

# ECOSAI CIRCULAR

Autumn-2016



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## 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.

## 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.

## CORE VALUES

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

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## ECOSAI INFORMATION

### President

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President of the Turkish Court of Accounts

### Secretary General

Rana Assad Amin,  
Auditor General of Pakistan

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## FOREWORD

Dear colleagues,

It is our pleasure that the ECOSAI Secretariat is presenting the Autumn issue of the ECOSAI circular, 2016 for which we have contributions from seven member states. The Circular has been designed in a manner that contributions comprising valuable experiences, current events, news and knowledge sharing from each member SAI are compiled and arranged in alphabetical order.

We hope that this issue of Circular will contribute towards achieving the important objectives of sharing knowledge and mutual experiences through professional articles and news items sent by the member countries. This will also help member SAIs understand each other better.

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

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

## MESSAGE FROM THE SECRETARY GENERAL

Dear ECOSAI members,

It is a significant accomplishment of the ECOSAI Secretariat to publish second issue of ECOSAI Circular during 2016 with active support from ECOSAI member countries.

ECOSAI is a great forum to strengthen our bonds of friendship which are deeply rooted in religion and provides us an opportunity for mutual sharing of ideas, values and principles governing public sector auditing.

The 7th ECOSAI Assembly and Symposium and 21st Governing Board Meeting will be held in the month of October, 2016 and we look forward to meeting all the esteemed colleagues. For this issue of the Circular we have received valuable contributions from seven ECOSAI member states which is a significant number and an encouraging sign for the upcoming event of ECOSAI GBM and Assembly meetings.

In my capacity as Secretary General of ECOSAI, I would also like to urge the ECOSAI members to further extend co-operation in capacity building activities and effective implementation of the training plan.

(RANA ASSAD AMIN)  
 Auditor General of Pakistan / Secretary General  
 ECOSAI

## THE SUPREME AUDIT OFFICE AFGHANISTAN



### Summary

- Responsibilities of SAO Afghanistan
- SAO Afghanistan's Role in the fight against corruption
- SAO Afghanistan's planning against corruption
- What is Professional development
- Afghanistan SAO Trainings
- Conference on Identification of Practical Approaches for Encountering Administrative Corruption
- Meeting with top command of the combined Security Transition Command Afghanistan

### Afghanistan Supreme Audit Office's (SAO) Role in the fight against corruption



(By Prof. Dr. Mohammad Sharif Sharifi, Auditor General, Supreme Audit Office)

Afghanistan's Supreme Audit Office (SAO) is responsible for the audit of government revenues and expenditures. Our role as SAO is to oversee the way public finances are managed in Afghanistan. Through our work, we promote public sector accountability within the country by scrutinizing public financial management and reporting on whether public bodies are using public funds as directed. This in turn helps in ensuring good governance within government institutions.

SAO is committed to fighting corruption in the country. To combat corruption, SAO is currently using approaches like; focusing our audit planning on areas of high corruption risk; working closely with other institutions (like the Attorney General and Parliament); and publicizing the recommendations of audit reports on our website. Any cases of fraud or misuse of public funds discovered during the audits are always referred to the Attorney General for action. SAO is also on hand to give support to the Attorney General as an expert witness when these cases go before courts of law.

In the fight against corruption, SAO plays an indirect role by focusing on **deterrence and prevention**. Our audits (financial, compliance and performance audits) focus on identifying internal control weaknesses and recommending ways of strengthening the internal controls in place. This in turn helps to promote strong public financial management.

SAO's work focuses on reviewing and reporting on the system of financial checks and controls in place. This helps ensure that there is transparency in the reporting of government spending. Strong financial checks and controls can help dissuade people from engaging in corrupt practices.

### **Critical factors needed for our SAO to be successful in the fight against corruption**

It should however be noted that for our work to be successful in the fight against corruption, there is need for other concerned government agencies to be more pro-active in their roles e.g. any cases forwarded to the Attorney General's office should be expeditiously dealt with. It is also critical that the Parliament gets to set up a Public Accounts Committee (PAC).

The role of PAC is fundamental if government agencies are to be held accountable. With the PAC in place, the various audit reports of the SAO will be reviewed, the concerned ministries and agencies called to account and give action plans for improving the identified internal control weaknesses. Without the PAC in place, SAO is having a challenge of not seeing action being taken on the various audit recommendations and audit findings. This in turn ends up fostering corruption in the various government ministries and departments since people are not seeing any action being taken against those who misuse public resources.

### **How Afghanistan's SAO plans to continue with the fight against corruption**

At SAO, our team will continue doing the following:

- 1- We will ensure that our audits focus on high risk areas for corruption;
- 2- Through the Citizen Engagement Mechanism, SAO plans to work closely with Civil Society Organizations (CSOs) and the public in identifying and investigating alleged corruption complaints from the public;

- 3- SAO will continue to publish all its audit findings on its website;
- 4- SAO will work closely with the Parliament to ensure that a vibrant PAC is put in place and is operating effectively and efficiently.
- 5- SAO will continue working closely with all the other bodies fighting corruption in Afghanistan.

### **Conclusion:**

The importance of Supreme Audit Institutions in the fight against corruption cannot be underestimated. SAIs are one of the institutional pillars (alongside the legislature, executive, judiciary, ombudsman, and electoral management bodies) upon which rest the strength of every country's integrity. For SAIs to be successful in this fight there is need to work closely with other institutional pillars. We should also keep in mind that any weakening in the effectiveness of one of our pillar institutions places a greater strain on the rest of us.

### **Continuous Professional Development Is Your Responsibility**



(By Abdallah Amiri, Prince2, CPA, CIA, CFE  
International Advisor to the Auditor General,  
Afghanistan Supreme Audit Office)

The audit profession is evolving each day as shown in the new guidelines and standards pronounced by INTOSAI. For an auditor to remain competitive, one needs to make continuous learning part of his daily program.

Capacity building and training are at the heart of the strategic plans of all SAIs and all SAI member organizations. This is the only way that SAIs can fulfill their mandates by having a well-trained and well-equipped work force.

It is however important that individual auditors take the initiative to prioritize their continuous professional development. Auditors should not rely on the SAI management to organize trainings for them. Instead, they should take pro-active action to broaden their knowledge and vision by educating themselves.

The auditors should be:

- Aware of their job description and fulfill the roles and responsibilities assigned to them.
- They should continually seek opportunities to improve their competencies and proficiencies.
- Seek professional development by free trainings and disciplines being offered on websites e.g Course Era for trainings in accounting ,finance and management etc
- Allocating time to reading articles in journals published by professional organizations like INTOSAI, ECOSAI, ASOSAI and ICGFM etc.

### Conclusion:

It is only when we take a firm resolve to educate ourselves that we can excel in our work. Let us take control of our professional development and aim at continuous improvement.

## News

### Afghanistan SAO Trainings

Training is at the core of Afghanistan SAO's strategy. The Auditor General and his team are focused on ensuring that all SAO staff acquires the requisite skills needed to efficiently and effectively perform their duties.

Skilled workforce is important to the success of our SAI. The Afghanistan SAO conducted following trainings between July and August 2016:

### IT Audit Training held in July 2016

With the Government of Afghanistan's move to the use of IT in most of its financial operations and transactions, SAO senior management saw the need to ensure that our auditors are well equipped to audit the various IT platforms like Afghanistan Management Information System (AFMIS).

SAO has therefore embarked on focused trainings for its staff in IT auditing and the use of CAATs in the audit process.



### Accounting, budget and financial report writing training course- August 2016

GIZ has been contracted to conduct a one-month training course for the Afghanistan SAO. This training is aimed at further equipping the SAO staff with the relevant skills needed to efficiently and effectively conduct their duties.





## Conference at SAO Afghanistan

### “Identification of Practical Approaches for Encountering Administrative Corruption” Conference

The Afghanistan Auditor General, Prof. Dr. Mohammad Sharif Sharifi, was a key speaker at the “Identification of Practical Approaches for Encountering Administrative Corruption” Conference held on 4th -5th June 2016 at the Intercontinental Hotel, Kabul, Afghanistan.

This high level conference focused on strategies that need to be put in place in order to fight corruption within the Afghan government. Prof. Dr. Mohammad Sharif highlighted the need for the various corruption fighting agencies to work closely together if progress is to be made in this fight. He also emphasized the urgency for the establishment of a Public Accounts Committee within Afghanistan’s Parliament.



Auditor General Prof. Dr. Sharifi addressing the conference

### Development in Member SAIs

The Auditor General and the senior management team of the Afghanistan SAO conducted various meetings with key stakeholders of the SAI between July and August 2016.

### Mutual Cooperation Agreement signed between Afghanistan Supreme Audit Office and the Thailand Auditor General’s Office

In March 2016, the Afghanistan top leadership led by the Auditor General, Dr. Mohammad Sharif Sharifi signed a Mutual Cooperation Agreement with Thailand’s Auditor General.

As part of this agreement, Afghanistan and Thailand’s SAIs will be sharing training, learning and professional development experiences.



Afghanistan SAO Auditor General, Prof. Dr. Mohammad Sharif signing the agreement with his Thailand SAI counterpart

### SAO Deputy Auditor General meets the top command of the Combined Security Transition Command- Afghanistan (CSTC-A)

Mr. S.M Mehdi Hussaini, Deputy Auditor General and Mr. Abdallah Amiri, the International Advisor to the Auditor General met with Gen. Gordon Davis, the CSTC-A Commander and his top management in May 2016 at the CSTC-A Headquarters.

This meeting primarily focused on ways in which the Supreme Audit Office can work more closely with the CSTC-A team. Gen. Davis and his team pledged to keep supporting the SAO and to further link it to other partners for capacity building support.





### Summary

- Responsibilities of SAO Afghanistan
- New President of SAC Iran Prof. Dr. Adel Azar
- Audit of Information Technology (IT)
- Secretary General INTOSAI visited the SAI Iran
- Delegation from SAI Turkey visited SAI Iran
- ECOSAI Training Programs
- Signing of Memorandum of Understanding (MOU) between SAIs Iran and Pakistan
- New public prosecutor of SAI Iran Mr. Fayyaz Shaojaji

### Audit of Information Technology -IT Investment Performance Audit of Public Sector



(By Gholamreza Bazgosha, Deputy Principal Auditor Supreme Audit Court of Iran. Bazgosha51@yahoo.com )

**Keywords:** Information Technology (IT), performance audit, public sectors, non-governmental sectors, performance measurement indicators, IT performance measurement tools.

Today, investment in information technology is one of the subjects considered in all organizations. In some cases, investment in IT saves costs whereas in others increased productivity of the organizations was not found proportional to the amount of investment thus causing decreased macroeconomic indicators of profitability in both industry and services. Difference in criteria for evaluating the performance of government and non-governmental organizations has made the issue of reviewing the impact of information technology on organizational performance more complex. Also the high rate of failure of IT projects and the lack of return of investment and financial benefits results in lesser investment in technology. Organizations' interest in applying wide use of IT indicates that governmental and non-governmental organizations do not seek to develop the use of information technology in running the affairs of organization solely for financial results and profitability (IT investments). In the private sector quantitative factors including financial, strategic, competitiveness, effectiveness, improving product quality and service, supplying requirements, user satisfaction, risks, and technology may be

included as the factors to use IT and investment in this field. But in the public sector these goals will be different due to the nature of targets of executive agencies.

