



# ECOSAI CIRCULAR

Spring Issue

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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, 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

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**ECOSAI INFORMATION**

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President of the Turkish Court of Accounts
- ◆ **Secretary General**  
Rana Assad Amin  
Auditor General of Pakistan

**Members SAIs**

- Afghanistan
- Azerbaijan
- Iran
- Kazakhstan
- Kyrgyz Republic
- Pakistan
- Tajikistan
- Turkmenistan
- Turkey
- Turkish Republic of Northern Cyprus (TRNC)
- Uzbekistan

**Members of the ECOSAI Governing Board**

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Azerbaijan  
Kazakhstan  
Pakistan  
Turkey

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## Message of the Auditor General of Pakistan/ Secretary General ECOSAI

Dear ECOSAI members,

The 7<sup>th</sup> Assembly and Symposium, 21<sup>st</sup> Governing Board Meeting and 16<sup>th</sup> Training Committee Meeting of ECOSAI were held on 17-18 October, 2017 and it was a pleasure to meet all the esteemed colleagues. During the meetings, we discussed issues and explored avenues for cooperation and capacity building for the member states of ECOSAI and I would recommend that member SAIs effectively implement these proposals and initiatives identified during these meetings.

We also adopted Strategic Plan 2016-21 and budget 2017-19 for ECOSAI which provide an opportunity to utilize resources available to us for the effective implementation of the activities provided in Charter of ECOSAI. These steps envision an active role for ECOSAI in future as well.

For this issue of the Circular, we have received valuable contributions from seven ECOSAI member countries which is an appreciable sign of participation.

In my capacity as Secretary General of ECOSAI, I would urge the ECOSAI member SAIs to utilize this forum to strengthen bonds of friendship and cooperation and strive for a more active and assertive role in capacity building of all the member SAIs.

In the end I would like to welcome the SAI of TRNC as a new member of ECOSAI. I would also like to welcome the two new heads of SAIs of Kazakhstan and Tajikistan to ECOSAI.

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

## 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 21<sup>st</sup> 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 Spring 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 October 2017.

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



“The Chamber of Accounts was established under the Articles of the Constitution of the Republic of Azerbaijan and within its development history succeeded in forming the legislative framework providing rules and criteria for performing its activities.”

## 15 year history of the Chamber of Accounts of the Republic of Azerbaijan

The ceremonial event regarding the anniversary event was held on 15<sup>th</sup> December 2016 dedicated to the 15<sup>th</sup> anniversary of the Chamber of Accounts of the Republic of Azerbaijan. Representatives of Milli Majlis (Parliament) of the Republic of Azerbaijan. The former Chairmen of the Chamber of Accounts, as well as the delegation of the Turkish Court of Accounts and the representatives of international organizations in Azerbaijan participated in this important event and expressed warm wishes of other Supreme Audit Institutions to the Chamber.

Colleagues of the Chamber of Accounts were presented with the orders and medals awarded under the Order of the President of the Republic of Azerbaijan. The colleagues of the Chamber also received honorary order and letter of thanks. The achievements of the staff working for a long-term period in the Chamber were also noted.

It should be noted that, the Chamber of Accounts of the Republic of Azerbaijan as the Supreme Audit Institution is the only body performing external state audit function in the sphere of public financial management in the country. It was established by Milli Majlis of the Republic of Azerbaijan and commenced its activity in 2001 in compliance with the Constitution of the country.

