

ECOSAI

CIRCULAR 2017



Published by: Office of the Auditor General of Pakistan

Autumn Issue



“We, the members of the ECOSAI, share long religious and cultural bonds rooted in history. The ECOSAI is a forum that allows us to further cement these bonds through interaction and dialogue...”

*- Javaid Jehangir
Auditor General of Pakistan/
Secretary General ECOSAI*



ECOSAI Secretariat, Islamabad Pakistan

In This Issue

- The Supreme Audit Court Islamic Republic of Iran.
- Mr. Javaid Jehangir Appointed as new Auditor General of Pakistan.
- The Accounts Chamber of the Republic of Tajikistan
- Turkish Court of Accounts Republic of Turkey

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, economy, effectiveness, transparency, accountability, and in accordance with recent concepts to facilitate good governance in the public sector.

Core Values

- Professionalism
- Cooperation
- Innovation
- Inclusiveness
- Partnership

List of Contents:

S #	Content	Page #
1	ECOSAI Information	4
2	Message from the Secretary General	5
3	Foreword	6
Contributions by member SAIs		
4	Supreme Audit Court of Islamic Republic of Iran	7-11
5	Auditor General of Pakistan	12-15
6	Accounts Chamber of Republic of Tajikistan	16-17
7	Turkish Court of Accounts Republic of Turkey	18-29

ECOSAI INFORMATION

⇒ **President**
Mr. Seyit Ahmet BAS
President of the Turkish Courts of Accounts

⇒ **Secretary General**
Mr. Javaid Jehangir
Auditor General of Pakistan

⇒ **Members SAIs**

- | | |
|-------------------|---------------------------------------|
| ⇒ Afghanistan | ⇒ Tajikistan |
| ⇒ Azerbaijan | ⇒ Turkmenistan |
| ⇒ Iran | ⇒ Turkey |
| ⇒ Kazakhstan | ⇒ Turkish Republic of Northern Cyprus |
| ⇒ Kyrgyz Republic | ⇒ Uzbekistan |
| ⇒ Pakistan | |
-

⇒ **Members of the ECOSAI Governing Board**

Afghanistan, Azerbaijan, Kazakhstan, Pakistan, Turkey

⇒ **Editorial Board of the ECOSAI Circular**

- **Director General (IR&C)**
 - **Mr. Zulfiqar Khan**
Director (IR&C)
 - **Ms. Bismah Farrukh Khan**
Deputy Director (IR&C)
-



“We, the members of the ECOSAI, share long religious and cultural bonds rooted in history. The ECOSAI is a forum that allows us to further cement these bonds through interaction and dialogue ...”

*- Javaid Jehangir
Auditor General of Pakistan/
Secretary General ECOSAI*



Message from the Auditor General of Pakistan

We, the members of the ECOSAI, share long religious and cultural bonds rooted in history. The ECOSAI is a forum that allows us to further cement these bonds through interaction and dialogue. This forum was established with the basic aim of sharing experiences and contribution towards the capacity building of fellow ECOSAI members, by equipping ourselves with the most sophisticated and practical audit techniques.

I hope this forum will become more dynamic and productive by enabling SAIs to promote greater public accountability and transparency in our respective countries. This vision can be actualized by working hard to translate the decisions of this forum into concrete steps.

I would like to appreciate and congratulate the members for putting in valuable efforts to author highly professional articles and share their knowledge with others.

Foreword

Dear Colleagues,

Secretariat of ECOSAI has been publishing two circulars during a calendar year, starting from 2016. The move towards publishing two circulars in a year was well received during the 21st ECOSAI GBM and the Assembly meetings held in Ankara Turkey during October, 2016. In this regard we are pleased that we are bringing out the first issue of the ECOSAI circular for this year i.e., the Autumn issue of ECOSAI circular.

The current issue of the circular contains valuable contributions in terms of news items and scholarly articles from seven member SAIs which is a source of encouragement for us and we hope to see the continued support through active participation from the member SAIs in future as well. We thank all SAIs who contributed material for this issue.

We also take this opportunity to invite all the members SAIs to contribute articles for the next issue of ECOSAI circular which we plan to publish by Spring Issue, April 2018.

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

**The Supreme
Audit Court
Islamic
Republic of Iran**

“This forum was established with the basic aim of sharing experiences and contribution towards the capacity building of fellow ECOSAI members, by equipping ourselves with the most sophisticated and practical audit techniques...”



The Supreme Audit Court Islamic Republic of Iran

Delegation from Turkish Court of Accounts (TCA) visited SAI Iran

A delegation from Turkish Court of Accounts (TCA) headed by Mr. Fikri ÖZKÖK, Deputy President of the TCA and accompanied by Mr. Feyzullah OKUMUŞ, Head of the International Relations Department and Mr. Yaşar YOLCU, Head of Department of the TCA paid an official visit to Supreme Audit Court of I.R. Iran (SAC) on 15-17 July 2017.

The Turkish delegation had separate bilateral meetings with Prof. Adel Azar and Mr. Fayyaz Shojaei, respectively President and Public Prosecutor of SAC as well as other officials in charge of different auditing, judicial and training departments of SAC exchanging experience in the field of public audit as well as judicial audit system with Iranian side.

It is noteworthy to mention that SAC and TCA had signed an MOU for technical and educational cooperation on 7th November 2012 aimed at promoting closer relations and bilateral cooperation between the two neighboring SAIs in the field of public audit. Since then the two sides have exchanged high ranking level delegations aiming at improvement of public audit practices as well as experience sharing in the field of jurisdictional practices.

NEWS FROM IRAN

“On 19th July 2017 a memorandum of understanding (MOU) for technical and educational cooperation was signed between Prof. Adel Azar, President of Supreme Audit Court of Islamic Republic of Iran (SAC) and Prof. Chaisit Trachoetham, Chairman of State Audit Commission of Thailand (OAG)...”