One of the distinctive characteristics of public sector management from private sector management is that the goals cannot easily be defined in public sector. This ambiguity results from the nature and scope of the impact of government functions. Without a measure of profit, it is difficult to measure the performance of public sector managers and behaviors should be controlled by mechanisms other than self-regulation like performance criteria in the market. Performance in the public sector is often evaluated based on highly subjective criteria by very different sectors with very different interests and this makes design of appropriate structures for evaluating the performance of investments difficult and complex. In literature of evaluating performance in public sector three E's are usually mentioned which include:

1. Economy
2. Efficiency
3. Effectiveness

### **Economy**

Many measures that are used in public sector organizations are derivatives of savings based on input which are usually calculated based on cost, budget or the human resource. The results of research in the area of savings resulting from the use of IT in government agencies and NGOs are usually very varied and sometimes in conflict with each other. The management of organizational investment on information technology has lots of costs but in order to create a reasonable balance the management has always sought regulating organizational costs while long-term investment in this respect is another issue considered by management in making decisions.

### **Efficiency:**

In this standard, the principle of calculation is based on the ratio of output to input which is to measure

the efficiency of organization and hence, quantitative information about the true success of the organization is obtained. Measuring this factor in government agencies is easier than other factors.

### **Effectiveness:**

Finally, we can say that the organizational effectiveness is concerned with outputs, needs and organizational requirements, but it is more difficult to measure. Traditional performance measurement systems that are mainly based on criteria related to economy and efficiency have limited ability to measure the effectiveness or outcome at the government agencies. Traditional performance measurement systems were always criticized because they do not include non-financial aspects of performance but in assessing the performance of investment in information technology, information of two concepts of better services and greater accountability (transparency) can be helpful.

In the public sector to assess the performance of investments in the above mentioned factors, using tools such as **Balanced Scorecard**, **Porter and Millar's information intensity matrix** and **COBIT** will be tools for evaluating the performance and effectiveness of information technology.

## News

### **Secretary General of INTOSAI visited SAI Iran**

Upon the official invitation of Supreme Audit Court of I.R. Iran (SAC) and with the purpose of expansion of the relations between INTOSAI and SAI Iran as well as developing the bilateral cooperation between SAI Iran and Austrian Court of Audit, Dr. Josef Moser, President of Austrian Court of Audit, Secretary General of INTOSAI visited SAC. Accompanied by Mrs. Monika González-Koss, Acting Director INTOSAI General Secretariat, Dr. Moser was warmly received by Mr. Amin Hossein Rahimi, Senior President of Supreme Audit Court of I.R. Iran on 10th April 2016.

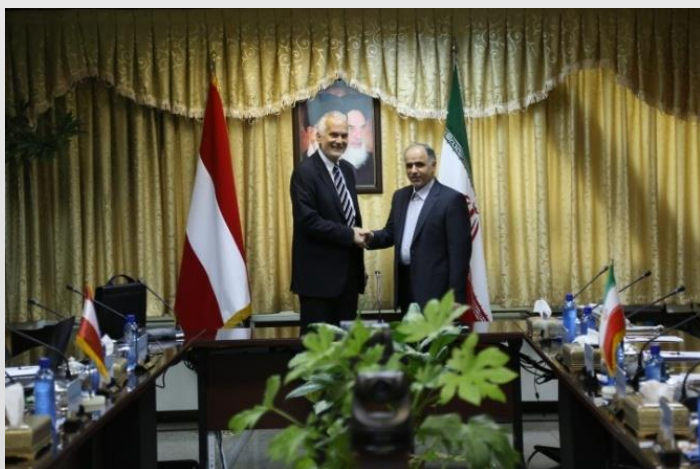
Both Presidents considered this visit as a milestone for

<sup>1</sup> Control Objective for Information and related Technologies

the expansion of bilateral cooperation between the two organizations. They agreed to sign a memorandum of understanding for the exchange of experience in the public sector audit.



Considering SAI Iran as one of the active member of INTOSAI since 1964, Dr. Moser expressed hope that INTOSAI motto “Mutual Experience Benefits All” can be fostered essentially and that Supreme Audit Court of Islamic Republic of Iran will be able to get more involved in INTOSAI activities through: UN SDG indicators, Capacity Building, including Peer Reviews, Knowledge Sharing, e.g. Working Group on extractive industries, Standard Setting and UN-INTOSAI Symposium 2017.



### ECOSAI Training Programme on Environmental Auditing held in Tehran

Due to the importance of environmental auditing for

ECOSAI member countries and in line with the implementation of ECOSAI Training Plan 2014-2017, the Supreme Audit Court of the I. R. of Iran (SAC) arranged a training programme on Environmental Auditing from 09-19 May 2016 in Tehran for ECOSAI members. The objective of this course was to enhance the knowledge and skills among the participants on environmental auditing and enable exchange of experiences.



Theoretical principles and practical aspects of environmental auditing were covered during the programme. The course titles included:

1. Overview and concepts of environmental auditing
2. Audit of water resources
3. Waste management audit
4. Audit of multilateral environmental agreements (MEAs)

The course was attended by 20 participants from Supreme Audit Institutions of Afghanistan, Azerbaijan, Kazakhstan, Iran, Pakistan, Tajikistan and Turkey.

The training programme was arranged and finalized with the cooperation of different SAC departments including Department of Environmental Auditing and Sustainable Development, Office of Training and Improvement of Human Resources and Office of Public Relations and International Affairs. In addition to this, a Scientific-Technical Committee was established in order to organize, coordinate and finalize the course content and teaching methodology. The course was delivered for 40 hours by Iranian trainers. In order to enrich the training programme and use the experience of other SAIs in environmental

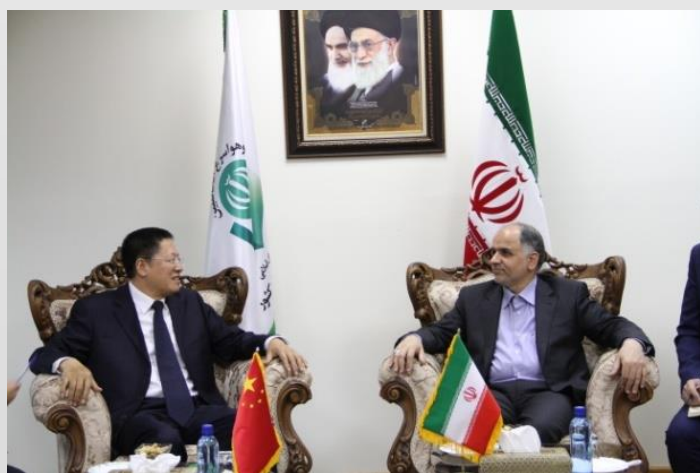
auditing Mrs. Semra EKİCİ, Principal Auditor of Turkish Court of Accounts was invited to deliver part of the course.

The course completion certificates were awarded to participants by Mr. Amin Hossein Rahimi Senior President of SAC at the closing ceremony.

### Visit of delegation from CNAO to Supreme Audit Court of Iran

A five member delegation headed by H.E. Dr. SUN Baohou, First Deputy Auditor General of the China National Audit Office (CNAO) visited SAI Iran from 28 April – 2 May 2016. During the official visit, the delegation paid a courtesy call on H.E. Mr. Amin Hosein Rahimi, Senior President and Mr. Fayyaz Shoajaei, Public Prosecutor. The delegation also met with Deputies Senior President, Directors General and Principal Auditors in the related fields where both sides exchanged ideas, experiences, knowledge and expertise in the following topics:

- Orientation with Judicial audit system in Iran
- IT Auditing including (IT audit infrastructure)
- Audit of social security
- Consultation and exchange of experience on training management



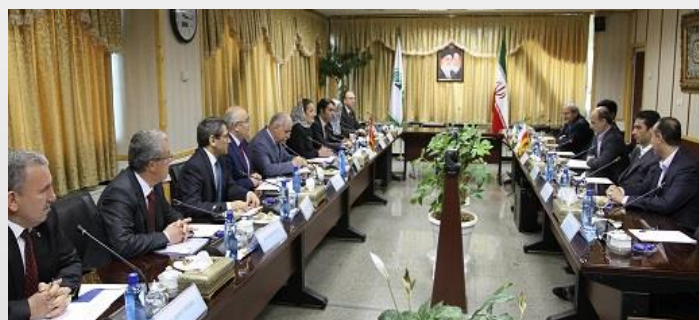
It was agreed between both sides that mutual consultation and exchange of delegations at different levels will be ensured regularly in line with the

implementation of the existing MOU.



### Delegation from Turkish Court of Accounts visited SAI Iran

In line with the signed MOU between the Supreme Audit Court of I.R. Iran and the Turkish Court of Accounts, a nine member delegation headed by Mrs. Fatma Gülriz Metin AÇIKMEŞE, Chairperson of the Chamber visited SAI Iran from 10-13 May 2016.



The objective of the study visit was to study the organization, mandates and responsibilities, work policies and to get familiarized with the jurisdictional function of SAI Iran.



The Senior President of SAC Mr. Amin Hossein Rahimi welcomed the delegation in his office on May 10. The visiting delegation also had separate meeting with Mr. Fayyaz Shojaei, Public Prosecutor of SAC, members of the Judiciary Board, Deputies of Senior President as well as the Chairman of the Training and Planning Center.

### SAIs Iran and Pakistan signed Memorandum of Understanding

On the sideline of the official visit of H.E. Mr. Rana Assad Amin, Auditor General of Pakistan and Secretary General of ECOSAI to Tehran from 17-22 July 2016, a Memorandum of Understanding was signed between the Supreme Audit Court of the Islamic Republic of Iran (SAC) and the Office of the Auditor General of Pakistan (AGP). Dr. Amin Hossein Rahimi, Senior President of SAI I.R. Iran and Mr. Rana Assad Amin, Auditor General of Pakistan 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.

In the bilateral meeting between the heads of the two organizations, Dr. Rahimi, Senior President briefed the Auditor General of Pakistan about the structure, mandates, policies and functions of the SAC. Having explained the mandates, duties and activities of AGP, Mr. Rana Assad Amin proposed that in line with the

implementation of the MOU, common audit projects in the fields of gas, electricity and environment shall be identified by the two SAIs. In addition to this, he proposed that IT audit experts are exchanged for the purpose of consultation and knowledge sharing.



During the visit, the delegation from SAI Pakistan met with Mr. Saberi, Chairman of the IV Judiciary Board.

The meeting aimed at orientation of the visiting delegation with the judicial audit system in Iran. The delegation also visited the IT audit Data Center, SANA project.

### New President of SAI Iran elected



Upon the decision of the Planning, Budget & Audit Committee of the Islamic Consultative Assembly (the Iranian Parliament), Prof. Dr. Adel Azar was nominated as the President of Supreme Audit Court of Islamic Republic of Iran. On Wednesday 20th July 2016, the Iranian Parliament unanimously approved the decision of the above mentioned Parliamentary Committee. Based on this approval, Dr. Adel Azar will serve as the President of SAC for the next four years. In the same Parliamentary session, his working policies and programmes for the management of the SAC were

announced, Dr. Azar could secure 200 out of 231 votes cast.

Dr. Adel Azar was born in 1966 in Dehloran in Ilam Province in western part of Iran. Currently, he is a Professor at Tarbiat Modarres University. He has got a B.A in Industrial Management from Allameh Tabatabaie University in Iran in 1989. He obtained his M.A in Industrial Management from Tarbiat Modares University in Iran in 1992. He also received his Ph.D. in Industrial Management, Major-Operational Research from Tehran University in Iran in 1996.

Dr. Adel Azar is a scientist known as an academic personality having authored many books and articles. In this regard he has written 28 books and 260 articles in renowned local and foreign scientific journals.

