



# ECOSAI CIRCULAR



April

# 2016

Published by:  
Auditor General of Pakistan  
Constitution Avenue Islamabad, Pakistan  
[www.agp.gov.pk](http://www.agp.gov.pk)

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Pakistan



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## ECOSAI Information

### President

Associate Professor  
Dr. Recai Akyel  
Senior President of the  
Turkish Court of Accounts

### Secretary General

Rana Assad Amin  
Auditor General of  
Pakistan

## Member SAIs

- Afghanistan
- Azerbaijan
- Iran
- Kazakhstan
- Kyrgyz Republic
- Pakistan
- Tajikistan
- Turkmenistan
- Turkey
- Uzbekistan



## Vision

Endeavour to promote delivery by the SAIs of their assigned duties with efficiency, effectiveness, transparency, accountability, and in accordance with recent concepts to facilitate good governance in the public sector

## Mission

The Economic Cooperation Organization Supreme Audit Institutions (ECOSAI) is an independent professional and non political regional organization that aims at IMPROVING relations in the field of public audit, among the States of ECO possessing different experience of economic and social developments; COOPERATING in sharing the burden of professional development of the auditors of the ECO countries; PROMOTING exchange of views and experiences among SAIs of member states of the ECO, which have evolved on different lines and perform different functions; ACTING with the spirit of cooperation and brotherhood and

ENCOURAGING SAI employees to deliver their duties with the highest sense of responsibility, efficiency and professionalism.

## Core values

- Independence
- Accountability
- Transparency
- Integrity
- Professionalism
- Cooperation
- Diversity
- Quality
- Innovation
- Credibility
- Inclusiveness



### Editorial Board

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Director General (IR&C)

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**Mr. Muhammad Raza Shah**  
Director (INTOSAI)

---

**Ms. Bismah Farrukh Khan**  
Deputy Director (IR&C)



**Observer**  
Turkish Republic of Northern  
Cyprus (TRNC)



## Foreword

Dear colleagues,

The ECOSAI Secretariat is pleased to present the Spring issue of the ECOSAI circular, 2016. The Circular has been designed by assigning distinct sections to the contributing members who have shared their knowledge and experiences in the various areas of expertise. The recent and upcoming events have been highlighted in their respective sections.

We hope that the current issue of circular helps in mutual sharing of experiences through articles and news items sent by ECOSAI member countries, thus fulfilling the objectives of ECOSAI.

We greatly appreciate the valuable contributions of the member SAIs and expect the same spirit of participation in future too.

**(KHURRAM RAZA QURESHI)**

Director General  
(International Relations & Coordination)  
ECOSAI Secretariat  
Chief Editor

## Message from the Auditor General of Pakistan

Dear fellow ECOSAI members,

At the 20<sup>th</sup> ECOSAI Governing Board Meeting of ECOSAI, it was decided that the ECOSAI circular will be published twice a year. We are pleased to present the Spring issue of the ECOSAI circular containing articulate contributions from ECOSAI member countries.

ECOSAI is a great forum to strengthen our bonds of friendship deeply rooted in religion and mutual sharing of ideas, values and principles governing public sector auditing. We hope that the current issue is beneficial in enhancing the proficiency and conduct of the public sector auditor in our SAIs.

In the capacity of Secretary General of ECOSAI, I would like to urge the ECOSAI members to extend co-operation and assistance among the members and observer for capacity building measures and in implementing the training plan to enable efficient and effective spread of knowledge and skills.

**(RANA ASSAD AMIN)**

Auditor General of Pakistan /  
Secretary General ECOSAI

# THE SUPREME AUDIT COURT ISLAMIC REPUBLIC OF IRAN

## 2016



### IRAN SAI Activities

- ◆ Environmental Audit Committee established in SAI Iran
- ◆ Seminar between SAC Iran and BPK Indonesia
- ◆ SAI Iran and Tajikistan signed Memorandum of Understanding
- ◆ SAI Iran with SAI Management & Key Stakeholders
- ◆ Training Programme on Environmental Auditing in IRAN
- ◆ Annual Audit Report Submitted to Parliament



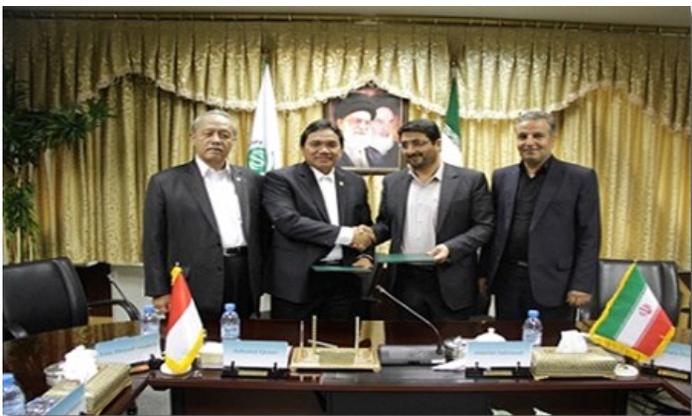
### Environmental Audit Committee established in SAI Iran

An environmental Auditing committee at SAI Iran has been established by the order of the Senior President of Supreme Audit Court of I. R. Iran to implement the environmental laws and regulations of Iran and play a more effective role in the sphere of environmental auditing at international organizations. The first activity of the committee was to create an environmental auditing road map. Other accomplishments of the SAC include:

- Preparing two audit reports in the first half of 2015 on air pollution in eight metropolitan areas (Tehran, Mashhad, Isfahan, Tabriz, Karaj, Shiraz, Yazd and Ghazvin).
- Preparing an audit report on coastal management in northern and southern provinces of Iran. The reports were presented to the Legislative and Executive branches of government.
- Holding a joint seminar on gas and oil auditing with an environmental perspective in Tehran with the Audit Board of Indonesia from 26 to 28 October 2015. The seminar focused on the fact that environmental issues should be taken into consideration while conducting audits related to oil and gas sector. Other topics covered in the same seminar included audits of banking system and of information technology.

Also noteworthy, the expediency Council approved the general environmental policies of the Islamic Republic of Iran. This will lead to significant development of Environmental auditing in Iran.

## Fourth Joint Seminar between SAC Iran and BPK Indonesia



The Fourth Joint Seminar between the Supreme Audit Court of I. R. Iran (SAC) and Audit Board of Republic of Indonesia (BPK) was held in Tehran from 26-28 October 2015. The main theme of the same seminar included audit of gas and oil with environmental perspective, audit of banking system and IT auditing.

The six member delegation from BPK was headed by H.E. Mr. Achsanul Qosasi and included H.E. Prof. Dr. Eddy Mulyadi Soepardi Board Member and other directors and experts from BPK. The Iranian participants included Deputies president as well as principal auditors and experts from the above mentioned fields.

During the three day seminar, both sides exchanged ideas, experience, knowledge and expertise in the three topics: audit of gas and oil with environmental perspective, audit of banking system and IT auditing. On the last day and during the closing ceremony and wrap up meeting the seminar was evaluated as inspiring and beneficial for both sides and it was emphasized that such bilateral activities are continued regularly in the future.



The delegation also paid a courtesy call on H.E. Mr. Amin Hossein Rahimi, Senior President of SAC. In the same meeting, Mr. Rahimi warmly welcomed the delegation from BPK and congratulated both sides about successful holding of the seminar. Stressing on the cultural and religious commonality between Iran and Indonesia, he said that Iran attaches great importance to the relations with Indonesia as the largest Islamic country in the world. Mr. Rahimi evaluated the bilateral cooperation between the SAC and BPK progressive and beneficial for both sides. He expressed hope that the bilateral cooperation between the two organizations is further expanded in the future.