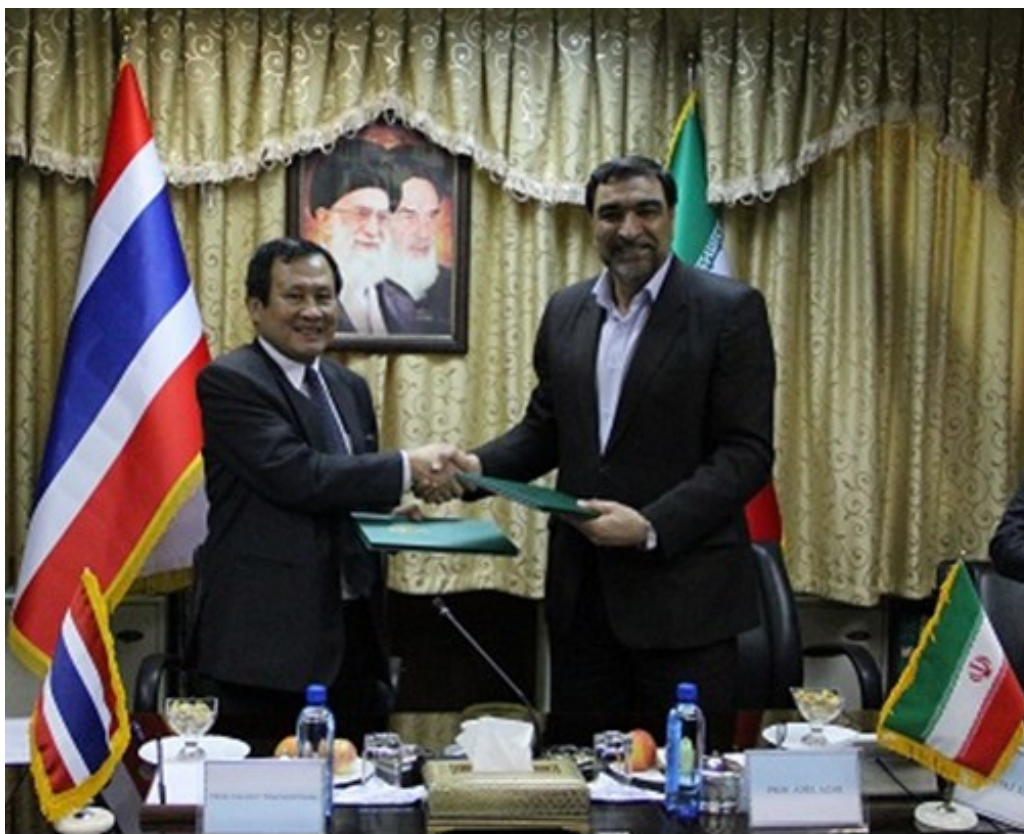
SAC and OAG signed Memorandum of Understanding

On 19th July 2017 a memorandum of understanding (MOU) for technical and educational cooperation was signed between Prof. Adel Azar, President of Supreme Audit Court of Islamic Republic of Iran (SAC) and Prof. Chaisit Trachoetham, Chairman of State Audit Commission of Thailand (OAG).

The MOU aims at promoting closer relations and bilateral cooperation between the two ASOSAI member SAIs in the field of public audit.

Prof. Chaisit Trachoetham, Chairman of State Audit Commission Thailand expressed hope that signing of the MOU between SAIs Iran and Thailand could further promote the public audit in two SAIs and as the result both sides could benefit from its implementation.

It is noteworthy to mention that an Action plan for the same MOU will be prepared by the related international departments at both sides in the near future.





The 8th International Conference on Performance Based Budgeting (PBB) held in Tehran

The 8th International Conference on Performance Based Budgeting (PBB) held in Tehran

Supreme Audit Court of Islamic Republic of Iran (SAC) with collaboration of Planning and Budgeting Organization, Ministry of Finance and Economic Affairs, Ministry of Health and Medical Education as well as Organizational Management Research Center held the 8th International Conference on Performance Based Budgeting (PBB) in Tehran on 16-17 July 2017.

Two delegations from Office of the Auditor General of Thailand (OAG) and Turkish Court of Accounts (TCA), respectively headed by Prof. Chaisit Trachoetham, Chairman of State Audit Commission of OAG and Mr. Fikri ÖZKÖK, Deputy President of the TCA participated in the same Conference and presented their country papers on the experience of their respective countries in the field of performance based budgeting as well as the measures taken in regard with performance auditing.

Dr. Ali Larijani, Chairman of the Islamic Consultative Assembly (Iranian Parliament), Dr. Adel Azar, President of Supreme Audit Court of I. R. Iran and Chairman of the Conference as well as Dr. Hadi Ghavami, Vice President of the Planning, Budget and Audit Committee of the Parliament were among the keynote speakers of the same Conference.

The PBB Conference initiated in May 2007 and since then it has been regularly held to orient its audience with the latest scientific findings and the experience of local and international experts in the field of PBB.

The main theme of the Conference was the realization of performance based budgeting in all public and private organizations. Some of the sub-themes included:

- The role of PBB and performance auditing on the realization of Resilience Economy
- The role of performance indicators on PBB
- Sharing success experience in implementation of PBB based on IT technology and computer systems
- Sharing international success experience in PBB implementation

NEWS FROM IRAN

“Performance Based Budgeting (PBB) is one of the macro policies of Iran which is seriously followed up by the government based on the 6th Five-year Development Plan...”

- Sharing international success experience in performance auditing
- Requirements of establishment of PBB in public and private organizations

Performance Based Budgeting (PBB) is one of the macro policies of Iran which is seriously followed up by the government based on the 6th Five-year Development Plan. The PBB should be a new method of budgeting for all public organizations in the next five years.

As in previous years, the Conference brought together local and international experts, high ranking and middle managers and experts of ministries, public corporations, banks, insurance companies, cultural institutes, production and industrial companies, non-governmental organizations, academics and university professors and students especially universities and institutes of higher education focusing on management, accounting, economics fields of study to discuss, deliberate and share experience in the topic of PBB.



NEWS FROM IRAN

New Vice President Appointed

Mr. Shahram Eshragh was appointed as the new Vice President for Technical and Auditing Affairs of Economical and Infrastructure Sectors replacing Mr. Abdollah Safaei Nasab who served in the same position for the last 10 years and was retired this month.

Mr. Eshragh whose appointment took effect from 17 June 2017 received his letter of appointment from Prof. Dr. Adel Azar, President of Supreme Audit Court of I. R. Iran in a formal ceremony.