It is noteworthy to mention that former President of SAC, Dr. Amin Hossein Rahimi completed his term on 19th July 2016.

#### **Re-election of Public Prosecutor of SAI Iran**



Mr. Fayyaz Shaojai was re-elected as the new Public Prosecutor of Supreme Audit Court of Islamic Republic of Iran (SAC) on 20th July 2016 after completing his first term as the Public Prosecutor from 8 October 2013 till 19 July 2016.

Upon the decision of the Planning, Budget and Audit Committee of the Islamic Consultative Assembly (the Iranian Parliament), nomination of Mr. Shojaei as the Public Prosecutor was submitted to the open session of the Parliament for final approval. In the open

session of the Parliament, Mr. Shaojai presented his program to the MPs for assuming this position. In the election, he could secure 192 out of 226 votes cast.

In his speech at the open session of Parliament, Mr. Shojaei elaborated the achievements of the SAC through prevention policy and stress on the strengthening of internal controls at the auditee organizations.

Among the policies and programs presented are, proper interaction with the Legislature including implementation of laws and regulations passed by Parliament, using most of his abilities to safeguard public properties/funds and prosecuting those who have violated laws and regulations resulting in losses to public properties.

Having twenty four years of experience in public sector management, Mr. Shojaei served as Deputy Public Prosecutor prior to 2013, the Chief of Court branch and Assistant Prosecutor at the SAC.

Based on the Audit Act, the Supreme Audit Court of I.R. Iran has a judicial audit system which imposes administrative sanctions on government officials who violate laws and regulations. According to the same Act, after inauguration of every parliament, both President and Public Prosecutor of the SAC are to be elected by MPs.



### Summary

- Meeting of Shanghai Cooperation Organization (SCO )
- Increase of public audit efficiency in conditions of instability of the economy and global risks
- Transition to public audit
- Capacity Building and Professional Growth

### Third meeting of the Heads of Supreme Financial Control (audit) Institutions of the Shanghai Cooperation Organization (the SCO) member states held on May 27th, 2016, in Astana

SCO was founded with the aim to strengthen among member-states mutual interest, friendship and good neighborliness, peace and support, safety and stability in the region, joint reaction on new challenges and threats, encouraging efficient and mutually beneficial cooperation in various fields, promoting economic growth, social and cultural development of the SCO member-states.

The first meeting of Supreme Financial Control (audit) Institutions of the SCO member states took place in Moscow on July 26, 2010 and second meeting in Shanghai (China) on April 23-24, 2012. SCO is the permanent intergovernmental international organization established in 2001 by leaders of Kazakhstan, Kyrgyzstan, China, Russia, Tajikistan and Uzbekistan

Heads and representatives of Supreme Financial Control (public audit) Institutions of the People's Republic of China, the Kyrgyz Republic, the Republic of Kazakhstan, the Russian Federation, the Republic of Tajikistan and the Republic of Uzbekistan took part in the third meeting. Minister of Foreign Affairs of the Republic of Kazakhstan Mr. Erlan Idrissov addressed a welcoming speech.

The meeting participants discussed issues of increase of public audit efficiency in conditions of instability of the economy and global risks. Constructive exchange of views on the most relevant issues in the sphere of public financial control (audit) and perspectives of cooperation were discussed during the meeting.

In his speech, Chairman of Accounts Committee Mr. Kozy-Korpesh Janburchin emphasized the work on transition to public audit being conducted from 2016 according to the order of the President of the Republic of Kazakhstan N. Nazarbayev. The main objective of this transition was not just to reveal



financial violations but to determine causes of their origin and their prevention. In his words:

“In conditions of existing economic situation and limited resources public audit bodies should promote to the utmost the increase of efficient use of public funds. In this regard, integrating efforts of supreme public audit and financial control institutions of our countries is one of the most crucial directions of the SCO activity”

According to the Chairman of Accounts Committee of Kazakhstan, interaction of supreme public audit (financial control) within the SCO promotes capacity building and professional growth through conduct of audit activities, free and open experience and knowledge sharing, development of the most efficient ways of response to new challenges and enhancing the efficiency of public audit.



Auditor General of China Mr. Liu Jiayi addressed the report on activity under cooperation of Supreme Financial Control (audit) Institutions of member states of the SCO for the previous period. Chairman of Accounts Chamber of the Kyrgyz Republic Mr. U. Maripov, Auditor of Accounts Chamber of the Russian Federation Mr. A. Zhdankov, Chairman of Accounts Chamber of the Republic of Tajikistan Mr. D. Davlatzoda, Deputy Chairman of Accounts Chamber of the Republic of Uzbekistan Mr. K. Akmalov also presented their reports.

Joint statement and the Minutes were adopted following the meeting on the Action Plan under cooperation of Supreme Financial Control (audit) Institutions of the Shanghai Cooperation Organization member-states on 2016-2017.



The Joint Statement particularly declared that participants intend to promote, further enhance and intensify interaction through conducting workshops, conferences and other activities on the topical issues of public audit.

It was decided that next meeting of Supreme Financial Control (Public audit) Institutions of the SCO member-states will be held in the Kyrgyz Republic in 2018.





### MARIPOV ULUKBEK ASAMIDINOVICH



Born in August 30, 1979 in Kyrgyz-Ata village, Nook at district, Osh region.

#### Education:

In 2001, he graduated from the Osh Technological University, Osh State University, specialty - finance and credit, jurisprudence.

#### Professional experience:

1997-2001	The peasant farm "Kyzyl Ketmen", Chairman
2001-2002	Ministry of Finance of the Kyrgyz Republic, Specialist of the First Category, Lead Specialist.
2002-2003	Revenue Committee under the Ministry of Finance of the KR, Assistant to the Chairman–Deputy Minister.
2003-2005	State Administration of Batken region, Governor Assistant.
2005-2006	Parliament of the Kyrgyz Republic, MP Consultant.
2006-2008	Presidential Administration of the Kyrgyz Republic, Department of Organizational Work and Government Policy, Government and Local Self-Government Sector, Expert.

2008 - 10.2008	Presidential Administration of the Kyrgyz Republic, Department of Organizational Work and Government Policy, Organizational and Control Work Sector, Expert.
10.2008 to 10.2009	Presidential Administration of the Kyrgyz Republic, Department of Organizational Work and Government Policy, State Inspector.
10.2009 to 04.2010	Presidential Administration of the Kyrgyz Republic, Organizational and Control Work Service, Organizational and Inspectorial Work Sector, Inspector.
05.2010 to 11.2010	The Ministry of Emergency Situations of the Kyrgyz Republic, Department of International Cooperation, Head of Department.
12.2010 to 12.2011	Government Office of the Kyrgyz Republic, Department of Organizational and Inspectorial Work and Territorial administration, Inspector.
12.2011 to 04.29.2015	Presidential Administration of the Kyrgyz Republic, Assistant to the President of the Kyrgyz Republic.
04.29.2015	First Deputy Chief of Staff of the Presidential Administration of the Kyrgyz Republic.
19.03.2016	Present Chairman of the Chamber of Accounts of the Kyrgyz Republic.

**Third class State Counselor of Civil Service.**

**Civil Service Excellence**

## OFFICE OF THE AUDITOR GENERAL OF ISLAMIC REPUBLIC OF PAKISTAN



### Summary

- **Reforms and initiatives – Auditor General of Pakistan**
- **Constitution of Policy Board**
- **Public Private Partnership in Auditing – SAI Pakistan Perspective**
- **Fraud Auditing and Forensic Accounting**
- **Audit Management Information System**
- **ECOSAI Activities**
- **Study visit of SAI Turkish delegation**
- **Visit of delegation from SAI Indonesia**

### The Auditor General of Pakistan- Reforms and Initiatives

The Department of the Auditor General of Pakistan (DAGP) is the prime institution in the country for ensuring public accountability and fiscal transparency in governmental operations. The organization aims to bring improvement in the financial discipline and internal control environment in the executive departments and minimize the possibility of waste and fraud.

Rana Assad Amin took the oath as the Auditor-General of Pakistan in June 2015 after serving for more than thirty eight years in various positions in the Department of Auditor General of Pakistan and the Federal Ministry of Finance in Pakistan. His last assignment was as Advisor to the Federal Finance Minister.

He has a Master's degree in Project Management from Malardalens University, Sweden and has done his MBA from Bradford University, United Kingdom. Besides, he holds a Master's degree in Political Science and is also a law graduate. He has been associated with budget preparation and execution in Finance Division and has contributed in financial policy formulation of Pakistan at the highest level. With his vast professional and academic experience, he has represented Pakistan at various national and international forums and has had formal trainings on Corporate Governance and to counter Anti-Money Laundering and Countering Terrorist Financing. He has also been on Boards of various Public Sector Organizations. Besides holding the constitutional post of Auditor-General Pakistan, he is also the Secretary-General of Economic Cooperation Organization Supreme Audit Institutions (ECOSAI).

The Auditor General of Pakistan has undertaken a number of wide-ranging reforms to make DAGP a model Supreme Audit Institution. The Auditor General after assuming his office has initiated reforms a few of which are as under:

As part of the move towards further independence in the matters relating to public sector audit, the DAGP has proposed certain amendments in the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance,

2001. The proposed amendments in the guiding legislation will ultimately lead to greater financial and operational independence of the department.

A Policy Board was constituted by the Auditor General of Pakistan in November, 2015 to provide suggestions/recommendations on the strategic issues of government auditing and accounting and public financial management. The Policy Board consists of members including Governor State Bank of Pakistan, Secretary Finance, Chairman Federal Board of Revenue, Presidents Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and management Accountants Pakistan (ICMAP), Chairman Securities and Exchange Commission of Pakistan (SECP), President Federation of Pakistan Chamber of Commerce and Industries (FPCCI) and representatives from NGOs etc. The policy board looks after the following issues:

- Role of SAI Pakistan in establishing effective public financial management.
- Scope, coverage and priority areas of audit
- Audit approach ,methodology and techniques
- Adoption of international public sector auditing and accounting standards.
- Collaboration with other SAI's through joint audits and sharing of experiences
- Peer review of auditing being carried out by SAI Pakistan
- Creation of knowledge groups within DAGP
- Hiring services of professionals for technical audits
- Any other area of public interest

The first meeting of Policy Board was held on 1st August 2016 where the initiatives and reforms undertaken by DAGP were fully endorsed.

The Auditor General of Pakistan believes that the future of DAGP lies in special and issue-based audits instead of transaction based audit alone. A paradigm shift in audit activity has been initiated by advising all Field Audit Offices (FAOs) to allocate at least 30% of their resources for special audit activity. Gradually, the ratio of resource allocation for special audit will be increased to 40%.

The AGP constituted an Audit Reforms Committee chaired by Additional Auditor-General to shift the focus of audit towards special audits including Forensic Audit, Environmental Audit, IT Audit and Performance Audit, The Committee will propose an audit reforms package by seeking consensus of all concerned through feedbacks and seminars. Finally, the audit reforms agenda will be presented to the Policy Board for approval and subsequent implementation.

The overall quality of audit work is being improved by ensuring practical implementation of Quality Management Framework of the department. Federal Audit Operations Wing has been assigned the task to see and devise a mechanism through which supervisory staff can closely monitor and inspect the audit parties and also retain documentary evidence of their inspections and reviews.

DAGP is actively collaborating with “Development Partners” like JICA, Asian Development Bank and World Bank in various areas of capacity building and upgrade of the infrastructure etc. USAID is already collaborating with DAGP for capacity building of the staff through foreign and local trainings and audit related certification programmes.

