasonable return on the investments at an acceptable degree of risk.

SWF in Middle East region

While SWF existed since fifties in the world, they emerged key global players only in the past decade. In the middle-east region, steep increase in crude oil prices resulted in unprecedented surpluses. Governments embarked on creation of specialized investment vehicles in the form of SWF. More and more funds started flowing into the existing SWF making them formidable players in the global scenario. An illustrative list of SWF in the middle-east region is indicated below:

Name of SWF	Country
Abu Dhabi Investment Authority	UAE
SAMA Foreign Holdings	Saudi Arabia
Kuwait Investment Authority	Kuwait
Qatar Investment Authority	Qatar
State General Reserve Fund	Sultanate of Oman

The Sovereign Wealth Fund Institute (SWFI) estimates the total assets of SWFs across the world to be a whopping amount of US\$ 4.3 trillion. Even this estimate would exclude many other entities that can loosely be categorized as SWF. An estimate by Standard Chartered identified 'Super Seven' SWF across the world with each of them having an investment of over US\$ 100 billion. In less than a decade, an estimate by Standard Chartered estimates indicates that SWF across the world will be worth \$13.4 trillion while Morgan Stanley puts the figure at \$17.5 trillion.

Pension Funds and other investment vehicles

While SWF are primarily focused on wealth conservation and maximization (within an acceptable degree of risk), pension funds invest in accordance to their charter to gain returns, while being within the articulated risk appetite. Other investment vehicles and companies can operate with multiple objectives including wealth maximization, employment generation, production of necessary goods and services required by the country. As such the underlying principles amongst all these auditees are to identify and invest in multiple investment avenues.

Auditor's challenges in auditing the SWG, Pension funds and other investment companies

1. **Need for technical expertise:** Investments are exceptionally complex area of operations. Usually the auditees are manned by experienced investment professionals. Most of the decisions on investment are difficult choices made amongst multiple opportunities by professionals. Auditors need to possess in the audit team professionals with experience and expertise in investment related activities. This expertise is scarce in the world and experienced investment professionals are highly in demand in job market. It is a major challenge for auditor organizations in public sector to engage and retain such expertise.
2. **Absence of distinction between Fund and Fund Manager:** Auditor faces the typical dilemma in some cases where the same organization operates as fund and fund manager. The investment decisions would be collective within the same organization. Ideally, there is need for clear distinction between the roles of Fund and Fund Manager. Fund should focus on its targeted returns and achievements and in defining its 'risk appetite'. The decisions of to invest, hold and divest are best left to Fund Manager. This would facilitate a critical evaluation of investment portfolio performance and fund manager's performance by the Fund. In the absence of this distinction, auditor would face the dilemma of having to make audit observations on an entity where critical internal review of performance may be structurally limited.
3. **High level decision-making body with limited professional expertise:** Investment decision-making being highly professional activities needs to be managed by expertise in the field. Being Government agencies, decision-making in many such bodies may be concentrated at the top, where there is limited professional expertise. In this situation, auditor faces the situation where Board minutes and agenda papers do not adequately reflect the triggers for an investment or divestment decision. Auditor may have to limit his examination based on interaction with investment professionals without in many cases having audit evidence that the critical issues were carefully

considered by the final decision-making body. On many occasions, the decision-making body may rarely meet, with decisions made on circulation with one or two key members virtually navigating the proposal for a favourable decision.