Mr. Eshragh, 47, graduated with a Bachelor of Accounting and a Master of Financial Management from Islamic Azad University (IAU). Currently he is a PhD candidate in Business Administration.



“Mr. Shahram Eshragh was appointed as the new Vice President for Technical and Auditing Affairs of Economical and Infrastructure Sectors...”



Office of the
Auditor-General
Islamic
Republic of
Pakistan

*“Mr. Javaid-
Jehangir
Appointed as New
Auditor General of
Pakistan...”*



The President of the Islamic Republic of Pakistan has appointed Mr. Javaid Jehangir as the Auditor-General of Pakistan and he has formally assumed the office of the Auditor-General of Pakistan on August 17, 2017 for four year period.

Mr. Javaid Jehangir brings to his job rich and varied experience gathered over a span of more than thirty five years in public service on various key posts of the Government of Pakistan in areas of Public Financial Management, Auditing and Accounting. Mr. Javaid Jehangir is a retired officer of Pakistan Audit & Accounts Service. Before retirement he was Additional Auditor-General in the office of the Auditor General of Pakistan.

Mr. Javaid Jehangir areas of professional expertise include: Public Sector Audit Policy Formulation, Management and Implementation of policies & Reforms, Strengthening of Governance and accountability framework, Management of public expenditure for efficient financial reporting and compliance to Regulatory Regime, Public Sector Financial Management and as a resource person he was effective in Change Management and Capacity Building of Pakistan Audit and Accounts Service (PA&AS).

As an Advisor of Performance Audit in SAI Botswana he successfully carried out change management through on job training of personnel of SAI Botswana. He had effective interaction with international development donors like World Bank, Asian Development Bank, USAID, JICA etc on issues relating to public sector auditing in Pakistan.

Mr. Javaid Jehangir holds Master’s degree in English Literature and also possesses a Bachelors degree with Economics & Political Science. He is a fellow of US GAO International Auditor Fellowship Programme.

**NEWS FROM
PAKISTAN**

“The Department of the Auditor General of Pakistan conducts certification audit of nearly 238 foreign Aided projects...”

Development of Audit Manual for Audit of Foreign Aided Projects

The Department of the Auditor General of Pakistan conducts certification audit of nearly 238 foreign Aided projects. The development partners finance different projects in diverse sectors which give rise to issues in application of uniform standard during the audit of these projects. Generally, the AGP apply ISSAI/INTOSAI auditing standards while carrying out various types of audits. However, at times this creates acceptability issues from the perspective of Donors. In order to provide guidelines and uniform auditing standards to Field Audit Offices in undertaking audit of Foreign Aided Projects, the Department of the Auditor General of Pakistan (DAGP) always realized the need of FAP Audit Manual. This important responsibility was assigned to the newly created Special Sectors Audit (SSA) Wing.

The SSA Wing accorded top priority to preparation of the manual and engaged various development partners for joint collaboration. Finally, the Asian Development Bank (ADB) agreed and took the initiative for development of Audit Manual for Foreign Aided Projects. The ADB hired the services of a reputed consultancy firm i.e. KPMG for preparation of an Audit Manual exclusively for foreign aided projects. The SSA Wing, in the preliminary phase assisted the KPMG team in arrangement of meeting with Field Audit Offices of the DAGP to analyze the existing mechanism. The team of KPMG, after strenuous efforts, drafted this valuable document. However, as a consultative process and to have a broad-based ownership of the manual, the same has also been forwarded to our Field Audit offices for their input/ review being the end users of the Manual.

The main objectives of the audit manual include: documenting the policies and procedures relating to audit in order to ensure uniformity in audits performed by our field formations, to provide guidelines for preparation of documentation in conformity with the audit scope, nature, timing and extent of procedures performed and reporting thereon, to provide guidelines on checking compliance with all the relevant laws and regulations, terms and conditions of loan/grant agreement, project agreement and other relevant development partner guidelines, to strengthen the performance of audits of FAPs and to make the audit of FAPs easy for new and current employees to learn by amalgamating all important rules and procedures in one place, making the process less time consuming.

The Manual shall be applicable to the Department of Auditor General of Pakistan for the conduct of audits of Foreign-Aided-Projects. Once finalized, all the Field Audit Offices and relevant sections in the Office of Auditor General of Pakistan will adhere to the requirements of this manual for carrying out audits of Foreign-Aided-Projects. The DAGP & the SSA Wing acknowledge the cooperation extended by the ADB & KPMG in preparation of this FAP Audit Manual.

Article on
Environmental
Auditing: an ECOSAI
Perspective

By

Muhammad Raza
Shah, Director

“SAIs through environmental auditing activities play an important role in assisting the governments to deal with environmental challenges...”



INTRODUCTION

Economic Cooperation Organization of Supreme Audit Institutions (ECOSAI) is a regional forum of Supreme Audit Institutions of South and Central Asian Countries, which are members of the Economic Cooperation Organization (ECO). Founded in 1994, the ECOSAI aims at promoting the state auditing profession in member countries through exchange of ideas and professional experiences.

There are eleven members of ECOSAI which include SAIs of Afghanistan, Azerbaijan, Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkish Republic of Northern Cyprus (TRNC), Turkey, Turkmenistan and Uzbekistan. The Department of the Auditor General of Pakistan (SAI Pakistan) is the permanent secretariat of ECOSAI and the Auditor-General of Pakistan is Secretary General of ECOSAI. Presently, the President of the Turkish Court of Accounts, Turkey is the President of ECOSAI.

The Supreme Audit Institutions of ECOSAI member states are instrumental in one way or other to assist the respective governments to overcome the environmental challenges by conducting independent review and assessment of the government initiative and activities. SAIs of ECOSAI member states do allocate some resources to conduct performance audits with environmental perspectives and evaluate the issues relating to environmental policies etc. Environmental auditing has been recognized as a specific auditing subject by the INTOSAI and the SAIs have guidance available on environmental audit in shape of ISSAI 5110, 5120, 5130 and 5140.