Department of the Auditor General of Pakistan recognizes the importance of bilateral cooperation with other Supreme Audit Institutions (SAIs). In this regard, DAGP has started negotiations with a number of SAIs for signing Memorandum of Understanding (MoUs) for cooperation in public sector auditing. With formal MoUs in place the SAIs will benefit from each other's experiences through study visits,

cooperative audits and training programmes etc.

The Auditor General of Pakistan attaches great importance to integrity of the staff and the image and credibility of the department. DAGP has taken a number of initiatives in this respect and the DAGP's Code of Ethic has been prominently placed on the DAGP website. Besides, Inspection, Regulation, Vigilance and Monitoring of Training (IRV&MT) Wing of DAGP has been strengthened to help Auditor General of Pakistan in achieving his vision of an efficient and transparent department. Under the Government Servants (Efficiency and Discipline) Rules, 1973 disciplinary cases have been initiated against officials of DAGP who were not complying with the standards of integrity or the requirements of the service. Policy of Right man for the right job is being followed and officers having good reputation are being placed on important assignments.

The Auditor General of Pakistan also believes in transparency and openness of the operations of the SAI. In this regard the DAGP website has been revamped by displaying maximum possible information regarding the department and the audit operations. The placing of audit reports on the website is also under consideration.

Last, but not the least the Auditor General has set a tone at the top to implement the International Standards of Supreme Audit Institutions (ISSAIs) and conduct ISSAI complaint audits. The Auditor General has formulated a team of DAGP officers to conduct ISSAI Compliance Assessment Tools (ICATs) and devise an ISSAI implementation strategy for all three streams of audit.

### **PUBLIC PRIVATE PARTNERSHIP IN AUDITING – SAI PAKISTAN PERSPECTIVE**

By: Muhammad Raza Shah, Director INTOSAI

#### **INTRODUCTION**

The concept of Public Private Partnership in the field of auditing is new to the public sector auditing. Partnership between public and private auditors is

primarily based on the understanding that effective cooperation between public and private auditors will enhance the quality and uniformity of the audit practice and strengthen public confidence in the global auditing and assurance profession.

The Supreme Audit Institutions which are the highest auditing bodies in public sector in respective jurisdictions tend to cooperate and collaborate with private auditing entities in one way or another. As per respective mandates, the Supreme Audit Institutions contract out work to external audit firms. Private audit firms carrying out public sector audits on behalf of the statutory audit bodies constitute the most important aspect of collaboration between SAIs and private auditing firms. Other forms of partnership between the two may include sharing knowledge through seminars/workshops, joint trainings and representation in professional bodies etc.

The International Organization of Supreme Audit Institutions (INTOSAI) which is the largest representative body of SAIs has a close collaboration with professional bodies and private auditing entities. INTOSAI develops International Standards of Supreme Audit Institutions (ISSAIs) in cooperation with the private standard setting bodies. As part of the cooperation between INTOSAI and the International Auditing and Assurance Standards Board (IAASB) "sector neutral" terminology is included in the International Standards on Auditing (ISAs) when possible so that they can be readily understood and applied in both the public and private sectors.

### **COLLABORATION OF DEPARTMENT OF THE AUDITOR GENERAL OF PAKISTAN WITH PRIVATE AUDITING ENTITIES & PROFESSIONAL BODIES**

The Department of the Auditor General of Pakistan (DAGP) is the Supreme Audit Institution (SAI) of the Pakistan. The mission of DAGP 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 DAGP are Integrity, Quality and Partnership.

Presently, the collaboration between DAGP and private auditing bodies/professional bodies takes place in following forms:

**(I) DAGP PARTNERING WITH PROFESSIONAL BODIES**

The Department of the Auditor General of Pakistan (DAGP) has recently established a Policy Board to provide suggestions/recommendations on the strategic issues of government auditing and accounting and public financial management. Besides members from DAGP, the Policy Board consist of members from private sector which includes President Institute of Chartered Accountants of Pakistan (ICAP), President, Institute of Cost and management Accountants of Pakistan (ICMAP), President Pakistan Institute of Public Finance Accountants (PIPFA) and Chairman Securities and Exchange Commission of Pakistan (SECP). Building of this relationship with the professional bodies is likely to increase the credibility and transparency of DAGP and in turn will lead to greater independence in the longer run. Presently, private sector auditing firms are not represented in the Policy Board. However, DAGP can explore the possibility of inclusion of representatives from one or two private sector auditing firms in the Policy Board.

**(II) APPOINTMENT OF PRIVATE AUDITING FIRMS**

There are certain statutory and corporate bodies in Pakistan whose guiding legislation provides for appointment of private auditors after concurrence of DAGP. Therefore, one of the aspects of association between DAGP and private auditing firms is that the DAGP accords concurrence for appointment of private auditing firms as Auditors to audit the Financial Statements of various corporate bodies like Competition Commission of Pakistan (CCP) and Securities and Exchange Commission of Pakistan (SECP) etc. If deemed necessary, DAGP may conduct audit of such bodies and present audit reports to the legislature.

**(III) DAGP AND PAKISTAN INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (PIPFA)**

Pakistan Institute of Public Finance Accountants (PIPFA) was constituted in 1993 by The Institute of Chartered Accountants of Pakistan (ICAP), Institute of Cost and Management Accountants of Pakistan (ICMAP) and Auditor General of Pakistan (AGP). The Institute is registered with Securities and Exchange Commission of Pakistan (SECP) as Association Not for Profit under section 42 of the Companies Ordinance, 1984. PIPFA was constituted to impart quality education and develop Specialized Professional Accountants.

The Public Finance Accountants (PFA) produced by PIPFA are trained to meet the requirements of the industry. The members of PIPFA occupy middle to top Accounting / Financial positions in the leading public and private sector organizations, financial institutions, NGOs and consultancy firms as Chief Financial Officers, and/or Company Secretaries.

The auditors of SAI Pakistan are either Associate or Fellow members of PIPFA and thus PIPFA provides an opportunity for DAGP Auditors and Private Auditors to come together and share views and communicate with each other through participation in seminars and workshops etc.

**(IV) COLLABORATION BETWEEN DAGP AND INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN (ICAP)**

Institute of Chartered Accountant of Pakistan (ICAP) was established in 1961 as a premier regulatory body for the development and regulation of the Accounting Profession in the Country. ICAP also serves as a premier institution which produces qualified accountants in Pakistan.

DAGP has recently taken an initiative of collaboration with ICAP. Presently, DAGP is negotiating with ICAP for grant of certain exemptions for its auditors.

#### **(V) DAGP's FINANCIAL AUDIT MANUAL (FAM) PROVIDES FOR OUTSOURCING OF STATUTORY AUDIT WORK TO PRIVATE FIRMS**

The Financial Audit Manual (FAM) provides for outsourcing of audit work to the private auditing firms. As per FAM, DAGP may consider using the work of another auditor (s), however in such cases DAGP is required to apply adequate procedures to provide assurance that the private auditor (s) have exercised due care and complied with relevant auditing standards. (Reference Chapter 2-15 of FAM)

#### **(VI) ATTACHMENT OF DAGP OFFICERS WITH PRIVATE AUDITING FIRMS**

For a couple of years newly recruited officers of Pakistan Audit and Accounts Service were attached with the private auditing firms for three months to get exposure and practical training of audit activities. The attached officers used to accompany the private auditors on various audit assignments. This activity was a good forum to bring together the public and private auditors which enriched the professional experience of both sides by sharing knowledge, skills and expertise. The attachment of officers with private audit firms was discontinued a few years back. DAGP can consider reviving the practice keeping in view the increased importance of partnership between public and private auditors.

#### **(VII).PROSPECTS OF COLLABORATION BETWEEN DAGP AND PRIVATE AUDIT FIRMS DURING AUDIT OF FOREIGN FUNDED PROJECTS**

DAGP regularly conducts audit of Foreign Aided Projects (FAP). This involves issuance of financial audit report developed primarily for use by the donor agencies like ADB, UNDP, World Bank, USAID, DFID, CIDA, IFAD, IDB and JICA etc. Every donor agency has its specific requirements of audit of the funded projects. The Terms of Reference (ToRs) of many donor agencies include the provision of hiring auditors and consultants from private audit firms to

assist the SAI in auditing the projects.

DAGP has the required expertise and resources to conduct audit of any type of foreign funded project and until now has not engaged the private auditing firms in this regards.

Audit of foreign funded projects by DAGP in collaboration with private audit firms, if required in future may provide a good opportunity for partnering with private auditing community.

#### **CHALLENGES IN ACHIEVING A WIN-WIN COLLABORATION**

Public Private Partnership in auditing in Pakistan may face the following challenges:

- The structure and regulatory framework of both public and private auditing in Pakistan is entirely different. Both auditors work in different environments and culture. In order to reap benefits of collaboration between the public and private auditors it is essential to acclimatize and expose both to the different environments in which the public and private auditing operates. Therefore, dealing with change and change management is a serious challenge to address.
- Independence is the most important prerequisite for an SAI. Collaborating with private auditing firms without compromising independence of the SAI is indeed a difficult task to manage. It is extremely important that partnership is made with private auditing firms while independence of the SAI is not compromised.
- SAIs have distinct mandates laid down in the guiding legislation and other regulations. Partnering with private firms will depend upon the regulations, mandate and organizational structure of the SAI. The mandate of DAGP does not specify the terms and extent of collaboration with private audit firms. Therefore, it will be challenging for the SAI to cooperate and



collaborate with private auditing firms within the assigned mandate.

- Private auditing firms mainly conduct financial audit whereby an assurance is provided on the financial operations of the entity. On the other hand, DAGP apart from financial audit also carries out performance or value for money audit which has no parallel in private sector auditing. Expanding opportunities for the implementation of Performance Auditing by the private auditing firms in private sector exists; however, adopting the practice of Performance Auditing by private auditing firms may be challenging due to varied scope and reporting processes across the public and private auditing.

## CONCLUSION

Public Private Partnership in audit is essential for the growth of the auditing profession in Pakistan. DAGP and private auditing firms need to frequently communicate and devise mechanisms to effectively collaborate with each other for mutual benefits. Such interaction will lead to knowledge sharing and adoption of best practices. However, collaboration between public and private auditing is required to be made keeping in view the mandate, regulations and internal/external environment and without compromising the independence and status of the SAI.

### **Taking a Holistic View of Procurement-A Practical Approach for Public Sector Auditors**

(By Aamir Fayyaz, Additional Director Finance, Civil Services Academy, Lahore)

Within the context of government auditing, procurement is the word which the auditors use to denote the acquisition of goods, works and services by the government departments through the methods prescribed in the relevant and applicable procurement rules, often employing the methodology of public notice and the use of bidding

process. Public procurement regimes constitute a significant component of the financial statements and a mere perusal of tender notices published through print and electronic media would reveal the quantum of public sector procurement. There is also a great chunk of procurement made by methods other than tender process which may not be visible to the auditors as it does not appear in the tender notices but can be gauged from the annual or other periodic procurement plans of the organizations. These methods include the shopping method or the procurement through seeking quotations from prospective suppliers.

Procurement has always been considered a key and high risk area for examination by the auditors, and rightly so because of simple rationale. The money spent on procurement is public money and has been raised through taxes or as a matter of compulsion and has to be used for the specific purpose, only when required and, of course, it should get the desired value in the similar way as a person of ordinary prudence makes dedicated efforts to get maximum value for spending his limited resources. That explains the plethora of available general cannons of propriety in addition to the specific procurement codes applicable to various tiers of government, donor financed projects and other public sector organizations.