The Chamber of Accounts was established under the Articles of the Constitution of the Republic of Azerbaijan and within its development history succeeded in forming the legislative framework providing rules and criteria for performing its activities. These include the Law of the Republic of Azerbaijan on the Chamber of Accounts, the Internal regulation of the Chamber of Accounts, the separate normative documents of state budget legislation etc. Alongside this, the Chamber of Accounts has close cooperation with other SAIs, provides guidance on the principles of international declarations and development of relevant national legislation in this direction. Thus, the legislative framework of the Chamber was strengthened and its powers were expanded following amendments and changes to the Law “On the Chamber of Accounts”. In addition, the Chamber was given powers to issue notifications to the relevant government authorities, heads of organizations responsible for financial control activities and heads of other relevant departments and entities on eliminating flaws discovered in financial control activities. Guidance is provided on issues like paying for the damage caused to the government and bringing to account those who are responsible for breaking the law. With the decision of the Chairman the representations shall be submitted on ceasing operations except





**“The Chamber of Accounts builds its activity on the principles of legality, transparency, accountability, congeniality, independence, objectivity and fairness.”**

for the protected expenditure items considered in the legislation on treasury and bank accounts of those public authorities, entities and organizations.

The Chamber of Accounts builds its activity on the principles of legality, transparency, accountability, congeniality, independence, objectivity and fairness. Long term capacity building of the Chamber of accounts is one of its strategic tasks and for this purpose the Strategic Development Plan was drafted.

*The Strategic Development Plan of the Chamber of Accounts for 2015-2017* covers the main features indicated in “Azerbaijan – 2020: The vision of the future”, Development Conception and UN Resolutions 66/209 and 69/228 and will affect the activity of the Chamber of Accounts of the Republic of Azerbaijan. The last international project held by the Chamber of Accounts focused on the introduction of Performance auditing, upgrading Financial auditing, strengthening legislative and standards framework, implementation of human resources and training.

Alongside this, performance audit manual, guidance on performance audit methods, Performance audit strategy for 2015-2016, Pilot audit reports on performance audits, financial audit manual, Financial audit strategy for 2015-2017, Information technology audit strategy for 2015-2017, report on cost benefit analysis on implementation of computer assisted audit techniques, new draft Law on the Chamber of Accounts responding the requirements of Lima and Mexico Declarations were prepared and 49 standards (ISSAIs) were translated into Azerbaijani language.

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## Delegation from SAC attended the XXII INCOSAI

Delegation of the Supreme Audit Court of Islamic Republic of Iran participated in the XXII Congress of the International Organization of Supreme Audit Institutions in Abu Dhabi, United Arab Emirates from 6-11 December, 2016.

A three member delegation headed by Dr. Adel Azar, President of Supreme Audit Court of Islamic Republic of Iran accompanied by Mr. Kiumars Davoudi, Vice President, Technical and Auditing of Social and Public Affairs and Mr. Morteza Asadi, Deputy Director General, Public Relations and int'l Affairs attended the 22<sup>nd</sup> Congress of INTOSAI, which is held every three years and participated by all its members.

At the meeting INTOSAI members discussed two key subjects. First, they debated "How INTOSAI can contribute to the implementation of the UN Agenda 2030 for Sustainable Development" including the improvement of good governance and counteracting corruption. Secondly, INTOSAI wants to professionalize its activity and improve credibility of the Organization and its members. The Congress adopted the new Strategic Plan for 2017-2022 and Dr. Harib Alamimi, head of the State Audit Institution of the United Arab Emirates become chairmen of INTOSAI.

The Congress also passed the Abu Dhabi Declaration which focuses on creating a global public voice for the improvement of public auditing, implementation of ISSAIs, enhancement of professionalism and commitment to the implementation of UN SDGs.

Noteworthy to mention that INTOSAI was founded in 1953 as a non-governmental organization with a special consultative status with the UN Economic and Social Council (ECOSOC). The organization supports its members in fulfilling their function, which is to audit the public sector. INTOSAI implements its mission mainly by means of information and experience exchange, in compliance with the motto: "Mutual experience benefits all". Currently INTOSAI associates 192 members:

Supreme Audit Institutions, the European Court of Auditors (ECA) and four associate members (the World Bank, Institute of Internal Auditors - the IIA, Organization of SAIs of Portuguese Speaking Countries and the Association of SAIs of French Speaking Countries). SAC has been a member of INTOSAI since

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**Fifth Joint Seminar between SAC Iran and BPK Indonesia**  
was held on November 29-30, 2016