The Action Plan for the future cooperation between the SAC and BPK for the years 2015-2018 was signed at the end of the seminar. Based on the said Action Plan, the two sides will cooperate on areas such as audit of oil and gas, audit of banks with special focus on Islamic banking, IT auditing, Improvement of reports to parliament and training management.

## SAI Iran and Tajikistan signed Memorandum of Understanding

At the sideline of the 20<sup>th</sup> ECOSAI Governing Board Meeting in Dushanbe, Tajikistan in September 2015, a Memorandum of Understanding was signed between the Supreme Audit Court of the Islamic Republic of Iran and the Accounts Chamber of the Republic of Tajikistan. Mr. Amin Hossein Rahimi, Senior President of SAI Iran and Mr. D. A. Davlatov Chairman of SAI Tajikistan signed this document.



Also noteworthy, the content of the MOU focuses on technical and training cooperation between the two sides through which the exchange of information and experience in public audit could be further enhanced. Both sides wished that through the implementation of the same MOU public audits could be further strengthened in both countries.

## Delegation from SAI Iran attended IDI- ASOSAI Meeting with SAI Management & Key Stakeholders.

A delegation headed by Mr. Amin Hossein Rahimi, Senior President, SAI Iran and including Mr. Morteza Asadi, Deputy Director General (International Relations) attended the joint Meeting of IDI- ASOSAI on capacity building in Jakarta, Indonesia from 9 to 11 December 2015.

This meeting was attended by top management of Supreme Audit Institutions of Asian countries and covered extensively the following 8 topics which had been selected by INTOSAI Development Initiatives (IDI) based on a global survey on the priorities of SAIs:

1. IDI-ASOSAI Programme on SAI Fighting Corruption
2. IDI-ASOSAI Programme on SAI Engaging With Stakeholders
3. IDI-ASOSAI Programme on Auditing Sustainable Development Goals
4. IDI-ASOSAI Programme on ISSAI Implementation Initiative
5. IDI-ASOSAI Programme on Strategy, Performance Measurement & Reporting
6. IDI-ASOSAI Programme on SAI Independence
7. IDI-ASOSAI Programme on SAI Young Leaders Programme
8. IDI-ASOSAI Programme on enhancing e-Learning Capacity

## Delegation from SAI Iran attended IDI- ASOSAI Meeting with SAI



The objective of the meeting was to remind participants regarding the importance of the above mentioned topics in the future planning of the SAI. Furthermore, IDI will assist the participating SAIs in developing capacities in the above- mentioned eight programmes/projects.

### Training Programme on Environmental Auditing to be held

In line with the implementation of the decisions made at 14<sup>th</sup> ECOSAI Training Committee

Meeting held in Lahore, Pakistan on 27, Oct. 2014, the Supreme Audit Court (SAC) of the I. R. of Iran has been assigned to hold a training programme on Environmental Auditing in 2016.



### Annual Audit Report Submitted to Parliament

In line with Article 55 of the Constitution of the Islamic Republic of Iran, the annual audit report prepared by Supreme Audit Court (SAC) was submitted to the Islamic Consultative Assembly (Iranian Parliament) on 19 January 2016.

Attending the General meeting of the Parliament, Mr. Rahimi presented the summary of the report to the MPs.

It is noteworthy to mention that the 2014 annual audit report was prepared during 34 expert meetings as well as 8 meetings of the General Board chaired by the Senior President of SAC.

# THE ACCOUNTS CHAMBER OF THE REPUBLIC OF TAJIKISTAN

2016



## Tajikistan SAI Activities

- ◆ Economic development of the countries
- ◆ Article by SAI Tajikistan
- ◆ Picture from Training Programmes/ Meetings (SAI Tajikistan)



The economic development of the countries and providing decent level of living to the people directly depends on the effective and timely implementation of the national priorities of the country, attaining sustainable development in accordance with national development strategies, medium term strategies, sectoral and local programs.

Primarily, in modern times the main purpose of the State is providing sustainable economic development and the gradual rise in the level and quality of people's lives by reforming public administration, ensuring the transparency of its structures, the creation of an enabling environment for entrepreneurship, investment and import of advanced technologies and creation of new workplaces

(Emomali Rahmon, President of the Republic of Tajikistan)

Creation of the new independent Supreme Audit Institution (SAI) provides assistance to the Government of the Republic of Tajikistan and the Majlisi Namoyandagon of the Majlisi Oli of the Republic of Tajikistan in management of public finances in the fields of tax administration, expenditure from budgetary funds, as well as the management of state property, not only in accordance with the requirements of correctness and legality but also effectiveness and efficiency.

According to Articles 1 and 5 of the Law "On the Accounts Chamber of the Republic of Tajikistan", the Accounts Chamber of the Republic of Tajikistan has prepared a report on the execution of the state budget of the Republic of Tajikistan for 2014 and presented to the President of the Republic of Tajikistan, and to the Parliament of the Republic of Tajikistan. Prepared conclusion of the Accounting Chamber of the Republic of Tajikistan based on the results of the audit by the Accounts Chamber of the State Agency of Social Insurance and pensions under the Government of the Republic of Tajikistan conducted to assess the implementation of the budget of social insurance and pensions of the Republic of Tajikistan for 2014 ; the Tax Committee under the Government of the Republic of Tajikistan assessing the implementation of the plan of the state budget of the Republic of Tajikistan for 2014; the Ministry of Finance of the Republic of Tajikistan on the assessment report of execution of the state budget of the Republic of Tajikistan for 2014 ; the relevant information on the results of inspections in 2014 of the organs of state financial control.

It should be noted that the results of the audits for the purpose of elimination of detected shortcomings, the leadership of the Ministry of Finance and other relevant authorities of the country were sent observations on the execution of the state budget, however, when summing up the annual report details of the recurring shortcomings a number of other violations were also identified.

As a result of the audit of the "Assessment of the annual report on the State Budget of the Republic of Tajikistan for 2014" a number of financial irregularities were identified. Inclusion of incorrect debts between government organizations and business entities were not taken into account, renewals of loans to cotton farms as well as interest for savings were not included in the budget.

In addition, without assigning reason excessive financing of budget organizations were not taken into account in the planned expenditure budget and therefore did not include means of a loan, unpaid interest amount of deposits of the Republican budget from the National Bank of Tajikistan, as well as in the process of tax administration there was non-compliance in the collection of taxes regulated in the revenues of local budgets. Audits have identified a number of other shortcomings, particularly in the audit of the annual report of the Tax Committee under the Government of the Republic of Tajikistan where in wrong accounting of the execution of forecasted indicators of the state budget occurred amounting to 124.4 million TJS. In the expenditure part of the State budget, audit identified wrong accounting expenses from the spent funds

on tender /bids for the amount of budget organizations amounting to 16.7 million TJS, and revenue and expenditure of the state budget does not include special means of budget organizations to the amount of 186.5 million TJS. The amount of the stabilization fund amounting to 7.5 million TJS was not included and it was formed at the expense of over fulfillment of the revenue part of local budgets intended for economic development. Today one of the main tasks of the Accounts Chamber of the Republic of Tajikistan is the provision of advice on legal, efficient management of public finances. Our function is focused on the study of the state of economic governance in the broadest sense, to assess the quality of the management in terms of legality, economy, efficiency and effectiveness, as well as providing detailed reports and conclusions and estimates primarily to the President, Government and Parliament of the country and then given for publicity on press conferences with the participation of a wide range of media, ensuring the transparency of conducted audit in strict accordance with current legislation.