Speaking in the context of Pakistan, consider these three, among others, golden principles governing procurement regimes at a macro level:

- Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money
- Purchases must be made in the most economical manner in accordance with the definite requirements of the public service

- iii. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase stores much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government.

These are very concise and comprehensive principles and readily available audit criteria on any procurement instance. The questions which the auditors should seek to answer in respect of the above include: Who is a person of ordinary prudence? What is the methodology that can be used to gauge the most economical manner? What is periodic assessment of goods and services? Is it to be on monthly basis or quarterly basis or on what basis? Which authority should assess the need for procurement? How to define immediate requirement? Auditors will come to the conclusion that there cannot be any generalized answers to these questions and these have to be dealt with on case to case basis, from organization to organization for which a good understanding of the entity is a prerequisite. The guidance available in the permanent files and in previous audit reports could be of immense help for auditors to understand and critically evaluate the procurement cycle of a particular public sector entity. Risks pertaining to the procurement are multiplied when procurements are made in haste and, at times, just to exhaust the available budgetary provisions without the existence of any approved procurement plan. No audit assignment pertaining to the audit of procurement could be completed without incorporating these pertinent questions in the audit programs as these concern the regularity, propriety and value for money aspects of the audit mandate. Nevertheless, while commenting on these aspects, auditors should not miss the point that procurement by the government departments and projects, etc. is not an end in itself but a means to achieve the organizational objectives and the managers will be expected by the auditors to ensure

(and subsequently be able to justify) procurement in accordance with best practices and fully aligned to the departmental objectives and, in turn to the service delivery aspects of the government departments.

Performing an audit of procurement at the individual organizational level requires that the auditors take a holistic glance at the procurement process and not just focus on a single aspect. Take, for example, two simple rules found in many procurement regimes requiring that (a) procurement opportunities in excess of a threshold amount are to be advertised in the required number of newspapers, say, two newspapers of wide circulation, and (b) that the response time to bids shall not be less than prescribed number of days like, for instance, 30 days from the date of publication of advertisement or notice. Let us suppose that, in a particular case, the criteria were not observed. Advertisement appeared only in one daily and response time was half that of the stipulated one. While reviewing this particular transaction, the tendency of the audit team could be that, it will develop an audit observation to the extent of departure from the afore-mentioned criteria and will stop its examination there and then and consider having pointed out the irregularity. This is the fallacy which is to be avoided by the auditors. The other aspects of the transaction are still required to be audited as per the audit program. Intelligent questions searching answers to the 'procurement need assessment', 'market survey for reasonability of rates', compliance of procurement made to 'approved specifications', the withholding of 'taxes' and other requirements applicable at the time of making payments should be asked irrespective of the fact whether the initial criteria was observed or not. Similarly, in another instance, the audit team might have initially concluded on the poor need assessment by management for procurement and may also have concluded that the procurement was done in haste to avoid the lapse of budget, these should not prevent the team to continue to examine the other aspects of the procurement exercise. If not properly supervised, the risk remains that these

crucial aspects would remain unaudited while the initial audit observations may be justified by the management and got regularized from the competent authority on cogent grounds.

Similarly, procurement auditors should never lose sight of ancillary subjects in addition to the principle of 'competition'. This may at times be judgmental and the audit entity may consider it just an opinion expressed by the auditors and may not be ready to accord much weightage to it, however, those who are charged with governance of the entity may very well be positively inclined towards the audit view point and may be dismayed if the auditors are unable to come up with their expectations. Consider the scenario whereby the tender notice appeared in the required number of dailies, response time was sufficient, attracted a good number of bidders and ultimately the contract was awarded and completed. All good as far as the 'competition' principle is concerned. On a deeper level, the auditors, may still consider and may logically conclude that the procurement process was flawed as, for example, there apparently was no well-spelt need assessment, that the procured items were still (after considerable lapse of time) lying and rusting in stores, that the procurement plan did not take into account the future needs of the department, that the procurement missed the principle of sustainability aspect in terms of budget and resource availability for maintenance of acquired assets and that the procurement process did not appropriately debate the alternatives to the procurement mode adopted. However, the auditors may have to monitor the procurements vigorously, through comprehensive procurement audit plans, medium to long term, alongside inter-entity comparisons to be able to comment on these and other aspects of the procurement.

Auditors would be naïve if they failed to compare the original specifications of the tender documents, the work orders issued and goods received notes along with supplier invoices in cases of procurement of goods.

The comparison should logically lead to the physical inspection of the goods purchased which, despite being a significant audit check may be often overlooked owing , most probably to the paucity of time available to the audit teams and the sheer magnitude of the task in case of significant procurement exercises. Moreover, sometimes the assets procured might have been distributed among scores of locations making the verification task nearly impossible for the auditors to perform. Whatever the odds, the physical inspection of procured items and works executed should be taken up in all material cases and be made part of the audit programs as well as supervisory checklists during monitoring and review by the senior audit managers. The objectives of the exercise would be to additionally seek physical and observational evidence that the goods received were the ones actually approved in the tender documents by the administrative authority. On a more professional level, audit comments may be diverted towards the appropriateness and sufficiency of specifications and its impact on the procurement exercise.

The above are some of the main points meant to enrich the professional judgment of the auditors who are expected to conduct audit of public procurements by formulating well thought out audit programs.

### **Fraud Triangle and Red Flags in the Context of Fraud Auditing and Forensic Accounting**

By Sammer Ahmad, Additional Accountant General,  
Lahore

When times are good, people steal. When times are bad, people steal more!

There is no blinking at the fact that there have always been a number of people who are bent in their morals, ethics, psychological makeup, sociological structure, or sense of justice, and are willing, ready, and capable of committing of offenses of all types, including white-collar crimes. But difficult economic times appear to cause a few more than normal to crumble under the economic pressure and give in to

the temptation to commit a fraud.

Some experts are of the view that forensic accounting is one of the oldest professions and dates back to the period of Egyptians. The 'eyes and ears' of the king was a person who basically served as a forensic accountant for Pharaoh, watchful over stocks of grains, gold, and other assets. That person had to be responsible, trustworthy, and able to handle a position of authority.

Fraud cycle essentially begins with the plans of the fraudster leading up to committing the fraud act. Once committed, the fraudster by and large conceals the fraud by converting the asset into cash. The presence of a fraud usually comes to light through (1) an allegation, complaints, or a rumor of fraud brought by a third party (a disgruntled supplier or a fellow employee); (2) an investigator's intuition or general suspicion that something is awry; (3) an exception from an expectation of a person senior to the suspect (an unacceptable condition, profits, sales, costs, assets, or liabilities are too low or too high); (4) the accidental discovery that something is missing--reports, cash, files, documents, data or property; (5) results from an audit; or (6) results of controls, especially antifraud controls. Based on some reliable statistics, an average of 60% of all frauds reported were discovered either by a tip or accident, indicating the need for more effective pro-active detection methods such as internal controls and internal audits.

In the dictionary of accounting, terms such as fraud auditing, fraud examination, fraud investigation, forensic accounting, investigative accounting, litigation support, and valuation analysis are not clearly defined. Some distinctions apply between fraud auditing and forensic accounting. Fraud auditing involves a specialized approach and methodology to detect fraud; i.e. the auditor is looking for evidence of fraud. The purpose is to prove or disprove whether a fraud exists. On the other hand forensic accountants, historically, have been called in after evidence or suspicion of fraud has surfaced through a discovery, allegation, or complaint.

The term 'forensic accounting' refers to the comprehensive view of fraud investigation. It includes preventing frauds and analyzing antifraud controls. Forensic accounting would include the audit of accounting records in search for evidence of fraud; a fraud audit. A fraud investigation to prove or disprove a fraud would be part of forensic accounting. It also includes the gathering of non-financial information such as interviews of all related parties to a fraud, when applicable. Forensic accounting includes writing a report to management or court. Serving as an expert witness and litigation support are also part of forensic accounting. The term forensic in the accounting profession deals with the relation and application of financial facts to legal problems.

Forensic accountants are experienced, trained, and knowledgeable in all the different processes of fraud investigation including: how to interview people (especially the suspect) effectively, how to provide expert testimony in court, how to write effective reports for clients and courts, and rules of evidence. In recent years, the broadest of these terms in the antifraud profession is 'forensic accounting', which typically refers to the incorporation of all terms involved with investigation, including fraud auditing; so in this sense fraud auditing is a subset of forensic accounting. Fraud investigation usually covers the same areas as a fraud audit. Additionally it includes investigation that typically involves a lot more non-financial evidence, such as testimony from interviews etc. So fraud investigation includes fraud audit but it goes beyond in collecting non-financial forensic evidences.

The skills fraud auditors require include all of those that are required of financial auditors, plus the knowledge of how to gather evidence and document fraud losses for criminal, civil, contractual, and insurance purposes; how to interview third-party witness; and how to testify as an expert witness. Fraud auditor must know what a fraud is from a legal and audit perspective, an environmental perspective & cultural perspective.

## Fraud triangle

In order to properly detect, prevent, and respond to a fraud, anti-fraud stakeholders need to understand why fraudsters commit a fraud. No model or framework has been more useful than Donald Cressey's Triangle in providing that understanding. He interviewed more than 200 embezzlers in prison and his findings are: (1) Pressure (sometimes referred to as motivation and usually a non-shareable need); rationalization (of personal ethics); and (3) knowledge and opportunity to commit the crime. These three points are the corners of the fraud triangle.

- **Pressure** (or incentive, or motivation): It refers to something that has happened in the fraudster's personal life that creates a stressful need that motivates him to steal. Usually that motivation centers on some financial strain, but it could be a symptom of other types of pressures. For example, a drug habit or gambling habit could create great financial need in order to sustain the habit and thus create the pressure associated with this aspect of the fraud triangle. Sometimes people commit fraud to aggrandize their egos, put on airs, or assume false status. Sometimes they deceive to survive politically, or have a burning desire for power. Motives to commit fraud in business usually are rationalized by the old saying that all is fair in love and war---and in business, which is amoral, anyway. There is one further category of motivation called psychotic which cannot be explained in terms of rational behavior. In this category fall for instance the pathological liar, the professional confidence man, and the kleptomaniac.
- **Rationalization:** Most fraudsters do not have a criminal record. In fact, white-collar criminals usually have a personal code of ethics. It is not uncommon for a fraudster to be religious. So, how do fraudsters justify actions that are objectively criminal? They merely justify crimes under their circumstances. For instance,

many will steal from employers but mentally convince themselves that they will repay it (i.e. 'I am just borrowing the money'); others believe it hurts no one so that makes the theft non-threatening. Still others believe that they are entitled to the benefits of the fraud and are simply taking matters into their own hands to administer fair treatment (e.g. they deserve a raise or better treatment). Many other excuses could serve as a rationalization, including some benevolent ones where the fraudster does not actually keep the stolen funds or assets but uses them for social purposes.

- **Opportunity:** According to fraud triangle theory fraudsters always have the knowledge and opportunity to commit the fraud. Some research studies indicate that the employees and managers had a long tenure with a company when they committed fraud. A simple explanation is that employees and managers who are around for years know quite well where the weaknesses are in the internal controls and have gained sufficient knowledge of how to commit the crime successfully. A prerequisite to opportunity is that the perpetrator be in a position of trust. Remember triangle theory was about trust violators and it is difficult to commit a fraud without being in a trusted position over assets. But the main factor in opportunity is internal controls. A weakness in or absence of internal controls provides the opportunity for fraudsters to commit their crimes. The opportunities to commit fraud are rampant in the presence of loose or lax management and inadequate attention to internal controls. A weakness in or absence of internal controls provides the opportunity for fraudsters to

commit their crimes. The opportunities to commit fraud are rampant in the presence of loose or lax management and inadequate attention to internal controls. When motivation is coupled with such opportunities the potential for fraud is increased.