The ECOSAI SAIs conduct Environmental Auditing in their respective jurisdictions to check the existing environmental practices and assess the environmental effects of the activities carried out by the responsible agencies. The environmental auditing leads to a better understanding by the government agencies on how to meet their legal requirements and how to implement and manage environmental policy. Increased environmental auditing activity by ECOSAI SAIs can facilitate improvements in environmental performance of the governments in the ECOSAI region.

ARTICLE FROM PAKISTAN

“The sharing of audit activities related to environmental subjects by the SAIs at the forum of ECOSAI will certainly help in the capacity building of the SAIs in the field of environmental auditing and will help improve the national roles of member SAIs in environmental protection...”

PROSPECTS OF AUDIT ON WATER BY ECOSAI MEMBER SAIs

The governments in the ECO countries are investing huge sums in projects related to water issues. This has in turn increased the responsibility of the Supreme Audit Institutions of the ECOSAI countries to undertake water related audits. The audit subjects mainly cover the policies directed towards water quality; rivers and lakes; prevention/recovery from flooding; treatment of wastewater and sewage; drinking water and sanitation etc.

Clean water is critical to plants and animals and water needs to be properly cleaned so that it may not carry harmful bacteria and diseases. If wastewater is not properly treated, the environment and human life can be negatively effected. The impact ranges from harm to wildlife, oxygen depletion and contamination of drinking water etc. Further the treatment of wastewater leads to water conservation and sustainability. The reclaimed or recycled water can be used for irrigation purposes and for recharging groundwater aquifers.

ECO countries for instance, faces common challenge of treating municipal sewage and reducing significantly the discharge of micro biological contaminants in the nearby water reservoirs. The municipal authorities take administrative measures to overcome this challenge and execute projects to efficiently dispose of the sewage and control water pollution. Naturally, the SAIs can select these governmental initiatives as their audit topics and produce reports containing significant findings and recommendations.

There is a big room for ECOSAI member SAIs to join hands in conducting cooperative audits in the area of clean water and municipal waste management etc. The affordable treatment of municipal sewage is a common problem which exists across the ECOSAI region and combining forces through cooperative environmental audits in this area and other allied areas will allow the ECOSAISAs to take a broader view of the situation, to consider the various upstream and downstream impacts of domestic actions, and to benchmark best practices.

CONCLUSION

SAIs through environmental auditing activities play an important role in assisting the governments to deal with environmental challenges. ECOSAI SAIs are now increasingly addressing the environmental matters in their auditing activities. ECOSAI SAIs carry can out the evaluation of environmental performance of the respective government agencies through financial, performance and compliance audits and provide valuable feedback and guidance to the policy and decision makers. By increasing the environmental audit activities, the ECOSAI member SAIs can provide constructive and concrete recommendation to the respective government agencies on important environmental matters.

The sharing of audit activities related to environmental subjects by the SAIs at the forum of ECOSAI will certainly help in the capacity building of the SAIs in the field of environmental auditing and will help improve the national roles of member SAIs in environmental protection. The ECOSAI member SAIs need to engage more and more in cooperative environmental audits. The cooperative audits may take the form of joint, parallel or coordinated audits. The broad areas for cooperative audits may include audit of international and regional environmental agreements, watersheds and solid/domestic waste management etc.



The Accounts Chamber of the Republic of Tajikistan

*“Accounts chamber
Auditing Standards
System - Effective
tools for the
Accounts chamber
of Republic of
Tajikistan...”*



Article from Tajikistan

Accounts chamber Auditing Standards System - Effective tools for the Accounts chamber of Republic of Tajikistan

In the context of Tajikistan's rising economy along with strong regional and global economic integration, a healthy, transparent and sustainable public finance holds extremely important implications. The role of the Accounts chamber Republic of Tajikistan (SAI) in monitoring and supervising the public finance and assets usage and management became an urgent and inevitable requirement of the society. The Tajikistan's supreme auditing standards system, which was developed by selectively adapting international auditing standards, in accordance with Tajikistan legal, practical and operational environment, will be a useful tool for the Accounts chamber to enhance capacity, while promoting the role of contributing to building a transparent and sustainable public finance.

Recognizing the need for the development of new regulatory and methodological framework of external public audit, research was conducted on the mechanisms for implementation of International Standards of Supreme Audit Institutions (ISSAI) and National audit standards in the activities of external public audit of the Republic of Tajikistan. Implementation of International Standards of public audit on a methodological basis in the Accounts chamber Republic of Tajikistan is an essential condition for successful reform of the system of public financial control. The integration of Tajikistan in the global economic community implies the unification of national financial reporting standards, audit and public financial control, and their maximum alignment to international requirements.

ARTICLE & NEWS FROM TAJIKISTAN

“On 31 August 2017, bilateral agreement signed between SAI Tajikistan and SAI China as Memorandum of Understanding between the Accounts Chamber of the Republic of Tajikistan and the National Audit Office of the People's Republic of China on Cooperation in Auditing in the Public Sector...”

The standardization of public financial control is so important that International Organization of Supreme Audit Institutions - INTOSAI - has developed a number of standards for the control and audit activities, which have been recommended for use by audit authorities of different countries to the extent to which such developed standards are compatible with the national legislation of these countries. INTOSAI standards is primarily aimed at uniformity of the activities of the public sector audit in various countries in order to increase the effectiveness of international cooperation in the fight against corruption, financial fraud, embezzlement of public funds. With the emergence of new realities in the system of public financial control of individual members, the INTOSAI recognized the need to update and revise those standards in order to maintain their usefulness and high quality. Within the framework of the transition to the public audit, the Accounts Chamber is actively working on the study and implementation of the appropriate provisions of international standards of public audit on a methodological basis. The provisions of most INTOSAI standards in varying degrees are used in the construction of a system of methodological support of activities of the Accounts chamber. To implement the standards of the public sector audit, the Accounts chamber, takes into account the world experience which has resulted in the development of International Auditing Standards and experiences of foreign Supreme Audit Institutions (SAI) in the development and application of their national standards. The Accounts chamber develops and organizes its own national standards for control activities, taking into account the characteristics of the institutional and financial organization of the economy.