⇒ Presentation during the training course



⇒ Presentation during the training course



⇒ Deliberations during the meeting

# TURKISH COURT OF ACCOUNTS

## 2016



### Turkish Court of Accounts SAI Activities

- ◆ Enhancing Financial Stability
- ◆ Auditing Public Debt Management and Evaluation
- ◆ The Analyses of Sustainability, Flexibility, Vulnerability
- ◆ Audit of Contingent Liability Management in the Framework of Risk Assessment
- ◆ Explicit and Implicit Contingent Liabilities as Sources of Potential Fiscal Risks
- ◆ 2014 Financial Statistics Evaluation Report
- ◆ Conclusion
- ◆ References



(By Assoc. Prof. Dr. Recai AKYEL, President of TCA)

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

#### Introduction

Beyond any doubt, the impacts of financial and economic crisis are affecting the welfare of each and every country in the world. The recent financial crisis was triggered by mortgage meltdown in the United States in 2007 and spread all over the world in 2008 as a global economic crisis. Substantial number of people were affected by the huge cost of the damage arising from crisis. Unemployment increased and living standards of many people deteriorated. Governments also faced squeezing credit conditions, increasing borrowing requirements, unstable market conditions and eventually decreasing public trust and confidence. Under such circumstances, it is understandable, why Supreme Audit Institutions (SAIs) are expected to play a more active role in ensuring financial stability and warning against the potential risk of financial crisis through findings and recommendations. With respect to this, 69th United Nations General Assembly also adopted the Resolution for “Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions” on December 2014. In this context, below mentioned auditing functions and features are regarded as important for the expected role of an individual SAI in increasing accountability, transparency and also warning against the risk of crises.

### **Auditing Public Debt Management and Evaluation of Performance with Debt Indicators**

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

#### **The Analyses of Sustainability, Flexibility, Vulnerability**

Sustainability can be briefly defined as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy. The measurement of sustainability has the purpose of answering whether the government may keep the same path of expenditures and revenues or it will have to conduct an adjustment to keep the debt constant as a proportion of GDP (INTOSAI, 2007). The main indicators using debt/GDP ratio are namely; fiscal consistency indicator, Buiters' indicator, short term primary gap indicator, macro-adjusted primary deficit, sustainable fiscal position indicator and currency availability indicators. (INTOSAI, 2010)

Flexibility can be defined as the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden. Government interest payments/ revenues and Total Public debt/ revenue are regarded as the

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

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

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

Financial audit as a part of regularity audit is also conducted on financial statements pertaining to Undersecretariat of Treasury including domestic and external borrowing, Treasury receivables and guarantees as a financial risk.

As an audit practice in Turkey, it is also worth mentioning about Treasury Transaction report prepared by the TCA in 2007 and 2009. A special part of this report was devoted to public debt and debt analysis. In this part, public debt structure and composition was analyzed on the basis of selected public debt indicators. Sustainability, flexibility and vulnerability of public debt were assessed on the basis of different public debt definitions and debt indicators. Besides these indicators were used to analyze flexibility, sustainability, and vulnerability of public debt, the vulnerability hazard arising from the maturity structure, composition and real interest of the domestic debt stock was exclusively analyzed.

SAIs can play an active role in encouraging the implementation of the best debt management practices with an indicator based risk management framework. A SAI can ask the governments for the construction of a thoroughly complete indicator system to watch over the vulnerability of its debt and give priority to the risk administration (INTOSAI, 2007). This approach of SAI will also promote governments to focus more on financial vulnerability related monitoring and establishment of a risk management structure that is designed to serve as an early warning mechanism.

### **Audit of Contingent Liability Management in the Framework of Risk Assessment**

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

### **Explicit and Implicit Contingent Liabilities as Sources of Potential Fiscal Risks**

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

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

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

As far as sustaining fiscal stability and ensuring preparedness of public financial system in case of turmoil is concerned, identification, classification and reporting for contingent liabilities have great importance. The problem about contingent liabilities arises from their typical uncertainty over whether a payment will be made or not and potential amount. While SAIs do not play a role in setting policies for the mitigation management or disclosure of contingent liabilities, they have an important role to play in their improvement by focusing policy makers' attention on weaknesses and vulnerabilities in the existing practices. (Cebotari Aliano, 2008). Therefore, it will be a value adding role for SAIs to prepare reports about the size and characteristics of contingencies, fiscal risks and their potential impact on budget balance. SAIs can also give recommendations on the existence, operation and the adequacy of the control and risk management systems for contingent liability management.

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

risks and take necessary precautions in its risk management.

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

As far as practice in Turkey is concerned, within the framework of Turkish Treasury risk management, a ceiling has been introduced in the central government budget law in order to limit the debt assumption commitments for each fiscal year. In addition to this limit-based implementation, the possible impacts of the contingent liabilities arising from debt assumption commitments given by the Treasury are measured and monitored under different scenario analysis. The potential impact on fiscal discipline and outstanding public debt stock is also taken into consideration for the validity of aforementioned analyses.

The TCA assesses the compliance of actual value of debt assumption commitments with that of predetermined limits set in the budget law and gives assurance to the Parliament on conformity. In addition to this compliance check, in 2014 financial statistics evaluation report, TCA emphasized the importance of disclosure of contingent liabilities in the financial statement footnotes. To make it clear, TCA pointed out the disclosure of off-balance sheet liabilities in the form of potential obligations arising from Public-Private Partnerships (PPP). More particularly, it is reported that the estimated cost of potential claims pertaining to PPP should be disclosed in the footnote of general government

consolidated balance sheet.

### **Assessment of Compliance with Fiscal Rules and Limit-based Public Debt Operations**

Undoubtedly, the restructuring of public financial system on the principle of fiscal sustainability became a priority for every country to prevent economic crisis. It is clearly understood that an effective fiscal discipline practice aiming to decrease budget deficits as well as indebtedness are the key concepts for a sound economy. In this context, fiscal rules and numerical targets are used to support fiscal credibility and discipline. As pointed out by (Bergman, 2013) fiscal rules are legal agreements that promote the fiscal discipline "tying the hands" of policy makers in order to constrain the decisions regarding the scheduling of the budgetary revenues and expenditures. In this respect, SAIs can give assurance to the Parliament and public on the compliance and adherence to fiscal rules and predetermined limits. In this way, SAIs can add value to the fiscal rules credibility and contribute in well-functioning of a rule based fiscal policy.

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

According to aforesaid law, within the fiscal year, taking into consideration the principle of fiscal sustainability and development targets of the country, net debt utilization can be made up to the difference between the allocations mentioned in

account the development and requirements of debt management and an additional 5% increase only through the decision of Council of Ministers upon the opinion of the Under secretariat of Treasury and the proposal of the Minister. In case of a balanced budget, borrowing may also be increased by up to a maximum of 5% of the principal repayment.

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

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

### **Evaluation of General Government Financial Statistics In Terms Of Reliability and Accuracy**

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

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

The conceptual and analytical framework of Government Finance Statistics (GFS) is adopted for financial statistics disclosure which provides a reporting base suitable for analyzing and evaluating fiscal policy, predominantly the

performance of the general government sector.