4. **Non-commercial reasons influencing decisions:** Being Government bodies, it is natural that certain non-commercial reasons may affect the decisions of the Funds. Auditors may find that non-commercial reasons are not adequately tracked and documented. With this, auditors risk the situations of commenting on areas with are essentially 'policy decisions' of the government for national and strategic reasons.
5. **Ambiguity in core objectives:** While pension funds usually have their core objectives clear, same is not the case with SWGs. Multiple and conflicting objectives keeping the goals rather vague creates a situation keeping auditors guessing on whether a particular investment is appropriate to the objectives and mandate of the fund.
6. **Insufficient articulation of 'Risk appetite':** One of the audit assertions that auditors seek to test is whether the asset allocation of the investment agency is within the risk appetite. 'Risk Appetite' by the 'owners' of the entity is the key policy direction for the management. Risk appetite is the amount of risk that the Fund is willing to accept for the targeted return profile. Risk appetite can be articulated in quantitative or subjective terms. This would drive management to focus on investments that are within this risk profile. Inadequate articulation of risk appetite leaves the auditors to make subjective assessment on the appropriateness of asset allocation.
7. **Diversification opens room for camouflaging poor decisions and irregularities:** Most of the funds and companies employ a highly diversified portfolio, which is appropriate risk management strategy. Auditors face the situation where the overall returns are consistent with the asset allocation. However, there could be few specific investments based on poor evaluation or fraudulent reasons, the losses of which are off-set by gains in most of other investments. Auditor needs to critically analyse and identify such specific investments based on detailed investigation of due diligence process.
8. **Non-compliance with SANTIAGO principles:** International Working Group of Sovereign Wealth Funds (IWG) established in 2008 has issued Generally Accepted Principles and Practices (GAPP) for Sovereign Wealth Funds (SWF) popularly known as "Santiago Principles". The GAPP is intended to identify a framework of generally accepted principles and practices that properly reflect appropriate governance and accountability arrangements as well as the conduct of investment practices by SWFs on a prudent and sound basis. The GAPP is a voluntary set of principles and are not binding. These essentially reflect the collective thinking of best governance and management practices in running SWFs. The working group evolved into International Forum for Sovereign Wealth Funds (IFSFW). The principles in essence establish good governance practices like appropriate data to be presented to government, clear roles and division of responsibilities, professional ethics, accounts and audit etc. If the Fund follows Santiago principles, the auditor's general assessment of environment would be positive. The comfort zone of auditors would be fair if at the minimum the fund has examined the principles and absorbed the relevant best practices into its processes.
9. **Private equity investments – A minefield for auditors:** Investment in private equity by SWGs is a major challenge for auditors to tackle. These are generally treated as

high risk and high return investment category. Auditors faces dilemma of multiple 'valuation models' used for evaluating the investments. The development of benchmarks available to monitor this asset class on a portfolio basis is limited. This asset class has low liquidity and it is difficult to exit the investments quickly. The holding periods are usually long in accordance with strategies of funds. Auditor faces substantial challenges in evaluating the 'process' adopted by fund in making investment decisions and managing them over the project life time.

10. Global equities: Auditors may face typical challenges starting with decision to go in for 'passively managed portfolio' or 'actively managed portfolio'. In case of passive management, Fund Manager is earmarked to a particular index and he manages the investment mapping with the indexed fund. It is based on the belief that passive indexing outperforms active management, except for short run. In case of passively managed global equities portfolio, auditor needs to review the compliance of fund manager to the mandate prescribed by the fund. Since the fund does not exercise any discretion in individual investments (in particular scripts), auditor would merely review the decisions of fund between one geography to another (i.e., one index to another) based on their understanding of relating strengths and future. On the other hand, in case of actively managed portfolio, the auditors need to test check individual global investments for the due diligence process.

11. Role of auditors in evaluating investment decision-making process: A critical role of auditors is to review the standard procedure adopted for investment decision-making. This includes examination of the 'Due Diligence' process which may involve external consultants. Auditors should review the oversight and evaluation work performed by professional teams within the fund on the reports provided by external consultants. The reliance on 'seller made due diligence' needs to be carefully examined in audit.

12. Hindsight in audit – a double edged sword: Auditors typically operate from an advantage of hindsight since the audit is a post-audit exercise. Auditor should avoid making summary conclusions based on information available at the time of audit, post-facto, when the real transactions are over. Observations on asset allocation and individual investments need be based on the information available to investment decision-makers at the time of taking the decision, in real time. The subsequent information may be used to substantiate an observation made based on information available to investment decision-makers. Primary audit evidence invariably has to be the information available at the time of decision-making and audit conclusions have to take into consideration the efforts made or otherwise to reach a particular investment decision. Further, fund managers typically tend to attribute losses to global events and profits to their performance. Auditors need to carefully examine these claims and contentions to arrive at reasonable conclusions based on appropriate audit evidence.