Conclusion

Putting the system state auditing standards into practice. One of the Tajikistan SAI's top midterm priorities is to quickly implement the new supreme auditing standards system into practice for which a feasible and specific roadmap has been developed to implement this system comprehensively and effectively.

The process of applying the new supreme auditing standards system into practice will be an arduous process with full of challenges, requiring the Accounts chamber Republic of Tajikistan to demonstrate a firm political will and consensus. It also requires that the Accounts chamber's auditors must be thoroughly aware of the fundamental meaning, value, and importance of the supreme auditing standards, show the courage to overcome innovation aversion mindset, as well as the willingness to apply the updated professional knowledge and auditing standards.

Brief news

On 31 August 2017, bilateral agreement signed between SAI Tajikistan and SAI China as Memorandum of Understanding between the Accounts Chamber of the Republic of Tajikistan and the National Audit Office of the People's Republic of China on Cooperation in Auditing in the Public Sector.



The Turkish Court of Accounts Republic of Turkey

*“The Workshop on
the forming of Audit
Opinions”
was co-organized
by the TCA and
SIGMA...”*

*“Conference on the
development of
working relations
between SAIs and
Parliaments...”*



“The Workshop on the forming of Audit Opinions” was co-organized by the TCA and SIGMA

The Workshop on the forming of Audit Opinions was co-organized by the Turkish Court of Accounts (TCA) and SIGMA, which is a joint initiative of the OECD and the EU, on 26-27 October 2016 in Ankara. The President of the TCA, Mr. Seyit Ahmet BAŞ made the opening speech of the conference, which brought together SIGMA representatives, senior experts from EU countries, and the Heads of Departments, members and auditors from the TCA. Presentations and discussion sessions on the “Forming of Audit Opinions” were held for 2 days in the scope of the workshop.

Conference on the development of working relations between SAIs and Parliaments



NEWS FROM TURKEY

“Turkish Court of Accounts Hosted the 10th EUROSAI Congress and Took Over the EUROSAI Presidency...”

“Turkish Court of Accounts hosted the 10th EUROSAI Congress held in Istanbul on 22-25 May 2017 and took over the EUROSAI Presidency from the Netherlands Court of Audit...”

The Turkish Court of Accounts (TCA) and SIGMA, which is a joint initiative of the OECD and the EU, organized a conference on “Developing effective working relationships between SAIs and Parliaments” on 8-9 November 2016 in Ankara. The President of the TCA, Mr. Seyit Ahmet BAŞ made the opening speech of the conference, which brought together the representatives of the SAIs and parliaments (Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, and Serbia), EU Delegation representatives and SIGMA experts. The main purpose of the conference, which was hosted by the TCA, was to ensure the sharing of knowledge and experience on the countries’ relation with the parliaments and contribute to the draft guidance paper in line with this.

Turkish Court of Accounts Hosted the 10th EUROSAI Congress and Took Over the EUROSAI Presidency



Turkish Court of Accounts hosted the 10th EUROSAI Congress held in Istanbul on 22-25 May 2017 and took over the EUROSAI Presidency from the Netherlands Court of Audit.

The main theme of the Congress was “Implementation of ISSAIs: Challenges and Solutions for Improvement”. ISSAIs (International Standards of Supreme Audit Institutions) are of paramount importance in that they guide SAIs in the field of audit and offer a common general framework. During the Congress, two Governing Board Meetings, two Plenary Sessions, Marketplace and work sessions were held. While the Congress is seen as a platform where significant problems encountered in the field of public sector auditing are discussed at the level of Heads of SAIs, 10 concurrent work sessions attended by the fellow delegates as well as the Seminars where the Heads of SAIs discussed such topics as emerging issues and sustainable development were organized.

In the Congress where there were about 170 participants from 51 countries including 41 EUROSAI Member SAI and 10 SAIs of observer/guest countries, Istanbul Declaration consisting of the outcomes and recommendations of the work sessions was prepared and adopted in the Plenary Session.

Turkish Court of Accounts will assume the Presidency of EUROSAI for the next 3 years and undertake significant tasks during this period such as implementation of the EUROSAI Strategic Plan and making EUROSAI more active and dynamic.

NEWS FROM TURKEY

“A delegation from the Turkish Court of Accounts participated in the 2nd Cooperation Meeting held in Istanbul on 17-19 July 2017 within the framework of the Memorandum of Understanding signed with the SAI of Pakistan...”

2nd Cooperation Meeting with the Auditor General of Pakistan Held in Istanbul

A delegation from the Turkish Court of Accounts participated in the 2nd Cooperation Meeting held in Istanbul on 17-19 July 2017 within the framework of the Memorandum of Understanding signed with the SAI of Pakistan. In the meeting, peer review, capacity building and joint audit issues were discussed. Decisions were taken in principle to carry out activities in these issues.



Memorandum of Understanding on Turkish Language Training and Audit Internship Program for Chamber of Accounts of the Kyrgyz Republic

With the aim of developing bilateral cooperation between the Turkish Court of Accounts (TCA) and the Chamber of Accounts of the Kyrgyz Republic (CA), “Memorandum of Understanding on Turkish Language Training and Audit Internship Program for Chamber of Accounts of the Kyrgyz Republic” was signed on May 18, 2011. As the two other parties of this Memorandum of Understanding, the Turkish Cooperation and Coordination Agency (TIKA) - Bishkek Program Coordination Office is financing the internship program carried out at the TCA, and Bishkek Turkish Language Training Centre (TÖMER) is responsible for providing the candidate interns with the Turkish language course.

The language course was delivered in 2011-2012 to a number of 20 selected audit staff of CA, 7 of which succeeded in the exams and had the right to apply for the audit internship program at the TCA. 4 of these 7 candidates were accepted for internship program, which is planned in the Memorandum of Understanding to be implemented in periods of two months, up to a maximum of ten months.



**NEWS FROM
TURKEY**

In this framework, 3 officials of CA began their internship program on September 29, 2013. During the program, interns are supervised by the TCA directors and team leaders and are expected to achieve an understanding of the audit procedures of the TCA in addition to developing their Turkish language. The success of interns will be determined at the end of the two-month period based on the exams and assessment activities to be conducted by the Audit Development and Training Centre of the TCA and the reports of supervisors. The duration of the internship can be extended for another two months, up to a maximum of ten months for those who achieve a 70% or over success rate.