The core of the analytic framework is a set of four financial statements; the statement of operations, statement of other economic flows, balance sheet, the statement of sources and uses of cash. GFS framework also includes supplementary statements of the Summary Statement of Explicit Contingent Liabilities and Net Obligations for Future Social Security Benefits, which summarizes the explicit and some implicit contingent liabilities. The stock positions of explicit and some implicit contingent liabilities are recorded as memorandum items to the GFS balance sheet.

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

TCA has prepared 3 financial statistics evaluation reports up to this time for mainly the assessment of reliability and accuracy of general government consolidated financial statements. For the sake of clarity, it is worth mentioning about the main issues and findings discussed in the report.

### **2014 Financial Statistics Evaluation Report**

The evaluation in terms of preparation, accuracy and reliability of financial statistics includes compilation and consolidation stages and also the audit opinions given to entity based financial statements audited by the TCA. Undoubtedly, the audit opinions given to individual financial statements are crucial, as far as the accuracy and

reliability of a consolidated financial statement is concerned. Therefore, material misstatements and omissions affecting the reliability and accuracy of financial statistics detected through financial audits of public institutions are reflected in Financial Statistics Evaluation report.

The second part of the report is devoted to findings about consolidation errors that result in double counting of reciprocal stock positions and flows in accounts. Consolidation process involves eliminating all transactions and reciprocal stock positions among the general government sector entities being combined. In other words, consolidation eliminates the double-counting and presents financial statements for the combined set of government units as if they constituted a single unit. In this respect, compatible and identical classification and recording with the same value is the most important accounting rule underlying the consolidated financial statements. Therefore, differences in time of recording of financial transaction, accounting discrepancies, differences in valuation and other asymmetric recording can cause material consolidation problems. Accordingly, in its report, TCA pointed out the structural problems and system deficiencies pertaining to public financial management which resulted in improper consolidation and affected the reliability of consolidated financial statements. In addition to these matters to emphasize, TCA also gives recommendations for the well-functioning of the accounting and internal control systems which will give way to the excellence in reliable public financial reporting in return. Undoubtedly, as the ultimate aim, appropriately and completely consolidated financial data will create a sound base for fiscal analysis and strategic decision making.

The financial statistics evaluation report is

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

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

### **Conclusion**

The devastating impacts of recent financial crisis raised many questions about the future role of SAIs in the public finance area. What kind of a role should they play to ensure fiscal sustainability? How can they contribute to the well-functioning of early warning mechanism of financial crises? Which audit functions and areas should be targeted to add value? In the light of these questions, some potential areas of auditing deserve critical and diligent consideration due to their direct linkage with fiscal risks and instability. SAIs should conduct the audit of public debt management and give recommendations to ensure

should promote governments to focus more on the establishment of a risk management system designed to serve as an early warning mechanism. On the other hand, SAIs should assess the compliance of fiscal rule and limit implementation and give assurance on conformity. In this way, SAIs can add value to the fiscal rules credibility and fiscal sustainability. Last but not least, the foundation of a transparent, reliable and accurate financial reporting using internationally accepted accounting standards should be encouraged.

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## Turkish Court of Accounts International Activities

### Visit of the Delegation from Jordan to the Turkish Court of Accounts

A 4-person delegation from the Audit Bureau of Jordan paid a study visit to the Turkish Court of Accounts (TCA) from 30<sup>th</sup> November to 4<sup>th</sup> December 2015 in order to discuss cooperation opportunities between two SAIs and exchange knowledge and experience. TCA President Assoc. Prof. Dr. Recai AKYEL welcomed the visiting delegation in his office on 30<sup>th</sup> November 2015.



### EUROSAI Task Force on Audit and Ethics (TFA&E) Seminar on Methods and Measuring Tools to Audit Ethics

Seminar of EUROSAI (European Organization of Supreme Audit Institutions) Task Force on Audit and Ethics hosted by the Turkish Court of Accounts (TCA) on 26-27<sup>th</sup> November 2015 at Gölbaşı Training and Social Facilities of the TCA started with the opening speech of the TCA President Assoc. Prof. Dr. Recai AKYEL. Representatives from AFROSAI-E, Albania, Bulgaria, Czech Republic, Moldova, Poland, Spain and SIGMA



participated in the seminar in question along with the representatives from the General Directorate of Land Registry and Cadastre, Prime Ministry Council of Ethics for Public Officials and TCA from Turkey.

# SAI TURKEY

## Turkish Court of Accounts International Activities

### Visit by the OECD Sigma Delegation

SIGMA delegation visited the Turkish Court of Accounts (TCA) with the purpose of making evaluations on the existing cooperation matters. The President of the TCA, Assoc. Prof. Dr. Recai AKYEL received the visiting delegation in his office on 24<sup>th</sup> November



### Visit of Delegations from the Supreme State Audit of Albania

Two delegations from the Supreme State Audit of the Republic of Albania paid visits to the Turkish Court of Accounts (TCA) with the purpose of attending the training on “Public Audit” which was held from 16-20<sup>th</sup> November and 24-28<sup>th</sup> August 2015 with the financial contribution of the Turkish Cooperation and Coordination Agency (TİKA).



## Turkish Court of Accounts International Activities

### Visit of a Delegation from the State Audit Institution of Oman

A 15-person delegation from the State Audit Institution of Oman visited the Turkish Court of Accounts (TCA) in order to attend the Training on “Financial Audit and Compliance Audit” from 2-6<sup>th</sup> November 2015. TCA President Assoc. Prof. Dr. Recai AKYEL welcomed the visiting delegation in his office on 2<sup>nd</sup> November 2015.



### Performance Audit Training for the Auditors of SAI of Mongolia

Performance Audit Training was organized for 11 auditors from Mongolian National Audit Office in Istanbul from 18-25<sup>th</sup> October 2015 with the contributions of the Turkish Cooperation and Coordination Agency (TİKA) within the framework of the Memorandum of Understanding signed between the Turkish Court of Accounts (TCA) and Mongolian SAI. Heads of



of numerous regional SAIs of Mongolia participated in the training program. In the training program based on subgroup works, methodology and practices of performance audit were explained interactively to the participants with simultaneous interpretation. Exercises, animations and case studies were used and practices with respect to audit processes were included in the training. Training materials translated into Mongolian by the locals working in TİKA's Ulaanbaatar Coordinator ship were used. At the end of the training, participants were awarded the certificates prepared by TCA's Audit Development and Training Centre (DEGEM).

## SAI Turkish Court of Accounts International Activities

## EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes (WGAFADC) Training Seminar



The training seminar by EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes (WGAFADC) with the theme of “Experience of development and possibility for Supreme Audit Institutions to implement ISSAI 5500 “Guidelines on Audit of Disaster-related Aid” was held on 20-21<sup>st</sup> October 2015 at the Gölbaşı Training Facilities of the Turkish Court of Accounts (TCA) with TCA acting as the host and the Ukrainian SAI acting as the chair. The President of the TCA, Assoc. Prof. Dr. Recai AKYEL, and the President of Disaster & Emergency Management Authority, Dr. Fuat OKTAY delivered speeches at the seminar on 21<sup>st</sup> October 2015. In addition to the TCA, the SAIs of Ukraine, Albania, Latvia, Moldova, Poland, Romania and Serbia participated in the program.