### Red Flags

Red flags are used as a synonym for fingerprints of fraud. When fraud occurs, there are traces of the criminal and crime left at the scene of the crime, or in the fraudster's life, much like fingerprints that may be left at a crime scene. Red flags have varying natures and include things such as an accounting anomaly, an unexplained transaction or event, unusual elements of a transaction, a person's behavioral changes or characteristics, or just characteristics commonly associated with known fraud, especially certain individual schemes or group of schemes.

A careful analytical assessment of the fraud schemes and the fraud triangle brings to mind the existence of applicable flags. For example, in the fraud scheme of lapping, a person uses a complex method of taking some customer payments while applying payments from other customers in an overlapping fashion to those accounts stolen earlier. It is easy to observe that this type of fraudster cannot afford to take a long leave or else the scheme will be uncovered. Another example is the ghost employee scheme. Because the perpetrator usually has to intercept the cheque once it is printed, he cannot afford to be absent on the payment day. Thus the red flag in both of these frauds is the absence of extended vacation taken by an employee. In addition, red flags come to the mind examining motivators based on the fraud triangle.

It is important to remember that a red flag is just a red flag, and not essentially indicative of a fraud. The fraud auditors and forensic accountants must not jump to conclusion; he/she should keep that state of mind of 'just the facts and focus on proving or disproving a fraud rather than making a checklist of red flags. Observing the red flags is critical to the success of identifying and preventing fraud.

Red flags lead to the design of effective detection methods and processes and these detection methods lead naturally to the design of good anti-fraud controls. Mostly a good detective control can at the same time serve as a good preventive control.

### Red flags pertaining to financial statements frauds:

- Accounting anomalies
- Unusual profits
- Rapid growth
- Internal control weaknesses
- Aggressiveness of executive management
- Micro-management by executive management
- Obsession with stock prices by executive management

### Red flags pertaining to asset misappropriation:

Those frauds categorized as asset misappropriation typically are perpetrated by employees for their benefit against the organization. General behavioral red flag includes:

- Change in behavior
- Consistent anger
- Inability to look people in the eye
- Irregular work history
- Increased irritability
- Tendency to blame others
- Change in lifestyle
- Character problems

### Some other red flags could include employees who:

- Are annoyed with employer or supervisor.
- Never take a vacation or take it in short time frames.
- Have financial/economic strains or debt problems.
- Show traits of psychotic problems.
- Always complain about how the boss or company treats them.

- Exhibit behavioral personality associated with egocentric or those who need to control everything.
- Refuse transfers, promotions, or other job offers.

### Red flags pertaining to corruption:

Fraud categorized as corruption is carried out by employees for his/her benefit against the interest of the organization. For corruption to happen, someone on the inside has to work with someone on the outside in such a way that the relationship is a detriment to the organization. Common red flags are:

- Connection between key employees and authorized vendors.
- Privacy surrounding this third-party relationship.
- A lack of review by management for known third-party relationship that is present.
- Inconsistency in recording transactions (e.g. what is debit for a bribe on the books?)
- Anomaly in approving vendors.

A fraud investigation is based on legal factors also as frauds may end up in a court of law. The immediate facts to find out are whether a fraud has happened and whether there is: (1) a perpetrator, (2) a criminal law (3) an apparent breach of that law, and (4) a sufferer. The six fundamental steps in fraud investigation are:

1. Obtain all available documents and details relating to the accusation.
2. Evaluate the claim against the in hand documentation.
3. Assess the business environment relative to the person under question.
4. Inquire whether a theory of fraud can be developed at this stage. Is there any motive coupled with opportunity?
5. Find out whether the existing evidence makes sense. Does it meet the test of corporate reality?

6. Communicate with suitable parties on the status and details of the fraud.

After completing the above steps two possibilities may arise. Either one has identified the fraudster and knows who he/she is, or the fraudster remains unidentified. If not, further investigation is required. However, if one has identified the fraudster the process is no longer an investigation rather a pursuit of lawful action. Evidence collected may comprise the testimony of witnesses, items (means and instruments, or fruits of the crime), documents and possibly the confession of the perpetrator. Experienced fraud examiners know what evidence is required to prove the crime and how to get that evidence.

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## **AUDIT MANAGEMENT INFORMATION SYSTEM (AMIS)**

### **“A strategic shift from Para based to Issue based auditing”**

(By Khurram Khan, Audit Officer (HRMIS), AGP Office, Islamabad)

The Department of the Auditor General of Pakistan (DAGP) is mandated with a vital role of ensuring accountability and transparency and promoting good governance by adding value to the national resources. To meet these requirements, the DAGP continuously strives to enhance its capacity. The DAGP successfully completed the "Project to Improve Financial Reporting and Auditing" (PIFRA) which resulted in considerable capacity building of the department and has led to development of sectoral guidelines, Financial Audit Manual, and use of Analytical software i.e. Audit Command Language (ACL) in field audit. The procurement/development of an Audit Management Information System (AMIS) was planned under PIFRA but the initiative could not be materialized during the life of the project.

The Auditor General of Pakistan has approved the Strategic Plan 2015-19 of the Department of the Auditor General of Pakistan. The five goals of the Strategic Plan 2015-19 is as under:

- Improving Financial and Organizational Independence
- Development of Professional and Institutional Capacity
- Developing Communication and Cooperation with Internal and External Stakeholders
- Use of Modern Audit Techniques and Technologies
- Improving Internal Governance

Goal 4 of Strategic Plan 2015-19 relates to procurement or development of AMIS followed by

user training at all levels. It is expected that these initiatives will have radical impact on the core auditing processes in the SAI as entire audit processes would be built around modern technologies and techniques. The underlying concept of AMIS is that there is a single central location in which auditors conduct fieldwork, manage request items and sign-offs, review issues identified in data analysis, communicate findings and create customized Reports.

The Audit Management Information System (AMIS) is meant to improve quality of audit and shift the thinking of management from Para based auditing to Issue based Auditing. The management of DAGP may take into account the following considerations while developing an in house AMIS or procuring a customized AMIS Software.

- Deeper insight into strategic risks and mitigation outcomes for management.
- Planning, managing, and executing assurance projects in one system.
- Data-driven measurement, issue management, and remediation for stakeholders.
- Seamless and visual integration between organization-level risk profile, audit and risk mitigation projects, project findings, test results, and remediation activities.
- The ability to manage security incidents, possible fraud, whistle blower hotlines, special investigations and forensics that require escalations and workflow alerts.
- Support for integrating common frameworks into daily workflow, including Committee of Sponsoring Organizations of the Tread way Commission (COSO), International Standard Organizations (ISO), Sarbanes-Oxley (SOX), Office of Management and Budget (OMB-A123), Green book, Control Objectives for Information and Technology (COBIT) and Information Technology Infrastructure Library (ITIL) etc.
- Dash-boarding (“an easy to read, often single page, real-time user interface, showing a graphical presentation of the current status



(snapshot) and historical trends of an organization's or computer appliances key performance indicators to enable instantaneous and informed decisions to be made at a glance") and Key Performance Indicators (KPIs) capabilities via one-click reports as well as more sophisticated and customized reporting options.

- The ability to access owns work in off-line environments, capture supporting documentation, and sync information when you return online.

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Following are possibly the main pillars of AMIS Software which have been derived from the M/S ACL services Ltd, Canada official website.

### Launchpad or dashboard

ACL Launchpad or dashboard is a single central location for accessing and managing everything related to users account. User can download software, access customer resources (like Support Center) and act as an Account Admin. The user can manage organization's account by inviting users in the organization to one or more dashboards or Launchpad. Inviting a user to an organization automatically adds the users to ACL Launchpad. Once added to Launchpad or dashboard, users are eligible to activate the AMIS software. The following are the benefits which can be included in AMIS Software dashboard or Launchpad:

- Remove users from organizations
- Revoke ACL Analytics licenses from individual users
- Update organization settings

### Use of Applications in AMIS Software:

There are mainly four applications in an Audit Management Information System i.e. Risk Manager, Project Manager, Result Manager and Report Manager. The same are briefly described as under:

### Risk Manager

In Risk Manager user can assess and score risks. Each risk can be scored by likelihood and impact on a 3, 5, or 10 point scale across the relevant entities of business processes. Risks can be visualized by entity, business process, heat-map, or the risk heat-map based on likelihood and impact.

Each risk tile allows user to relate to the risk mitigation efforts in Project Manager. For example an IT Security & Controls could be subject to continuous audit through an SAP Security Review project, a corporate IT review or an active directory security review project. Each risk tile also documents a specific organizational level risk. Assess risks are distributed according to risk mitigation strategy. For example, risk mitigation strategy could be to assess the risk, accept the risk, assign resources, automate resources and categorize the risk as acceptably mitigated. Through risk tracker, user can view the cost impact, the number of exception transactions, issue trends and issue summaries that are occurring as a result of audit and risk mitigation activities. Filters can be used to identify particular types of risks based on keyword or tag, levels of risk score, likelihood, impact or risk profile date.

### Project

### Manager

Project Manager enables to effectively plan, manage, execute, and report audit work across team and across the organization. Project Manager emphasizes organization and aggregation so that auditors can capture all required information at the control/procedure level creating links which are automatically aggregated for status tracking and reporting at both the project and organizational level.

With Project Manager, One can:

- Create, manage, and maintain all aspects of a project in one application.
- Track and manage issue remediation.

- Track project status and budgeted hours.
- Record, edit, and manage time spent on various project aspects such as administrative time, client delays, fieldwork, results, and issues.
- Add, manage and respond to review notes (to-dos), outstanding requests, issues, and remediation.
- Document the results of tests and walkthroughs.
- Attach photos, scanned documents, audio, and video evidence in the field.
- Quickly reference files and project plans during meetings or on-the-go.
- Instantly recall key project details during meetings and discussions.
- Respond to team questions and get updates to review notes.
- Review team's work and sign-off on projects.

### Result Manager

Users can use Results Manager to organize, track, and remediate issues identified by data analytic results. Users can share, publish or upload data analytic results from ACL Analytics directly into a Results Manager data analytic.

Once the results have been shared, published or uploaded to Results Manager, user can process and manage records by assigning them to a work flow group, attaching comments or files and adjusting statuses and priority levels. Additionally, user can create triggers to automate the workflow of processing records and sending questionnaires.

With Results Manager, one can:

- Organize, track and remediate issues identified by data analytics.
- Collaborate easily with questionnaires and surveys that allow user to gather evidence and analyze responses.
- Manage records by assigning priority level.

status or users/groups.

- Attach files and comments to records.
- Use Collections, Analyses and Data Analytics to organize and manage data analytic results..
- Automate multiple processes using triggers, workflow groups and questionnaires.
- Build visualizations and interpretations to communicate data insights.

### Report Manager

Report Manager is a comprehensive report building application that allows users to customize the default reports or create own reports from pre-assembled views. Reports can also be displayed in Dashboards or Launchpad which permit to present users with the key information they require from multiple reports in one page.

### Conclusion

In the era of Information Technology, AMIS helps capture information in digital form and brings a strategic shift from para based auditing to issue based auditing. AMIS leads to producing reports that creates greater interest among the stakeholders and also facilitates Public Accounts Committees (PAC) in improving the overall governance. Risk Manager, Project Manager, Result Manager and Report Manager are the possible ingredients of the AMIS software which may help the management to take efficient and effective decisions in an economical manner.