It is believed that these kinds of initiatives will add considerable value to the bilateral cooperation between the Turkish Court of Accounts and the Chamber of Accounts of the Kyrgyz Republic as well as to the audit capacity building efforts of CA.

ARTICLE
FROM
TURKEY

ETHICS AUDIT
BY
YASAR UZUN

“The purpose of this paper is to raise awareness regarding the roles and responsibilities of Supreme Audit Institutions (SAIs) in promoting ethics in public sector through ethics audits and make some suggestions in order to bring “ethics audits” to the attention of the ECOSAI members...”

NEW FACE OF PUBLIC SECTOR AUDITING: ETHICS AUDIT

INTRODUCTION

The problems faced around the world such as inequality, hunger, poverty, waste, irregularity, poor living conditions etc. point out the fact that public sectors, private sectors and civil societies should perform their functions according to the ethical values and principles. Because of that, it is a fundamental need to develop ethical culture in civil societies, public and private sectors of countries. Today, as a result of the change in the public management understanding, the public expect that public services should be produced and delivered according to the fundamental values such as honesty, transparency, objectivity, fairness, equality, maintenance of public benefit etc., and that public officials obtaining, using and managing public resources should use their entrusted authorities according to the agreed professional standards for public service. In order to meet these expectations of public and maintain the public trust, it is necessary to strengthen ethics management infrastructure in public management of countries.

The purpose of this paper is to raise awareness regarding the roles and responsibilities of Supreme Audit Institutions (SAIs) in promoting ethics in public sector through ethics audits and make some suggestions in order to bring “**ethics audits**” to the attention of the ECOSAI members.

Before identifying “ethics audit” understanding, it would be useful to make some explanations about “**ethics management requirements**” in public sector. The concept of “**Ethics Infrastructure**”, developed by OECD throughout the years and recently updated as the **Integrity Framework**, could identify these requirements. According to the OECD; a well-functioning ethics infrastructure supports a public sector environment which encourages high standards of behaviour. Each function and element is a separate, important building block, but the individual elements should be complementary and mutually reinforcing. The elements interact to achieve the necessary synergy to become a coherent and integrated infrastructure. The elements can be categorised according to the main functions they serve – **guidance, management and control** – noting that different elements may serve more than one function:

- **Guidance** is provided by strong commitment from leadership; statements of values and standards of conduct such as codes of conduct; and Professional socialisation activities such as education, training and counselling to raise awareness and develop skills for application of laws and standards in the daily work.
- **Management policies and practices** create public service conditions that ensure fair and impartial selection, promotion and remuneration, as well as contribute to social respect. A special dedicated body or existing central management agency is often in charge of the systemic co-ordination in order to ensure consistency of combination of separate actions and their constant integration into the overall public administration.
- **Control** is assured primarily through an effective legal framework that sets basic standards of behaviour for public officials, and enforces them through effective accountability mechanisms, such as internal control and external audit; transparency mechanisms providing access to public information, facilitating public involvement and scrutiny; as well

**ARTICLE
FROM
TURKEY**

“Promotion of ethics culture in public sector organizations through ethics audits is on the agenda of international organizations for Supreme Audit Institutions. One of these organizations is the EUROSAI Audit & Ethics Task Force and the Turkish Court of Accounts is a member of it...”

Supreme Audit Institutions (SAIs) are the organizations that provide accountability and transparency in public management through their financial, compliance and performance audits. Therefore, they have reputation in the eye of public. Supreme Audit Institutions can also make important contributions in promotion of ethics in public sector organizations through ethics audits. An audit of ethics is a process used to evaluate several dimensions of the ethical conduct of an organisation. It assesses how well (or poorly) an organisation conforms to agreed benchmarks of ethical standards. Ethics audits to be conducted by SAIs aim to strengthen ethics management and ethical behavior and providing governance in public sector. The main focus of ethics audit would be the requirements of ethics infrastructure in public sector and/or public sector organisations. Because of that, any ethics audit could assess these requirements as a whole or each of the functions of the infrastructure –guidance, management policies and practices and control-and their components.

Promotion of ethics culture in public sector organizations through ethics audits is on the agenda of international organizations for Supreme Audit Institutions. One of these organizations is the EUROSAI Audit & Ethics Task Force and the Turkish Court of Accounts is a member of it. The main objective of the Task Force that was established in 2011 is to promote the relevance of ethical conduct and integrity both in SAIs and in public organisations, namely by promoting comparative studies, supporting the design of guidelines and other tools and sharing the results with the wider SAI community. In 2017, the Task Force has developed a guideline titled “Audit of Ethics in Public Sector Organisations. This guideline focuses on ethics audit, ethics management system, approaches in auditing ethics, designing an ethics audit, reporting and communication requirements of ethics audits and do’s and don’ts in the audit of ethics.

ARTICLE FROM TURKEY

“Public sector auditing is an important factor in making a difference to the lives of citizens. In order to make difference to the lives of citizens, SAIs are supposed to strengthen the accountability, transparency and integrity of government and public sector entities (ISSAI 12/5)...”

SOME REASONS FOR CONDUCTUNG ETHICS AUDITS

Analysing the main reasons of conducting ethics audit would provide insight for SAIs to perform this audit approach. Because of that, some reasons that encourage SAIs to carry out ethics audits are to be emphasized in this part of the paper. We could analyse these reasons as follow:

1. **The International Standards of Supreme Audit Institutions (ISSAIs):** These standarts give some responsibilities to the SAIs. For example; public-sector auditing should help to create suitable conditions and reinforce the expectation that public-sector entities and public servants will perform their functions effectively, efficiently, **ethically** and in accordance with the applicable laws and regulations (ISSAI 100/17). Public sector auditing is an important factor in making a difference to the lives of citizens. In order to **make difference** to the lives of citizens, SAIs are supposed to strengthen the accountability, transparency and **integrity** of government and public sector entities (ISSAI 12/5). SAIs may carry out audits or other engagements on any subject of relevance to the responsibilities of management and those charged with governance and the appropriate use of public resources (ISSAI 100/23). These examples of standarts give roles and responsibilities to SAIs in order to develop integrity-based public sector and public service. As an component of National Integrity Systems, SAIs could carry out these responsibilities through ethics audits.
2. **The Need Of Raising Ethics Infrustructure/Integrity As Primary Subject In Public Sector Audits:** According to the international standards of Supreme Audit Institutions, there are three main types of public sector auditing: Financial audit, performance audit and compliance audit. The main focus of financial audit is to determine whether an entity’s financial information is presented in accordance with the applicable financial reporting and regulatory framework (ISSAI 200/4). Compliance audits are carried out by assessing whether activities, financial transactions and information comply, in all material respects, with the authorities which govern the audited entity (ISSAI 400/ 12). The main focuse of performance audit is on independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement (ISSAI 300/md. 9). However, ethics and requirements of ethics infrustructure/integrity are not treated as prioritized subjects always in these traditional audits and could remain as secondary element of audits. For example; although the internal control systems which include ethics components are assessed in financial audit processes, at the end of the day, the audit report would display whether an entity’s financial information is presented in accordance with the applicable financial reporting and regulatory framework and thus, ethics would remain as second element of audit. Compliance audit focusing on compliance of activities and transactions with legal requirements, may be attestation or direct reporting engagements. The conclusion is expressed in terms of findings, answers to specific audit questions, recommendations or an opinion. Therefore, ethics and ethics related issues are not the primary concern of compliance audits. Also performance audits wouldn’t meet the requirements of ethics audit unless it directly addresses the requirements of ethics management as primary audit subject. As mentioned above, the main scope of ethics audit is on ethics management and its infrastructure directly.

ARTICLE FROM TURKEY

“SAIs carry out external audits in public sector and are considered as the guardians of Public Money...”

“Ethics audit aims to develop ethics management/integrity systems in public sector. Therefore, expected benefits of ethics audits should be the main motivators for SAIs to perform ethics audits...”

3. **Understanding Changes Regarding Public Sector Auditing:** Changes that happen in the SAIs’ environment such as technological, social, culturel etc. cause understanding changes in audit. Today, it is recognized that SAIs should adopt a preventive approach through their audits in order to promote integrity in public sector. The main role of SAIs in audits should be the promotion of a system in public sector organizations in which public resources are obtained, used and managed by public officials according to the ethical values and principals. In an audit that doesn’t take the requirements of ethics management as primary concern, corruption, irregularities and unethical behaviours identified may be the tip of the iceberg. Therefore, ethics audits focusing ethics system requirements in public management would pave the way for taking necessary precautions in order to establish and develop an ethics based public management.
4. **Positions And Authorities Of SAIs In Public Management:** SAIs carry out external audits in public sector and are considered as the guardians of Public Money. They have the authority to submit audit reports directly to the Parliament. These positions and authorities of SAIs create golden opportunity for raising ethics and ethics related issues as main agenda of public management. By conducting ethics audits, SAIs can bring the requirements of integrity to the attention of public, Parliaments and public organizations.
5. **Expectations of Public:** As mentioned above, the problems faced in public sector such as irregularities, wasting of public resources, unfair delivery of public services, lack of requirements of professional standarts, losing of lives in countries etc. necessitate the establishment and maintainance of integrity based public sectors. These problems make ethical values such as honesty, fairness, equality, transparency, accountability etc. as the main expectations of public from public officials and public services. SAIs can meet these requirements of public through ethics audits by focusing on integrity requirements.
6. **Possible Benefits of Ethics Audits:** As highlighted above, ethics audit aims to develop ethics management/integrity systems in public sector. Therefore, expected benefits of ethics audits should be the main motivators for SAIs to perform ethics audits. By conducting ethics audits, SAIs can produce many positive benefits in public management. Some of them are displayed as follow:
 - Increasing public trust to the public management
 - Guidance to decision makers in identifying necessary actions for developing integrity in public sector
 - Increasing the effectiveness of the control systems in place, since ethics is a relevant factor of risk assessment and an element of the internal control environment of the organisation
 - Encouraging the set-up of missing processes and/or relevant control activities
 - Stimulating and improving the set up and functioning of ethical infrastructures in public bodies
 - Stimulating relevant training and education on ethics
 - Fostering the consistent application of rules and regulations related to ethics and ethical behaviour
 - Enhancing ethical behaviour and ethical decision making

ARTICLE FROM TURKEY

“National legislation and standarts regarding ethics, international agreements, peer standarts, best practice guides and frameworks such as COSO Framework, OECD Integrity Framework etc. could be used as audit criteria in ethics audits...”

“Economic Cooperation Organization Supreme Audit Institutions (ECOSAI) aims to promote the state auditing profession in member countries through exchange of ideas, experiences and by holding seminars, conferences, workshops and training courses...”

- Strengthening mechanisms for monitoring the implementation of ethical principles
- Decreasing the number of breaches and irregularities
- Increasing public awareness
- Change of management practices
- Increased public officials’ accountability
- Increase the life quality of citizens by promoting fairness and equality in production and delievery of public services
- Strenghtening public oriented governance model
- Strenghtening human resource management policies and practices with ethics dimension etc.

HOW TO CONDUCT ETHICS AUDITS

Like traditional audits of SAIs, ethics audits also requires a particular methodology to follow. **The topic of ethics** audit are expected to be related to the requirements ethics infustructure. Therefore, as mentioned above, any ethics audit should focus these requirements as a whole or each of the functions of the infustructure – guidance, management policies and practices and control-and their components in public sector and/or public sector organizations. Some examples of ethics audit reports of different SAIs shown below can give insight in selecting audit topics in ethics audits:

List 1: Examples of Ethics Audit Reports

Efficiency of the ethical infrastructure functioning in the government bodies, SAI of Croatia
Review of ethics in the public sector, SAI of Croatia
<i>Integrity policy in the federal tax departments, SAI of Belgium</i>
Codes of Conduct in public administration, SAI of Iceland
State owned enterprises and corporate government principles, SAI of Portugal
Management of conflict of interest in selected EU agencies, ECA
Conflicts of interests, SAI of UK
Government whistleblowing policies, SAI of UK
Sponsoring and use of external consultants, SAI of Germany
Hiring of employees in public corporations, SAI of Israel
Prevention of conflicts of interests in health expertise, SAI of France
Investigation into the acceptance of gifts and hospitality, SAI of UK
Execution of the disciplinary function by Public Administrations, SAI of Italy
The professional conduct of a high ranking Government official, SAI of Malta

Resource: (EUROSAI TFAE, 2017: 58-59).