## SAI Turkish Court of Accounts International Activities

## Memorandum of Understanding Signed With INTOSAI Development Initiative (IDI)

A delegation from the Turkish Court of Accounts (TCA), headed by the President of the TCA, Assoc. Prof. Dr. Recai AKYEL conducted a study visit from 12-14<sup>th</sup> October 2015 to the INTOSAI Development Initiative (IDI), which acts as the capacity building Secretariat of the International Organization of Supreme Audit Institutions (INTOSAI) and its centre is located in Oslo, Norway, in order to have negotiations for developing the cooperation between the two entities. Within the scope of the visit, the delegation visited the Chairman of the IDI Board and Auditor General of Norway, Per-Kristian Foss, in his office. As a result of the said meetings, common work areas were determined between the TCA and IDI, and a Memorandum of Understanding was signed for developing cooperation in those areas.



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## Commencement of ECOSAI Training Program

Training Program on the "Implementation of ISSAIs" hosted by the Turkish Court of Accounts (TCA) under Economic Cooperation Organization Supreme Audit Institutions (ECOSAI) started with the opening speech of the TCA President Assoc. Prof. Dr. Recai AKYEL who is also the President of ECOSAI addressing the participants of the training. The training was held in the Training and Social Facilities of the TCA from 29<sup>th</sup> September to 8<sup>th</sup> October 2015. A total of 19 auditors from Afghanistan, Azerbaijan, Palestine, Pakistan, Iran, Kazakhstan, Kyrgyzstan, TRNC, Tajikistan and Turkey participated in the training.



SAI Turkish Court of Accounts International Activities

INTOSAI Working Group Meeting held in Ankara



Joint Meeting of the Subgroups 1 and 2 of the INTOSAI Working Group on the Fight against Corruption and Money Laundering (WGFACML) was hosted by the Turkish Court of Accounts (TCA) at the Gölbaşı Training and Social Facility. The meeting which took place with the participation of representatives from Germany, Austria, Czech Republic, Ecuador, Malaysia, Namibia, Poland, Russia and Turkey started with the opening speech of the President Assoc. Prof. Dr. Recai AKYEL on 28<sup>th</sup> July 2015. The meeting ended on 30<sup>th</sup> July 2015.

# OFFICE OF THE AUDITOR GENERAL OF PAKISTAN

## 2016



### Auditor General of Pakistan SAI Activities

- ◆ Pre-Engagement Activities
- ◆ Auditing Public Private Partnerships by SAI Pakistan
- ◆ Performance Audit of the Post-Disaster Activities
- ◆ 20th GBM Dushanbe Tajikistan
- ◆ Participation in 67th INTOSAI GBM
- ◆ IDI ASOSAI Meeting at Jakarta, Indonesia
- ◆ Conclusion
- ◆ References



### Pre-Engagement Activities in the Context of Mandatory Audits of an SAI (By Amir Usman - Director, DAGP)

In pursuit of fulfilling public expectations the public sector auditing has now evolved into a discipline of integrated activities, each governed by a set of internationally recognized auditing standards. Following briefly describes different stages of an audit cycle.

- Preliminary Engagement Activities –include assessing the audit entity and the audit firm for the suitability of both to enter into an audit engagement. This is also called ‘Pre-Engagement Phase’.
- Audit Planning – is obtaining an understanding of the entity and its environment in order to assess audit risks on the basis of which overall audit strategy and audit plans are developed.
- Execution of audit planning –is the next stage which involves evidence gathering against planned audit objectives through applying tests of controls and substantive procedures.
- Result Evaluation and Reporting– involves procedures to develop conclusions over audited population and reporting the same in standardized format.
- Follow-up – is the last stage of audit cycle involving the follow-up of the implementation of audit recommendations.

Preliminary engagement activities are performed by the auditor in

order to take a decision about whether to accept a new client or continue engagement relationship with an existing client. the suitability is examined by considering factors like:

Evaluations made in this phase involves assessing the suitability of the auditor in terms of competence and ethical requirements to take up the audit and assessing the audit entity in terms of acceptability of reporting framework and integrity of key management and those charged with governance. For an audit firm, the result of this activity is in the form of decision to reject or accept the engagement and, if the engagement is accepted, finalization of terms of engagement.

However, SAIs are not always in a position to reject an engagement relationship. In practice most of the SAIs are duty bound by their mandate to take up certain audit engagements like attestation of the accounts of central government. Therefore, the aforementioned analysis for assessing suitability of the engagement in the context related auditing standards becomes irrelevant as regards decision for accepting the engagement relationship or not. Nevertheless, this does not mean that for such mandatory audits the SAIs do not need to go into pre-engagement activities at all. The nature of pre-engagement activities is such that it goes a long way towards helping the SAI in developing suitable responses to adverse conditions of the engagement as withdrawal is not the option.

In the context of a SAI, following activities are involved in pre-engagement assessments:

⇒ Ascertaining availability of suitable engagement team and its independence

- Audit team's experience with audit engagements of a similar nature and complexity.
- Audit team's capability of performing audit in compliance with all relevant ISAs; implying that the team is familiar with all ISAs relevant to the engagement.
- Experience of the audit team warranting its ability to apply professional judgment and its ability to comply with the quality control policies and procedures.
- Availability of experienced personnel to supervise the engagement performance and conduct quality control reviews.
- Assuring independence of the engagement team. It is required for the audit team in order to comply with the ethical requirements as laid down in auditing standards.
- Assessing requirements of outsourcing and availability of related quality assurance arrangements.

⇒ Ascertaining integrity of those who matter in audit entity's management – this is evaluated by considering factors like:

- Business reputation of the managers of the entity.
- Business practices and nature of operations of the entity.
- Attitude towards auditors and response to audit recommendations in the past. A reputation of imposing limitations on the audit is an indicator of bad management practices.
- Related parties and their reputation.

⇒ Evaluating other significant matters like:

- Acceptability of the Financial Reporting Framework of the Entity.  
Changes in the entity's functions and operations from the previous year.
- Significant issues highlighted from last year's audit.
- Professional and legal responsibilities.

As is stated earlier, unlike audit firms an SAI, because of its mandatory audit requirements, is not in a position of rejecting the engagement assignment even if the pre-engagement analysis suggests so. However, such analysis is always useful in identifying the resources need for the engagement. It is also helpful in indicating certain macro risk situations prevailing in the audit entity and sometimes even the possible outcome of the audit. Therefore, pre-engagement activities always have a positive impact in the strategic planning of the engagement.

For example, the aforementioned analysis would result in following:

- SAI would be able to conclude about the adequacy of Financial Reporting Framework adopted by the audit entity. In extreme conditions inadequacies in Financial Reporting Framework might warrant modification of opinion and that would be indicated beforehand.

SAI would be able to assess its capability to perform the engagement and arrange audit resources for mandatory engagement either by cutting down its non-mandatory audit work or by considering outsourcing of certain audit functions.

In some cases reducing audit scope may also present a solution to resource inadequacy.

If the audit entity carries a reputation of imposing limitations on the engagement work,

the SAI would be able to design alternative measures beforehand since withdrawal is not an option.

- Having an understanding of macro risk situations of the entity would enable an SAI to explore the need of employing outside experts or other government agencies.
- Risk profile of the audit entity and related parties would also help in identifying specific complexities in the audit assignment which would enable the SAI to evaluate their impact on strategic planning of the engagement.
- SAI would be in a better position to evaluate risks to compliance with ethical requirements and take measures against these risks.
- An assessment of the capability of SAI to take on the engagement and understanding of entity's risk profile would be helpful in making adjustments to quality control mechanism.