### Annotate

"In this article information has been extracted from [www.aclgrc.com](http://www.aclgrc.com) to gain some basic concepts or key components for the development of Planning Software or Audit Management Information System (AMIS) in the organization."

### **Audit of ECOSAI Accounts by the audit team from SAIs of Azerbaijan and Kyrgyz Republic**

A two member audit team comprising auditors from SAIs of Azerbaijan and Kyrgyz Republic conducted the audit of the ECOSAI Accounts for the years 2013 to 2015 at ECOSAI Secretariat / office of the Auditor General of Pakistan, Islamabad from 30th June, 2016 to 1st July, 2016. Audit report will be presented in the ECOSAI Assembly meeting to be held during October 17-19, 2016 at Ankara, Turkey.

### **Participation in the meeting to finalize the ECOSAI Draft Strategic Plan 2016-2021**

A meeting to finalize the Draft Strategic Plan 2016-2021 of ECOSAI was held from May 29 – June 1, 2016 at Ankara, Turkey. Mr. Khuram Raza Qureshi, Director General (IR&C) of SAI Pakistan, Mr. Ahmet Topkaya, Principal Auditor of SAI Turkey and Mr. Murtaza Asadi, Deputy Director General of SAI Iran participated in the meeting. Draft Strategic Plan of ECOSAI was finalized in the meeting and will be presented before the ECOSAI Governing Board Meeting scheduled to be held from October 17-19, 2016 at Ankara, Turkey.

### **Visit of delegation of Audit Board of Republic of Indonesia to Pakistan**

A six member delegation the Audit Board of the Republic of Indonesian visited Pakistan from April 20-22, 2016 .



The delegation visited office of the Auditor General of Pakistan and also called on the Federal Finance Minister and Chairman Public Accounts Committee and discussed matters related to financial management, accountability and oversight mechanism of the Parliament during their visits to these offices.



### **Study visit of the delegation of Turkish Court of Accounts to Pakistan**

An eight member delegation of the Turkish Court of Accounts, Turkey visited Pakistan from April 3-7, 2016. The delegation visited the offices of the Auditor General of Pakistan and Controller General Accounts and attended briefing sessions. The delegation also called on Federal Finance Minister and attended a briefing about the working of PAC at the National Assembly Secretariat.



### **ECOSAI Training Course on “ISSAI Implementation Process and Quality Concerns “**

An ECOSAI Training Course on “ISSAI Implementation Process and Quality Concerns” was conducted from 14-26 March, 2016 at Ankara, Turkey. The course was designed and delivered by a team of trainers from Office of the Auditor General of Pakistan. The trainers included Ms. Raheela Saad, Director General, Ms. Fizza Pervaiz Afzal, Director, and Mr. Muhammad Amir Usman, Addl. AGPR. The course was attended by participants from ECOSAI member SAIs. The course was sponsored by the TIKKA, Turkey.



## THE ACCOUNTS CHAMBER OF THE REPUBLIC OF TAJIKISTAN



## Articles

### Summary

- **Role of SAIs of member states of the CIS in ensuring Economic Security**
- **Audit Seminar for SAI along “Belt & Road Routes”**
- **Participation in Meeting of SCO**
- **XVI Session of CIS Bilateral Relations**

### **"The role of SAIs of member states of the CIS in ensuring economic security: modern approaches, new perspectives and possibilities, adapting to these changes."**

Chairman of the Accounts Chamber of the Republic of Tajikistan  
Davlatzoda D.A

The present state of world economy faces a variety of factors that can destabilize its operation. In these circumstances it is important to ensure the economic security of the state to guarantee the well-being of the individuals and ensure the sustainable development of the whole nation. In the last decade in the Republic of Tajikistan, as well as in other CIS countries, economic security has become a hot topic of theoretical and applied research, since during this period events highlighted the problems in ensuring the national security of the state. This is due to the fact that the modern era is characterized by global change, particularly referring to the fact that it was not intended that the border to the information market, finance and labor were to be opened.

Ideally, economic security should be regarded as the implementation of stabilization policy, which is important in the context of globalization, protection of national interests and to achieve the industrial, energy and food independence. A new level of integration in relations gives birth to conditions of globalization which are manifested in the resultant dependence of national economies which effects the structural and cyclical changes in the development of economy. As there is a lack of effective regulatory mechanism at national and international level, this process makes the economic security a priority.

Globalization also introduces hierarchy in relations of countries, signifying need of competitiveness and economic security, the problem is to

re-arrange the specifics of the national economy against the global trends. The complex international situation and the globalization process pose problems of economic security and manifests itself in a number of pressing and complex problems of today. Today, things are moving in such a way that any economic operator will not be able to ensure the effectiveness of its activities without taking care of security problems. This highlights the need of studying ways and means to ensure the security of the national economy.

The term "security" has deep historical roots. Since its inception, humanity has lived surrounded by a variety of influences and impacts, which could harm them. The reaction to these influences and impacts is naturally an attempt to avoid or reduce the possibility of such harm through protective and active measures or the use of defensive and preventive measures. At the level of social consciousness security is perceived as a lack of real and potential conditions causing harm, and of the safety and reliability in all areas of human and social life. It is aimed at the survival of the social system, the individual, society and state. It reflects a person's attitude towards the community and the outside world and towards transformation in all spheres of life and business, including awareness and goal setting, besides it also determines choice of means, assessment and helps in analysis of results.

Despite the use of different approaches to the definition of security, it is clear that in the case of the Republic of Tajikistan's economic security in the context of globalization must ensure a state of national economy in which:

- An effective satisfaction of social needs is carried out on the condition of maintaining a sufficient level of political and military stability;
- Technical and economic independence, extending the concept of economic independence and invulnerability of the country from external and internal threats is provided;
- Protection of economic interests of the Republic of Tajikistan in the domestic and foreign markets

Is realized regardless of changes in government policy objectives and corresponding transformation of internal and external threats.

Economic security has a complex internal structure. Analysis of the actual processes and understanding of the domestic and foreign experience to solve this problem suggests three essential elements:

1. Economic independence in today's world economy is not absolute because the international division of labor makes national economies interdependent on each other. Under these conditions economic independence means the ability of a state to exercise control over national resources to achieve level of production efficiency and a product quality which ensures its competitiveness and allows to participate in world trade in corporate relations and in the exchange of scientific and technological achievements;
2. The stability and sustainability of the national economy involving the protection of property in all its forms so as to create reliable conditions and guarantee for entrepreneurial activity, deterrence for factors that could destabilize the situation (fighting criminal structures in the economy, avoiding major gaps in income distribution and threatening to cause social upheaval etc);
3. The ability to self-develop and progress is especially important in today's dynamic world. Creating a favorable climate for investment and innovation, the constant modernization of production, increase of professional, educational and cultural level of workers are a prerequisite for the stability and preservation of the national economy.

Transition to sustainable development involves achieving economic growth, sustainable development of society, balance in real and financial sectors of the economy, use of new and economical high level technologies, ensuring environmental stabilization, establishment of a social market

economy and broad dissemination of environmentally oriented management methods; introduction of economic activities within the capacity of the system - saving technologies, targeted changes in the structure of personal and public consumption; creating a legal framework for transition to sustainable development.

Safety is more universal an issue than the planning and management. The security problem was and is important for any economy and the market for bygone “Planned Economy”. It is important for individuals regardless of the forms of economic relations with other people, as well as for companies, banks, associations, public institutions. For the Republic of Tajikistan market economy functioned well at the macroeconomic level and at the corporate level and small business formed the basis of strengthening economic security.

The essence of economic security can be defined as a state of the economy and government institutions which provide guaranteed protection of national interests, socially-oriented development of the country as a whole and a sufficient defense capability even under the most unfavorable conditions of internal and external processes. It is important to emphasize that economic security is not an abstract theoretical construct. Protection of national interests is provided by willingness and ability of government institutions to create mechanisms for the implementation and protection of national interests of national economic development, maintaining social and political stability of society.

In contrast to the national interests, economic security threats are more volatile, increasingly diversified and not always predictable because the structure of the factors of economic and social development in the natural environment is in constant change. Therefore, even in a favorable situation, more or less complete understanding of national interests in the description of internal and external threats should always be specifically analyzed including unpredictable factors causing

possible threats. In transition to an open economy, the Republic of Tajikistan in the context of globalization implied rejection of extreme protectionism. Reasonable economic openness enhances efficiency, competitiveness and mobility. However, for the defense sectors and industries looking from the perspective of the new model even after the inclusion of the country into the world economy selective protectionism is required.

The opening of the national global economic market being a delicate process requires the development of high-level economic policy to attract and restrict foreign capital flows in certain sectors of the economy according to the national interest, state control over vital resources and spheres of economic activity, government regulation and determining extent of control of foreign companies. To expand the markets for Tajik products and to improve the price terms of trade it is necessary to carry out a foreign policy addressing different sectors and diversification of external economic relations. The most important task is to increase the volume of exports of Tajik products by overcoming a variety of non-tariff, tariff and so-called "technical barriers" to trade with foreign countries.

To strengthen the security of foreign trade of the Republic of Tajikistan is important to implement agreements with the countries of the CIS, EurAsEC and the effective functioning of the World Trade Organization as well as the conclusion of bilateral agreements on trade and economic cooperation with individual countries. It is also possible to conclude that among the factors determining the national security of the Republic of Tajikistan, stability of the national economy both external and internal has to overcome the adverse effects caused by globalization.

Analysis of the mechanism to ensure the economic security of the Republic of Tajikistan leads to the conclusion that the state activities to ensure economic security are reduced to monitoring the conditions and factors that undermine the stability of

the socio-economic system and the state in the short term and the formation of economic policy and institutional reforms that eliminate or mitigate the harmful impact of these factors in a single program of economic reform.

An important feature of the state's activity in the area of economic security is to develop an economic policy in which the economic system would have the following set of features:

- Productivity; which measures the ability of the economy to provide the necessary quantity and quality of economic goods and services in accordance with the growing needs of businesses;
- The efficiency of the economy; which characterizes the ratio of the results obtained and costs (material, financial, labor). Efficient Economy is at the same time a safe economy as it allows to obtain better results at the lowest cost and therefore meet a wide variety of human needs;
- Flexibility; expressed in terms of the economy's ability to react quickly to changes in the environment;
- Adaptation of the economy; which is closely related to flexibility. Higher the flexibility, other conditions being equal, helps in the degree of adaptation of the system to internal and external stimuli.

An analysis of the main elements of the economic security of the country and its functional analysis reflecting the special role of the state in ensuring economic security allows to conclude that the state is the main focus in the mechanism of economic security. One of the most important elements of the state system in ensuring (optimally) paving of the way for economic progress is the system of institutions of state that defend economic interests, both domestically and abroad within the competence of the national-state.

In the context of increasing globalization when the state cannot by legislative means direct the activities

of all economic entities it is necessary to ensure use of optimal impact of the state on the production process by sustainable impact on macroeconomic parameters, targeted regulation of structural reforms and monetary and financial flows in order to maintain the economic security of the Republic of Tajikistan. From this point of view paramount strengthening of state power can help increase confidence in its institutions as well as streamlining the decision-making mechanisms and the formation of economic policy. Without meeting these requirements the attempts to maintain production and resource potential of the Republic of Tajikistan and to overcome the structural deformations would require significant financial and material resources, and will encounter, in the best case, the inefficient use of public funds, and at worst - to their deliberate criminal redistribution.