ARTICLE FROM TURKEY

“ECOSAI can establish a working group/ project team consisting of representatives of member countries in order to identify and plan works to promote ethics audits among member SAIs of ECOSAI..”

“ECOSAI can establish a working group/ project team consisting of representatives of member countries in order to identify and plan works to promote ethics audits among member SAIs of ECOSAI..”

While selecting topics of ethics audit, the priorities of Parliaments and public, and the possible effects of the subject to be selected over financial management, culture of integrity and organizational performance should be taken into account.

The scope of audit, i.e, the subject matter that the audit will assess and report on, the documents, situations or records to be examined and the period reviewed etc. should be identified clearly in ethics audits.

Ethics audit should have **audit objectives** to reach depending on audit subject and scope such as assessing the existence and functioning of integrity management systems or infrastructures in public sector organisations, assessing the effectiveness of ethical control mechanisms etc.

In addition to that, there should be some **questions** to reach audit objectives in ethics audit. For example, questions about guidance, management or control functions and their elements in terms of availability, sufficiency or effectiveness of due policies, procedures, processes etc.

National legislation and standarts regarding ethics, international agreements, peer standarts, best practice guides and frameworks such as COSO Framework, OECD Integrity Framework etc. could be used as **audit criteria** in ethics audits.

CONCLUSION AND SUGGESTION FOR ECOSAI

Establishment and maintenance of an integrity based public sector is a prerequisite of “rule of law and justice”. Protection of public trust to the states, governments and public organizations is possible by strenghtening the public sector that perform its functions depending on ethical values and principles. Thus, it should be the primary agenda of Supreme Audit Institutions (SAIs) to develop ethics management systems in public managements through ethics audits.

Economic Cooperation Organization Supreme Audit Institutions (ECOSAI) aims to promote the state auditing profession in member countries through exchange of ideas, experiences and by holding seminars, conferences, workshops and training courses. ECOSAI can make very valuable contributions in the development of ethics management systems of member countries by bringing “ethics audit” to the agenda. ECOSAI can establish a working group/ project team consisting of representatives of member countries in order to identify and plan works to promote ethics audits among member SAIs of ECOSAI. The group or team can

- design workshops and set platforms to share articles, reports, presentations, best practice guides etc. for gaining common understanding regarding “requirements of integrity based public sector”, “ethics audits”,
- develop papers, common “ethics audit guideline” by benefitting from the international practices in order to encourage member SAIs of ECOSAI to conduct ethics audits,
- design training materials on ethics audits to disseminate this approach to the staff of member SAIs,
- encourage the pilot ethics audits by agreed common audit topics to make a start in practicing this audit approach,
- exchange the ethics audit experiences of member SAIs and plan future activities as much as possible.

TURKEY

The contributions of each member SAIs of ECOSAI are a prerequisite In order to get success for the activities mentioned above and they would be of valuable efforts. Since each member SAIs of ECOSAI has got their own experiences and knowledge, these experiences would be helpful to overcome the problems to conduct ethics audits.

To conclude, it could be said that it is not only responsibility of decision makers, public managers and officials to develop integrity based public sector, but also responsibility of Supreme Audit Institutions because of their missions. It should be noted that international experiences regarding ethics audits and sharing of them among SAIs are “vey meaningful and valuable” to establish integrity based public sector for today’s and tomorrow’s generations. Therefore, the member SAIs of ECOSAI should collaberate with each other in order to make their best to develop integrity in their public sectors through ethics audits.

REFERENCES:

- EUROSAI Task Force Audit&Ethics (TFAE) Guideline (2017), “Audit of Ethics in Public Sector Organisations, <http://www.eurosai-tfae.tcontas.pt/activities/Papers/Activities/Guidance/Guidelines%20to%20audit%20ethics.pdf>, (05.10.2017).
- INTOSAI ISSAI 100, http://www.issai.org/en_us/site-issai/issai-framework/3-fundamental-auditing-principles.htm, (02.10.2017).
- INTOSAI ISSAI 12, http://www.issai.org/en_us/site-issai/issai-framework/2-prerequisites-for-the-functioning-of-sais.htm , (02.10.2017).
- INTOSAI ISSAI 200, http://www.issai.org/en_us/site-issai/issai-framework/3-fundamental-auditing-principles.htm, (02.10.2017).
- INTOSAI ISSAI 300, http://www.issai.org/en_us/site-issai/issai-framework/3-fundamental-auditing-principles.htm, (02.10.2017).
- INTOSAI ISSAI 400, http://www.issai.org/en_us/site-issai/issai-framework/3-fundamental-auditing-principles.htm, (02.10.2017).
- OECD (2005), “**Public Sector Integrity, A Framework For Assessment**”, http://www.keepeek.com/Digital-Asset-Management/oecd/governance/public-sector-integrity_9789264010604-en#.WZVPlfJaUk_, (05.10.2017)
- UZUN, Yaşar, (2017), “Yüksek Denetim Kurumları ve Etik Denetim (Supreme Audit Institutions and Ethics Audits)”, Sayıştay Dergisi (The Journal of the Turkish Court of Accounts), Sayı (Number): 105, https://www.sayistay.gov.tr/tr/Upload/95906369/files/dergi/pdf/dergi_105_m3.pdf, (05.10.2017)
-

Contacts:



Office of the Auditor General of Pakistan,

Audit House
Constitution Avenue, Islamabad.
Phone: 92 51 922 4080
Fax: 92 51 922 5243

We are on the web!
www.agp.gov.pk
www.ecosai.org.pk



Economic Cooperation Organization Supreme Audit Institutions

Audit House, Constitution Avenue, Islamabad Pakistan.
Tel: 92 51 922 4042 , Tel: 92 51 921 9177
Fax: 92 51 922 4052
Email: saipak@comsats.net.pk
www.ecosai.org.pk