Aforementioned pre-engagement activities present a picture of strength and weaknesses on part of SAI and the audit entity both. As such this analysis would result in ascertaining the resource needed for a particular audit assignment and potential observations against entity's accounting and accountability inadequacies.

These considerations warrants to take up pre-engagement activities even for mandatory audits, not with the objective of making decision about the acceptability of the engagement but for enabling the SAI to develop better responses to the foreseen problems with the engagement.

### AUDITING PUBLIC PRIVATE PARTNERSHIPS BY SAI PAKISTAN: (THE WORK AHEAD)

(By Muhammad Raza Shah- Director, INTOSAI DAGP.)

#### SUPREME AUDIT INSTITUTION (SAI) PAKISTAN

The Department of the Auditor General of Pakistan (DAGP) is the Supreme Audit Institution of the Pakistan. The mission of SAI Pakistan is to serve the nation by promoting accountability, transparency and good governance in the management and use of public resources. The core values of the SAI Pakistan are Integrity, Quality and Partnership.

Presently, DAGP conducts various types of audits, including Compliance Audit, Certification/Financial Audit, Performance Audit, Project Audit, Foreign Aided Projects (FAP) Audit, Audit of Public Debt, IT Audit and Environmental Audit etc.

#### PUBLIC PRIVATE PARTNERSHIP IN PAKISTAN

In simple terms, the Public Private Partnership refers to an arrangement where the public and private sectors come together in a long term partnership for a mutual benefit. For a country like Pakistan PPP is very important for infrastructure development leading to increased economic and social development. The concept of PPP is relatively new for Pakistan and it is still in an evolutionary phase. Since early 1990's the telecom and energy sectors were the first to experience Public Private Partnership.

More recently the government has taken up a number of Public Private Partnership projects in areas like small scale energy projects; transport and logistics; municipal services; agriculture extension; primary health care, social services and poverty alleviation etc. Perhaps the increased PPP projects in Pakistan are a result of fiscal constraints which have pushed the government to resort to innovative ways and approaches to Public Private Partnership initiatives. Moreover the private sector has also grown and expanded in recent years creating increased opportunities for the government to undertake Public Private Partnership collaborations.

The Government of Pakistan took a major step towards streamlining and institutionalizing the Public Private Partnership in 2007 by issuing a comprehensive policy document on PPP. The government also set up a task force with the purpose to formulate a policy, regulatory and legislative structure that is conducive to creating a PPP market in Pakistan. The government has also established an Infrastructure Project Development Facility (IPDF) under the Ministry of Finance. IPDF is assigned to provide easy and timely access for Institutions, to ensure that viable good quality PPP deals are concluded in a timely manner.

#### AUDIT OF PUBLIC PRIVATE PARTNERSHIPS

The concept of Public Private Partnership (PPP) is not new for SAI Pakistan, however it is only recently that the PPP audit are being considered for inclusion in the audit work of SAI Pakistan. The Strategic Plan (2015-19) of Department of Auditor General of Pakistan also stresses on conducting PPP audits. During the last few years the SAI Pakistan has undertaken a considerable number of compliance and performance audits of

PPP projects where the audit teams concentrated on Public Private Partnership (PPP) issues. However, SAI Pakistan has not so far carried PPP Audit as a standalone audit activity. The increased activity of the government with regard to Public Private Partnerships requires serious attention of SAI Pakistan towards recognizing it as a separate audit. Since the concept of PPP in Pakistan has not yet attained maturity, therefore, the government has resorted to unique arrangements with private sector under the umbrella of PPP. It has generally been seen that the Government of Pakistan places huge sums at the disposal of private sector in PPP projects. In this situation the role of public auditors becomes extremely important to assess that these arrangements are fair, transparent and in larger public interest. It is therefore of significance that the audit of the PPP projects is carried out by the SAI Pakistan. Undertaking PPP audits by SAI Pakistan would not only be of Interest to the policy makers and implementation agencies but it will also help bring to the forefront the economy, efficiency and effectiveness of the government's PPP initiatives.

Since SAI Pakistan has adopted International Standards of Supreme Audit Institutions (ISSAI) in 2011, therefore, SAI Pakistan can carry out PPP audits in accordance with ISSAI 5240 'INTOSAI Guidelines on Best Practice for the Audit of Risk in Public Private Partnership (PPP)'.

### CHALLENGES IN CONDUCTING PPP AUDITS

Based on the experience of Compliance and Performance audits of PPP projects, the audit teams carrying out PPP audits may face the following challenges:

- The timely provision of auditable record by the management would be the biggest challenge for the audit teams conducting PPP audits. It would not be easy to obtain the auditable record pertaining to the private participants.
- Lack of coordination among the public and private participants and various wings of the PPP project may result in delay in holding entry and exit meetings with the management.
- The site visits of the selected areas of projects by the audit teams in a timely manner may not be easy.
- Lack of experience and training of the audit teams in PPP audit might impede the smooth conduct of audit.
- There might be some difficulties in finding and engaging the experts of the relevant field to assist the public auditors.
- The audit teams may find some difficulties in preparing the audit report in accordance with the prescribed format for such reports.

### PERFORMANCE AUDIT OF THE POST-DISASTER ACTIVITIES

(By Bismah Farrukh Khan –Deputy Director IR&C, DAGP)

#### Introduction

Disaster management activities refer to the responsibility of the government to restore, rehabilitate, recover, recondition, and reconstruct all aspects of affected region including human lives and their well-being. In the post-disaster phase, government prepares the plan and allocates budget to implement the programs with anticipation of the next possible disasters.

When a disaster strikes at a region it requires comprehensive administration of all aspects of disaster management as the disaster destroys the social systems in terms of individual existence, social affairs, physical and institutional infrastructure, economy, governance and public service facilities.

Post-disaster management also includes two broad kinds of activities. First, management related to the disaster itself and second, management related to the coordination and control of humanitarian assistance provided to the disaster affected region in the form of cash or in kind.

The management of activities related to humanitarian assistance includes the government support and implementation of various programmes by distributing aid in the form of cash and in kind. These are done directly or indirectly through different operating agencies to the disaster affected region. Disaster related aid could come from the government budget, donors and from the international community.

Post disaster management comprises two sets of activities:

- Emergency response activities
- Non-emergency activities

**Emergency response activities** include Rescue, recovery, first aid assistance, evacuation of the injured and burial of the dead; Emergency assistance and services (shelter, water, medicines etc.); Emergency food aid; and Coordination of the relief and assistance actions and crisis communications.

**Non-emergency activities** involve sustained rehabilitation and reconstruction of affected areas

or communities. In both emergency and non-emergency activities of a post disaster scenario, assistance in the form of cash or in kind would be needed to normalize the crisis situation. The assistance comes either from the local community or non-local community, as well as from institutional or non-institutional organizations. Sometimes these activities are implemented without considering and coordinating with the disaster management programs and system established by the government. In cases where the aid is coming to the affected community through the government resources, the respective SAI would have an authority to audit, either financial, performance, compliance or special purpose audit to verify and measure the programs implemented by the government. If the aid is coming directly to the affected areas without involving the government, there will not be any checks and controls on what assistance is coming and in what form, and as a result the SAI would not have authority to conduct audit on that.