Conclusion

Auditing SWFs and Pension Funds is an area with scope for collaborative efforts amongst INTOSAI members. Presently, there is limited information sharing between SAIs in this area, particularly in view of the sensitivity of the investment related information. With more Governments embarking on investments globally, there is a strong case for development of appropriate auditing standards for auditing the Funds.

Public Debt and the role of the State Audit Office of Vietnam

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Public debt management

According to the decree No. 79/2010/ND-CP dated on 14 July 2010 on public debt management operations, taken effective from 30 August 2010, the Government unified the management of public debt through 4 instruments.

Specifically, these instruments are long-term strategy for public debt, middle term debt management program, detailed annual plan of borrowing and repayment of the Government, public debt safety and monitoring indicators.

Firstly, long-term strategy for public debt contains assessing the reality of public debt and public debt management on implementing strategy in the previous period; objective, orientation of loan mobilisation, utilisation and public debt management.

On establishing long-term strategy for public debt, it based on socio-economic development plan of 5 years and 10 years, plans on developing branches, sectors, territories, and resolutions, decisions of the Party communist and Government regarding policies of mobilization and using loans and debt management.

Secondly, middle term debt management program contains objectives, tasks and measures for mobilization, using loans, repayment and mechanisms, policies, debt management organization in the period of three consecutive years in order to implement debt safety indicators identified by National Assembly on the objective, orientation of mobilization and using loans and public debt management.

Thirdly, detailed annual plan of borrowing and repayment of the Government contains plans of domestic borrowing (including plans to mobilize capital for the state budget and capital for investment and development); plans of foreign borrowing implementing through the mobilization of loans, including ODA loans, preferential loans, commercial loans and being specified to foreign creditors; plan of repayment, being specified to creditors, to the principal and interest repayment, to the domestic and foreign debt repayment.

Forthly, these are public debt 's safety indicators and monitoring indicators. Monitoring indicators of public debt and National foreign debt contain: public debt in comparison with the Gross domestic product (GDP), national foreign debt in comparison with GDP, National repayment obligation in comparison with total import-export revenue; governmental debt in comparison with GDP..

In addition of these 4 instruments for managing public debt, the Government established a fund for repayment and public debt monitoring. Establishing the accumulative fund for repayment to ensure the governmental ability to foreign debt.

Determining the safety margin of public debt

Safety margin of public debt is calculated by the percentage ratio of total public debt to GDP. In fact, there are no general safety limits for all the economies on the world. Percentage ratio of total public debt to GDP depends on the health of national economy of each country through macro economy indicator system. For example, the US, number one country in the world in term of economic power. The US sometime hold about 50% of GDP of the world. However, in term of public debt, the US is in "worthy" position in the list. In terms of the ratio of debt in comparison to GDP, the US ranked the twentieth among 20 nations in the world with 96% of GDP. However, in terms of absolute figure, the U.S is second to none with 13,770 billion USD (on the 3rd Quarter of 2009), but it is considered obtained to stay in safety margin of public debt.

Japan is the second position on the world in term of size of GDP with 3.500 millions USD has giant debt of 86.000 billions yen (equivalent 200% of GDP) but it is considered to have a safety margin of public debt. While many countries have low figure of Debt/ GDP ratio but they still suffer debt crisis such as Venezuela in 1981 with the debt amounted to 15% of GDP, Thailand had the same figure in 1996; whereas it was 45% of GDP in Argentina in 2001. In 2007, Ukraine's debt was accounted for 13% of GDP and it was 20% of GDP in Rumania. More recently, Greece and Ireland who have debt figures account to 113,5% and 98,5% of GDP respectively must call for external aid package with tight conditions and close supervision.

In determining the safety level of public debt issue, it is not only about the Debt/ GDP ratio but also more importantly, it needs to take into account in parallel with macro economic criteria, total factor productivity, effective capital usage through the ICOR criteria, government budget deficit, exchange rate, balance of trade, foreign exchange reserve, domestic saving and social investment, inflation, interest rate, etc.

Firstly, examination of the grow speed and grow quality in relation with public debt

We see that over the past 25 years of renovation, Vietnamese economy has made important developing step to change the position and strength of the countries but there are still some drawbacks remaining.