In recent years the economy of the Republic of Tajikistan has undergone major changes and has become a complex system consisting of many macroeconomic elements closely related to each other. The relationship between these elements makes the economic structure which determines the balance of the entire economy and its efficient, stable and secure growth.

Success in the economic growth of the majority of the advanced countries to a large extent is explained by the profound structural changes that provide a general dynamism for production and similar positive qualitative changes. Rapid output growth in most industrialized countries occurred primarily at the expense of forcing non-standard out for industry in the country as a result of drastic changes in the economic structure. The first steps of radical market reforms in the economy of the Republic of Tajikistan have been carried out successfully. These include liberalization of prices which was the beginning of the transition to a market system; effective production and consumption; privatization of small and medium-sized enterprises in which funds had been invested heavily in infrastructure; completion of civil works and hydro-electro energy. There is a



profound reform of the agricultural sector of the economy and Tajikistan has a new sufficiently protected national currency as well. Privatization of housing is completed and work is underway on the privatization and corporatization of large industrial enterprises.

In this context, the introduction of market mechanisms in the economy determined a number of significant changes in all control mechanisms. A special place in them is occupied by the system of state financial control. Its effectiveness depends largely on ensuring the financial - economic security. The financial security of the state is the main condition for its ability to carry out independent financial and economic policy in accordance with national interests and its essence can be defined as the state of the economy in which the positive financial flows are ensured so that the state has the amounts necessary to carry out state tasks and functions.

Financial security allowed, first of all, the public authorities to ensure the stability of the financial and economic development of the country, to neutralize the impact of the global financial crisis on the national economy and socio-political system, preventing crimes and administrative offenses in the financial legal relations and so on.

Today, many, if not all modern states are faced with the problems as how to ensure that the economic activities of the state such as revenue collection, use of budgetary funds and the management of state property not only bring conceived benefits to society but are implemented economically, efficiently and in according to this country's legislation. It will not be out of place to mention that in many developed countries the total expenditure of the central and local governments has already exceeded 40 percent of Gross Domestic Product (GDP).

Governments around the world provide an increasingly broad range of services to its citizens in the areas of health, education, social protection,

pensions, transport, defense and infrastructure and at the same time they are constantly under pressure to expand the range and improve the quality of services.

In this regard all countries around the world have set up independent external state audit bodies that monitor all aspects of economic activity of the state and prepare reports on its findings and conclusions and presents them to the parliament and government.

On October 29, 2008, the President of the Republic of Tajikistan approved the Strategy and Action Plan for the creation of a new independent body for external audit in Tajikistan. As a result of the 11.12.2011 Decree of the President of the Republic of Tajikistan, the Accounts Chamber was established. The Accounts Chamber operates in accordance with the RT Law "On the Accounts Chamber of the Republic of Tajikistan" and the international rules and standards established by the International Organization of Supreme Audit Institutions (INTOSAI). During the short period since its creation, substantial work on the institutionalization of the new body of public sector external audit has been carried out and legislation, regulations and bodies for its operations have been developed some of which as detailed as under:

- The position of the Accounts Chamber of the Republic of Tajikistan;
- Structure of the Accounts Chamber of the Republic of Tajikistan;
- Act on the distribution of duties between the main auditors of the Accounting Chamber of the Republic of Tajikistan;
- Code of Ethics of the Accounting Chamber of the Republic of Tajikistan.

In order to introduce new external audit practices in line with international standards various regulations have been developed governing the conduct of audits as well as the planning of control measures and so on.

A phased transition to new forms of management and the rapid development of priority sectors of the national economy led to changes in the public finance management and the establishment of mechanisms for the effective monitoring of the use of limited financial and other material resources of the state.

One result of such changes was a transition from traditional management of budget resources to "managing for results", which implies not only the provision of targeted use of budgetary funds but also the efficiency and effectiveness of their spending. Thus, there is an effective adaptation of the existing system of financial control which was largely inherited from the Soviet system of state financial control to now, the new market conditions. State audit is rather a complicated element in the public financial management system considering the scope of related questions comprehensively. With the development of market mechanisms, audit is the most progressive form of financial control which has developed after passing through several historical stages.

Practiced in foreign countries having the legislative backing, state audit usually includes financial audit and performance audit (or audit of sound financial management, auditing the benefits received from the use of money, etc.). During this short period of activity, the Accounting Chamber of the Republic of Tajikistan has proved its effectiveness and viability by carrying out audits of public authorities and public economic entities in addition to identifying deficiencies and financial irregularities in financial and economic activity. The Chamber in its information campaigns has explained the essence of government external auditing e.g., through training seminars on the implementation of international accounting standards etc.

These activities are mainly focused on providing targeted and effective use of public funds and resources.

There is a need for open and constructive cooperation between the government, business entities and the Chamber of Accounts in order to optimize their functions which in turn will lead to economical use of budgetary funds and public resources and eventually a significant contribution in ensuring the economic security of the country.

## News

### **Participation of the representative of Accounts Chamber of the Republic of Tajikistan in the Audit seminar for SAI's along "Belt & Road Routes"**



An audit seminar for SAI's along Belt and Road Routes was organized by National Audit Office of China from June 27 to July 6, 2016 at Nanjing, China. Representatives of 18 SAIs took part in this seminar. Chief Auditor Fayzalizoda Nazarali and Senior Specialist MavlonovValimat from Accounts Chamber of the Republic of Tajikistan took part in the seminar.

Professors from Nanjing Audit University made presentations followed by 2 hours discussion sessions. Delegates from SAI's also visited Nanjing Resident Audit Office and Shanghai Municipal Audit Office.

### **Chairman of the Accounts Chamber of the Republic of Tajikistan D. Davlatzoda participated in XVI Session of the Council of Heads of Supreme Audit Institutions CIS member states meeting at Minsk, Belarus.**

The XVI Session of the Council of Heads of Supreme Audit Institutions of the CIS member states took place at Minsk, the Republic of Belarus from June 7-8, 2016.

Chairman and representatives of Supreme Audit Institutions of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia and Tajikistan participated in the event. The participants discussed the role of Supreme Audit Institutions in ensuring economic security.

Chairman of the Accounts Chamber of the Republic of Tajikistan D. Davlatzoda delivered a speech on "The role of SAIs of states - participants of the CIS in ensuring economic security: modern approaches, new perspectives and possibilities, adapting to these changes."

During the event views were exchanged and discussions took place on how to improve the efficiency of state audit as a means for the protection from the existing threats to financial stability and economic security.

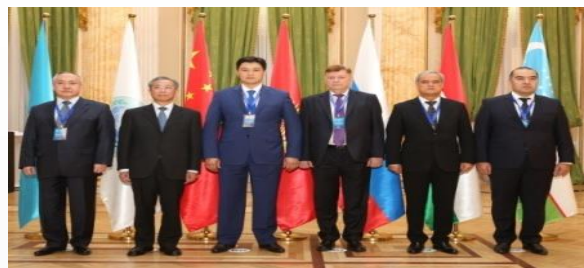


The participants also discussed the work of the Expert Group on Key National Indicators of the Council of the SAIs of the CIS. Following the sessions, the Council's Work Plan for the period between the XVI and XVII Sessions was discussed and decisions and Resolutions of the XVI Session were approved.

### **Third meeting of the Heads of Supreme Audit Institutions of the Shanghai Cooperation Organization (SCO) member states held on 27th May, 2016 in Astana**

Heads and representatives of Supreme Financial Control (public audit) Institutions of the People's Republic of China, the Kyrgyz Republic, the Republic

of Kazakhstan, the Russian Federation, the Republic of Tajikistan and the Republic of Uzbekistan took part in the meeting



The participants discussed issues relating to increase of public audit efficiency in conditions of instability of the economy and global risks. Exchange of views on the relevant issues in the sphere of public financial control (audit) and areas of cooperation took place during the meeting.

According to the Chairman of Accounts Chamber Republic of Tajikistan, interaction of supreme public audit (financial control) within the SCO promotes capacity building, professional growth, knowledge sharing and development of the most efficient ways of response to new challenges and enhancing of the efficiency of public audit.

A Joint Statement was adopted at the end of the meeting according to which the participants intend to promote further interaction through conducting workshops, conferences and other activities on various issues related to public audit. It was decided that next meeting of Supreme Audit Institutions of the SCO member-states will be held in the Kyrgyz Republic in 2018.



### Summary

- **New President of Turkish Court of Accounts**
- **Training on IT Audit**
- **Cooperation Agreement between TCA and SAB Qatar**
- **Outgoing President's Farewell Message**



#### **New President of the Turkish Court of Accounts**

Mr. Seyit Ahmet Baş was appointed as the President of Turkish Court of Accounts on June 23rd, 2016 in the 106th session of the Turkish Grand National Assembly for a term of five years. He graduated from the Department of Public Administration at Istanbul University in 1989. He got his Master's Degree in Finance from Boston University USA between the years 2001-2003. He served at Ministry of Finance as Tax Inspector between the years of 1991-2003, as a Head of Department at the Revenue Administration between the years of 2003-2005, as an Advisor to the Minister at the Ministry of Finance between the years of 2005-2006, as a Founding General Director at the General Directorate of Revenue Policies between the years of 2006-2010, and as a Deputy Undersecretary at the Ministry of Finance between the years of 2010-2011. He also acted as the co-chairman of the Taxes and Incentives Committee of Investment Environment Improvement Coordination Council between the years 2006–2010, as a member of the Coordination Council and as the Chairman of the Taxes Committee of the Istanbul International Finance Center Project between the years of 2010-2011. He worked as the Chairman of the Technical Delegation of Turkey within the framework of the aid program for the Turkish Republic of Northern Cyprus between the years of 2010-2011. He worked as the founding Chairman of the Public Oversight, Accounting and Auditing Standards Authority between the years of 2011-2015. He was working as the Undersecretary of the Ministry of Finance when he was elected as the President of the Turkish Court of Accounts. He speaks English and Arabic.

## Training on Information Technology (IT) Audit

The training program on “IT Audit” organized by the Turkish Court of Accounts for the colleagues from the SAIs of other countries was held between 23rd to 27th of May 2016 in Gölbashi Training and Social Facilities Centre. There were 20 participants from Albania, Estonia, Georgia, Qatar, Kyrgyzstan, TRNC, Latvia, Moldova, Saudi Arabia, Oman, Jordan and Turkey in the training program.



## Cooperation Agreement with the State Audit Bureau of Qatar

A cooperation agreement was signed between the Turkish Court of Accounts (TCA) and the State Audit Bureau of Qatar on 31st May, 2016. The cooperation agreement aims to promote co-operation and exchange of experience in the areas of public external audit methodology and procedures; professional training and improvement of professional standards of personnel; exchange of information and documentation on the professional activities; holding of consultations, joint researches, parallel audits, seminars, conferences and technical meetings and cooperation in any other areas within the jurisdiction of both SAIs.



## Farewell Message of Assoc. Prof. Dr. Recai Akyel, President of the TCA



My 7-years term of office as the President of the Turkish Court of Accounts (TCA) which started with the election held in the session number 110 dated 25.06.2009 of the General Assembly of the Turkish Grand National Assembly came to an end on 25.06.2016. From now on, I will continue serving within the TCA as the Member with the highest seniority.

On this occasion, I would like to extend my gratitude and special thanks to all colleagues from the Member SAI's of INTOSAI, EUROSAI, ASOSAI, and ECOSAI as well as from ECA for the support they provided during my tenure.

I hope that the existing cooperation and friendly relations between TCA and other SAIs will be further strengthened in the upcoming periods. Once again, I extend my deepest regards to all of you.