During emergency response phase, a performance auditor may review the operations. Review may focus on the assessment of damage and loss, rescue and evacuation of victims, fulfillment of basic needs, and operation of control procedures during emergency phase, aid collection, storage and distribution. Review may also include accounting of disaster-related aid, data preparation on disaster victims and loss done by executing agencies. The SAI may assign the auditors to observe the manner, procedures and systems of handling relief goods and services.

Auditors need to apply the criteria and parameters of performance audit to evaluate economy, efficiency and effectiveness of the development

projects undertaken in the rehabilitation and reconstruction phases. Performance Audit may cover:

- The economy of administrative activities in accordance with sound administrative principles and practices, and management policies.
- The efficiency of utilization of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies
- The effectiveness of performance in relation to achievement of the goals of the audited entity, and audit of actual impact of activities compared with intended impact.

#### Methodology:

Auditors can assess the effectiveness of disaster-related expenditure in terms of results. They can do so by directly examining the targets which can be achieved by consulting the intended final beneficiaries of the aid. The SAIs can actively seek the responses of the affected population by use of interviews and surveys and also by consulting civil society organizations. SAIs can gather evidence by sending auditors on the place of disaster to evaluate how disaster-related aid was selected and distributed from the unbiased responses of the disaster victims. SAI could use some scientific tools like Geo-spatial information, Global positioning system and Remote sensing to conduct performance audit, especially in the post-disaster phase, use it more efficiently by reducing the cost of sending staff to go physically to certain affected areas, thus saving time and efforts.

This can effectively ensure that the activities are implemented properly according to the required situation and facts found on site post-disaster management phase that a performance auditor needs to consider, which are:

#### Critical areas in Performance auditing:

There are certain critical areas in the .

- **Damage and needs assessment:** The damage and needs assessment process is a way of identifying the destruction caused by a disaster, the location of the victims and their basic requirements. This assessment is then used for providing shelter, emergency food and water and distributing donations or financial support to the victims.
- **Aid selection:** The aid provided should meet the victims' particular needs. Damaged or outdated stocks should be avoided though it is very difficult to ensure this in the aftermath of a disaster when there is panic everywhere. The selection of aid is more effective if it is based on a suitable needs assessment.
- **Aid collection:** Aid is collected from various donors. Aid collection begins with the agreement between donors and recipients. Donors thus comprise governments (international, domestic and local) and private donors (philanthropic organizations, corporate donors and individuals). The agreement is followed by the commitments made by parties engaged in the agreements and ends with the disbursement itself.

- **Procurement:** The financial aid can be used for procuring the essential goods and services in order to meet the victims' needs. It is pertinent to ensure that the procurement processes are cost-effective with due regard to questions of quality, quantity and timeliness.
- **Storage:** The goods and materials donated in kind or purchased using financial aid are inventoried and stored so that they can be retrieved to meet the victims' requirements.
- **Distribution:** Distribution is the course of moving goods and materials from the storage space to the disaster victims, either directly or through the appropriate distribution channels.
- **Infrastructure building:** Infrastructure damaged or destroyed by disaster must be repaired or rebuilt and made operational. At the same time, new disaster resilient infrastructure can be constructed to prevent and mitigate future potential disasters.
- **Reporting:** There should be a reporting mechanism for the recipients of disaster-related aid to comment on the economy, efficiency and effectiveness of the management and use of financial and in-kind contributions received.

**Accountability:** The donors require recipients of disaster-related aid to account for their management and use of funds and in-kind contributions received with due regard to economy, efficiency and effectiveness. This can cause multiple reporting by recipients who are expected to comply with the individual accountability and also the audit requirements of each donor. However, due to all these reporting requirements, the recipients feel heavily obligated and this may lead to the diversion of resources away from relief and reconstruction activities.

It is important to consider that the information provided for the purposes of accountability, whether in an ex ante investigation or an ex post requirement of disclosure may improve transparency and accountability of the resources employed for the survival and betterment of the disaster victims.

In performance auditing, auditors should consider it very important to see the level of coordination among the different organizations involved in the post-disaster management activities. Often it is found that there are many organizations involved in this phase while duplicating efforts and not coordinating their activities to best serve the affected people with the efficient resource management. The performance auditor should look into the specific roles and responsibilities of the agencies and address the issues of duplication of functions i.e. many responding agencies doing the same work but separately without coordination, tangible linkages for a harmonized response strategy, coordination and communication between the responding agencies. For the purpose of performance audit of post-disaster management, the auditor also needs to be well aware of the best practices and frameworks established in the country for developing its strategic plan. The annual plans should be reviewed by auditors to identify goals and targets and establish areas of priority. This understanding would help the auditor in developing and evaluating the existing national and local post-disaster management initiatives. Moreover, the information would provide a basis for setting up priorities by the responding agencies and benchmark criteria for conducting the audit.

The post-disaster impact assessment includes qualitative and quantitative information to identify the strengths and weaknesses of risk assessment, including any possible deficiencies in essential approaches, methodologies, data collection methods, and governance arrangements and also to promote awareness of disaster risks.

This impact assessment could be a component of a broader post-disaster evaluation report. The post-disaster impact assessment would help in explaining the deficiencies in governance arrangements. Hence, the planning and implementation of post-disaster management activities as to what was and what should have been can be critically commented on by the auditor.

The assessment can provide the auditor with relevant information regarding collection and dissemination of data on economic losses, insured and uninsured financial losses, and other disaster impacts in standardized formats and promoting consistency of national, sub-national, regional and global databases, collection and dissemination of consistent data on post-disaster government spending and updating data on hazards, exposures and vulnerabilities.

### **Challenges in Performance Auditing of Post-Disaster Phase**

⇒ Some challenges that the auditor may face in conducting performance audit of post-disaster phase are as follows:

#### **⇒ Mandate of the SAI**

It depends on the mandate of each SAI whether they have an obligation or a right to audit disaster management and disaster-related aid and the type and extent of that audit.

#### **Flexibility in decision making**

Special consideration should be given to post-disaster emergency activities. The nature and circumstances of an emergency response requires a degree of flexibility and immediate decision-making that may mean disregarding existing procedures or law or applying them via abbreviated processes in order to save lives.

It would still be expected that there would be a legal framework underpinning emergency procedures as there is often an increased risk of fraud and corruption in the event of a future disaster.

#### **⇒ Risk of fraud and corruption**

When the emergency period is over the need for flexibility should also minimize and auditors can use the normal audit rules and procedures. There can be an increased risk of fraud and corruption in procurement process especially the ones associated with high volumes of public expenditure on reconstruction projects. Moreover, the auditors may also need to perform careful examination of tax revenues and insurance recoveries.

#### **⇒ Audit Team Skill**

Auditors need to consider following aspects while planning audit of disaster management:

- Entire process of disaster management including the management of disaster-related aid,
- How the main participants and stakeholders operate,
- Awareness of each main participant's arrangements for audit,
- Familiarity with any disaster management plan which exists (including any revisions),
- Accounting practices and national legal requirements.

SAI audit team needs to be competent and should have the required skill to audit disaster-related issues and aid. Depending on the audit topic, where specialized knowledge is required for the particular topic a multi-disciplinary team comprising auditors of engineering, economics, social science background may be employed to make the team as a whole competent to conduct the audit effectively.

## SAI PAKISTAN

### SAI Pakistan International Activities

20th ECOSAI Governing Board Meeting September 21<sup>st</sup>, 2015 Dushanbe, Tajikistan



The 20<sup>th</sup> ECOSAI Governing Board Meeting was held on September 21<sup>st</sup>, 2015 in Dushanbe, Tajikistan. Mr. Rana Assad Amin Auditor-General of Pakistan and Secretary General of ECOSAI attended the meeting from Pakistan.