Although the quality of growth has been improved but the growth is mainly from quantity rather than quality, horizontally rather than vertically, the impact of capital and labor factor is much more than the impact of productivity of general elements factor.

Even the horizontal development, Vietnam still inclines towards the capital factor rather than the labor factor. In the period from 1992 -1994, labor factor contributed 21,15% to the Vietnamese economy growth, while it was 26,6% in Thailand. In this period, contribution from TFP accounted for 22,7% in China and 24,1% in Thailand. The figures were much higher than 14,1% in Vietnam in the period 1992-2004 (Table 1).

Tabular presentation of Contribution of 3 input factors into the economic growth of Asia countries in the period 1960 – 1994 and Vietnam to 2004

Countries	GDP Growth	Capital	Labor	TFP
China	7,5	41,3	36,0	22,7
Thailand	7,5	49,3	26,6	24,1
Vietnam (1992–1997)	8,7	68,78	16,94	14,28
Vietnam (1998–2004)	6,6	60,20	25,37	14,43
Korea	8,3	51,8	30,1	29,6
Japan	9,2	33,7	27,1	39,2

The efficiency of capital usage is low (public debt)

Government should corporate closely and flexibly the fiscal policy and the monetary policy to ensure the macroeconomic stability and the social security with respect to the quality of sustainable growth. Government must open and make transparently the management of the public debt, and especially the financial situation of the state corporations to strengthen the confidence of international investors.

Secondly, the relationship between public debt and budget deficit and investment-saving

Vietnam's public debt increased rapidly in the context where the budget deficit (both within and beyond the estimate) increased from 2.8% of GDP in 2001 to 9.6% of GDP in 2009 (according to EIU- Economist Intelligence Unit) and in accordance with the Estimate Report of Ministry of Finance, the budget deficit in 2010 was 6.2%. For Vietnam, the state budget deficit has become chronic, which is considered as an additional factor decreasing the sustainability of public debt. According to the international practice, for countries with development level like Vietnam, the ceiling of state budget deficit is 5%. This violated a basic principle of sustainable management of public debt, which is today's public debt must be financed by tomorrow's budget surplus. This is the main reason which caused Fitch (The global financial credit ranking company) to lower Vietnam's credit rank from BB- to B+ (that is, four grades lower than the "investment grade") in the end of July 2010.

With demands for continuous investment in development, it is sure that Vietnam's public debt will continue to increase in the coming years. Specifically, with the decreasing domestic saving/GDP ratio (about 27% of GDP at present) while the social investment (about 42% of GDP at present) is increasing, in addition to attraction of foreign investment, the Government will have to continue to borrow greatly to compensate for the difference between saving and investment. With Vietnam's joining average income countries, its international preferential loans will gradually decrease, no longer remain and will be replaced by conventional commercial loans in the international financial market with a much higher interest rate.

Thirdly, the relationship between public debt and inflation, growth, interest rate and exchange rate

In Vietnam, inflation has become the shadow following GDP growth. The evidence is that when the economy has begun to recover, CPI and interest rate increase rapidly again. The

consequences are that in 2010, the interest rate of domestic shares increased to over 11%, and the interest rate of international shares was higher than that of competitors, causing the common interest rate of the economy to increase. As reported by the Prime Minister on November 24th, 2010 in the Session 8, the seventh National Assembly, the end of November, consumer prices would increase to 9.58% compared with December 2009.

This has impacted negatively on the investment motives of the private sector, which led them to shift from investment to buy gold and USD as a speculation. Hoarding makes exchange rate of USD and gold price happen unusual. According to experts in the field of financial and banking, the people are now hoarding the amount of 5 billion of foreign currency and 1,000 tons of gold. This is a very large source of capital for investment and development, but it was not included into circulation. These developments have put pressure on Vietnam Dong (VND).

From this fact, it is difficult to blame the people and businesses to have psychology of speculating USD and buying USD rather than borrow because of fear of exchange rate risk. This again causing problems for the management and operation of monetary policy when a large amount of USD being withdrawn from circulation and destabilize the market. The final result of increasing the exchange rate increases public debts, because most of loans from foreign countries are mainly in USD and this makes a debt burden heavier to us.