The Auditor General of Pakistan introduced himself with a reference to the positions held by him prior to assuming the responsibilities of head of SAI Pakistan. Mr. Rana Assad Amin also assured the GBM that the decisions taken in the meeting will be implemented and he also informed that he is a firm believer that SAIs should be accountable and transparent.



## SAI Pakistan International Activities

## International Seminar on "role of SAI as an Institution of Accountability"



Mr. Rana Assad Amin, Auditor General of Pakistan and Mr. Jamal Abdul Nasir Usmani, Deputy Auditor General attended the two day seminar on "Role of SAI as an Institution of Accountability" from 26-27 October, 2015 at Dhaka, Bangladesh.

The seminar started with a Theme Paper presentation by SAI Bangladesh followed by Country Paper presentation by each SAI. The Theme Paper was discussed by a group of panel discussants. The participants also made their comments, queries and suggestions on the issues which paved the way of sharing mutual knowledge and experience.

## SAI PAKISTAN

### SAI Pakistan International Activities

#### Participation in the 67th ITNTOSAI Governing Board Meeting



67th INTOSAI Governing Board Meeting was held on November 10-11, 2015 at Abu Dhabi, United Arab Emirates. Mr. Rana Assad Amin, Auditor General of Pakistan and Ms. Saima Sabah, Director (International Relations and Coordination) represented the SAI Pakistan.

## SAI Pakistan International Activities

IDI-ASOSAI Meeting with SAI Management and Key Stakeholders  
from 9-11 December 2015, at Jakarta, Indonesia



The Auditor General of Pakistan Rana Assad Amin has reiterated his firm resolve to make all out efforts to fight corruption. He expressed these views during the IDI-ASOSAI Meeting with SAI Management & Key Stakeholders from 9-11 December 2015, at Jakarta, Indonesia. The meeting aimed at discussing and deciding on eight capacity developing programmes introduced by the INTOSAI Development Initiative (IDI) for the Supreme Audit Institutions. The Auditor General attended the meeting accompanied by Mr. Muhammad Raza Shah, Director of the Department of the Auditor General of Pakistan.

#### D-8 Secretariat Istanbul Turkey:

Two officers Mr. Ijaz Ahmed Mansoor Malik, Director General Audit Works (Provincial), Lahore and Mr. Hashim Raza, Director (IR&C) proceeded to Istanbul, Turkey on January 17, 2016 for the external audit of D-8 Secretariat's Budget for the period 2013-2014.

## SAI PAKISTAN

### SAI Pakistan International Activities

50th Governing Board of ASOSAI from 15-19<sup>th</sup> February 2016, at Chiang Mai, Thailand



A team of SAI Pakistan comprising Mr. Javaid Jehangir, Additional Auditor General and Mr. Khurram Raza Qureshi, Director General (IR&C) participated in the meetings of Capacity Development Committee, 50th Governing Board of ASOSAI and International Symposium on National Integrity System (NIS) at Chiang Mai, Thailand w.e.f. 15.02.2016 to 19.02.2016.



## SAI PAKISTAN

### SAI Pakistan International Activities

#### 97<sup>th</sup> International Intensive Training Program in Performance Auditing



The Supreme Audit Institution (SAI) of Pakistan takes pride in maintaining its tradition since 1981 of holding International Intensive Training Program every year. Up till now the Performance Audit Wing of SAI Pakistan has trained 348 officers from different 36 countries.

The Performance Audit Wing conducted 97<sup>th</sup> International Intensive Program (ITP) from 18-01-2016 to 12-02-2016. Out of total 21 participants, 11 participants were from SAIs of Turkey, Kingdom of Bhutan ,Nepal, Bangladesh Afghanistan and Kyrgyzstan.

## SAI PAKISTAN

### SAI Pakistan International Activities

Visit by the Auditor General of Pakistan to the 97<sup>th</sup> ITP in Performance Auditing



The course was interactive and proved a rich academic experience for the participants. SAI Pakistan upheld its tradition of hospitality. Besides intense class activity, participants also had recreational trips and study tours which gave a feel to our foreign guests of rich Pakistani culture and heritage.

## SAI Pakistan International Activities

3rd seminar on strengthening the integrity in the public sector at Szarvas, Hungary:



Ms. Shagufta Khanum, Additional Auditor General-II (B-22) participated in 3rd seminar on strengthening the integrity in the public sector on 21-02-2016. The seminar was held from February 22nd to 26th 2016 at Szarvas, Hungary. This seminar was 3rd in a series of seminars arranged by State Audit Office of Hungary on the subject of transparency and integrity in public sector organization.

ECOSAI training course ISSAIs from March 14-26th, 2016 at Ankara, Turkey:

Four trainers/facilitators Ms. Raheela Saad, Director General, Ms. Fizza Pervaiz Afzal, Director, Mr. Muhammad Amir Usman, Director and two trainees Ms. Zeba Gul, Director and Mr. Muhammad Ishaq, Director have conducted/attended the training course on ISSAIs from March 14-26th, 2016 at Ankara, Turkey.

This course was arranged with the help of the Turkish Court of Accounts and TIKA for the ECOSAI countries and was an advance course on ISSAIs.

## ECOSAI Strategic Plan 2016-21

## ECOSAI strategic plan 2016-21

The Preparation of ECOSAI Strategic Plan 2016-21 is in progress. The first Strategic Plan for making ECOSAI a vibrant and effective organization was prepared for the period 2013-2015 by a Working Group that was formed during extra ordinary session of ECOSAI Assembly which was held along with 16th ECOSAI Governing Board Meeting in Turkey in 2011.

The Working Group comprised experts from member SAIs, proposed a draft Strategic Plan for period 2013-2015. The draft Strategic Plan was presented in 17th ECOSAI Governing Board Meeting in November 08-2012 for approval. During the 20th Governing Board Meeting of ECOSAI held in Dushanbe Tajikistan in September 21-22nd, 2015, the progress on various objectives of Strategic Plan was evaluated. The need was felt that as the strategic Plan has completed its time period it may be revised for the next three years. For this a Working Group was designated including members from SAI Pakistan, Iran and Turkey. The draft Strategic Plan will be submitted to the upcoming Assembly Session in October 2016 for approval.

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**AUDITOR GENERAL OF PAKISTAN,  
CONSTITUTION AVENUE,  
ISLAMABAD PAKISTAN**

Phone: 92 51 9224080

Fax: 92 51 922 5243

Email: [agp@agp.gov.pk](mailto:agp@agp.gov.pk)

WE ARE ON THE WEB

[WWW.AGP.GOV.PK](http://WWW.AGP.GOV.PK)

[WWW.ECOSAI.ORG.PK](http://WWW.ECOSAI.ORG.PK)

## Editorial Board

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## ECOSAI Information

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**Secretary General**

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**LAYOUT / GRAPHICS**

**DESIGN BY:**

MUHAMMAD SOHAIL KHAN

ASSTT: AUDIT OFFICER (IT)

OFFICE OF THE AUDITOR GENERAL OF PAKISTAN

CONSTITUTION AVENUE, ISLAMABAD PAKISTAN.

PHONE: 92 51 921 9673

EMAIL: [webmaster@agp.gov.pk](mailto:webmaster@agp.gov.pk)