Fourthly, the relationship between public debt with the debt structure and interest rates

The safety margin also depends on the debt structure and interest rates. In the past time, Vietnam was on a group of low-income countries, so it is borrowed a long-term loan around 30 – 40 years with interest rate incentives. The debt structure for the term of 40 years have interest rate of 0.75% - 1% per annual, (the medium and long-term loans accounted for 86.5%). This is a great advantage for Vietnam. However, when it is classified as a group of middle-income countries, these incentives will be reduced and faded away, and commercial loans with higher interest rates are instead. Therefore, repayment pressures will be more and more greater and impact on the safety margin of public debt.

Through the above analysis, it is said that Vietnam's public debt had reached the safety margin and need to be vigilant in the management of public debt, as Vietnam's public debt is on the low level compared with other countries and on the high level compared with the health of the economy. Although Vietnam's debt structure is medium and long-term loans with low interest rate, chronic diseases of the economy such as inflation, State budget deficits, trade deficit are on the high level and the Incremental Capital - Output Rate (ICOR) is on the low level. They make Members of National Assembly concern about the sustainability of public debt.

It is important to pay attention to the effectiveness of using loans, which are to ensure solvency in the future. Now it seems that we only focus on aspects of disbursing loans, selling bonds and guarantying to borrow loans. Completing all above is considered as a success, while how to use those loans does not attach much importance.

The role of the State Audit Office in the public debt.

SAV is a specialized agency on examination of state finance established by the National Assembly, performing its duties independently and subject only the laws. Audit activities of SAV is to examine, evaluate and certify the accuracy and truthfulness of the financial

statements; comply with law, economic, effective and efficient management and use the state budget and state property; contribute to practicing thrift, fighting against corruption, loss, waste, detect and prevent the violations of law; enhancing the efficiency of State money and property; assist effectively the activities of the National Assembly, the People's Council of all levels to perform the oversight function and decide important matters of the national and locality.

With the above legal status and functions, the public debt and its management is audited by SAV. SAV will conduct the audits and explain the public debt with the National Assembly and people of the country. The audit results had the quality is an important basis to assist the National Assembly members in deciding correctly in its meeting session, and it is also help the National Assembly and People's Council in giving the important decisions about the investment policies of the social-economic development at the national and local levels. Depending on their resources, SAV combines three types of audit to conduct the audit of the public debt as the followings:

- To conduct the audit of the criteria on public debt as total debt, debt structure, interest rate. It must be identified the components of public debt as the Government debt; debt guaranteed by the Government; debt loaned by the locality and the state enterprises. Debt borrowed by state enterprises should monitor closely to avoid the cases that can lead to economic crisis.
- To comply with the law on the limit of foreign commercial loans and foreign loans guaranteed by the Government.
- To conduct the performance audit of public debt to verify the effectiveness and efficiency of the usage of the public debt through audit of projects and the investment programs by the Government, the current debt limit and the future debt limit set in relation to the macro-economic indicators which determined the safety threshold of debt and identified the risk level of public debt. This is a difficult and complex content required the sufficient and accurate data and auditors with deep knowledge of macroeconomics.
- Through the audit results, SAV has the assessment, risk identification and warning of risks to public debt portfolio and the country's foreign debt to propose timely the solutions to the National Assembly and Government and complete effectively and efficiently the public debt management policy.

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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

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International Journal of Government Auditing	intosaijournal@gao.gov	www.intosaijournal.org
Asian Journal of Government Audit	ir@cag.gov.in	http://asosai.org/documents/doc_journal_list.jsp

ASOSAI Calendar

October, 2011 - March, 2012

Year	Month	Dates	Event
2011	October	11 - 14	ASOSAI Seminar on "How to integrate ethics and integrity into the auditing practices of an SAI" in Seoul, Republic of Korea
	November	7 - 18	ASOSAI Workshop on Audit of Public Debt at Beijing, China
	December	1 - 13	5 th Meeting for the 9th ASOSAI Research Project in Bali, Indonesia
2012	February	28	44 th Governing Board meeting at Jaipur, India
	February	29	12 th ASOSAI Assembly at Jaipur, India
	March	2	5 th ASOSAI Symposium at Jaipur, India
	March	3	45 th Governing Board meeting at Jaipur, India