**“Mr. Abdollah-SafaeiNasab, Vice President of the Audit of Economic and Infrastructure Affairs of the Supreme Audit Court of Iran and Mr. AchsanulQosasi, the BPK’s Board Member VII, signed the draft of the Fifth Joint Action Plan in line with the implementation of MOU.”**

The Fifth Joint Seminar between the Supreme Audit Court of I. R. Iran (SAC) and Audit Board of Republic of Indonesia (BPK) was held in Denpasar, Bali Province of Indonesia on 29-30 November 2016. The main theme of the seminar included audit of Islamic state owned banks, audit on Taxation, relation between SAI and the Parliament and knowledge sharing on training matters.

The four-member delegation from SAC was headed by Mr. Abdollah Safee Nasab, Vice President, Technical & Auditing of Economic & Infrastructure Affairs and accompanied by Mr. Mojtaba Zamanpour Principal Auditor State-owned Banks, Mr. Saeid Sattari, Director General of Supreme Audit Court, Tehran Province as well as Mr. Morteza Asadi Deputy Director General of Public Relations & International Affairs.

The Seminar was also attended by Prof. Dr. Eddy Mulyadi Soepardi, Board of AG (III) and Mr. Achsanul Qosasi, Board of AG VII, the Principal Auditor VII of the BPK, Mr. Abdul Latief, the Head of Public Relations and International Cooperation, Mr. Yudi Ramdan Budiman, the Head of the BPK’s Representative Office in Bali Province, Mr. Yulindra Tri Kusumo Nugroho. The seminar was also attended by Directors and experts of BPK.

At the end of this seminar, Mr. AbdollahSafaeiNasab, Vice President of the Audit of Economic and Infrastructure Affairs of the Supreme Audit Court of Iran and Mr. AchsanulQosasi, the BPK’s Board Member VII, signed the draft of the Fifth Joint Action Plan in line with the implementation of MOU. This Action Plan aims at expanding bilateral cooperation between the two SAIs in the field of public audit.

The cooperation areas defined in the Fifth Action Plan include the audit on oil and gas, the IT audit on procurements, the quality of the audit report handed to the representative body, the tax audit, and the environmental audit. Besides joint seminars and parallel audit, both SAIs agreed to improve their officers’ competency through training programs/joint workshops. With the signing of the action plan, both SAIs can develop auditors' capacity and competency especially in the field of public sector auditing as well as tighten the relationship between both SAIs, which has been established since 2008.

At the sideline of this seminar, the delegation from SAC visited the Representative Office of BPK in Bali. During the same visit, the delegation oriented themselves with the mandates, duties and functions of the same Office.

It is noteworthy to mention that the next Joint seminar between the two SAIs will be held in Tehran in 2017.



**“Attending the open session of the Parliament on 31 January 2017, Dr. Adel Azar, President of Supreme Audit Court presented the summary of the report to the MPs.”**

**“Annual Audit Report of SAC submitted to the Islamic Consultative Assembly.”**

### **Annual Audit Report Submitted to Parliament**

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

Attending the opening session of the Parliament on 31 January 2017, Dr. Adel Azar, President of Supreme Audit Court presented the summary of the report to the MPs.

The results of audits performed by the SAC are incorporated and contained in comprehensive annual audit report which shows how the national budget has been spent in a particular year specifying the revenues and expenditure of the government and its affiliated entities.

It is noteworthy to mention that this year's audit report belongs to the Iranian calendar year 21 March 2015- 20 March 2016. The report is the result of 270 days of continuous auditing conducted by the auditing teams at the auditees having consolidated 5000 individual reports into the final audit report. The same report was initially approved during 32 expert meetings attended by the audit departments and other related units of the SAC. In addition to this, the General Board of the SAC held 10 technical sessions chaired by the President of SAC in order to approve this year's audit report.

**“President of Supreme Audit Court of I. R. Iran explained the SAC's goals, tasks, responsibilities and strategies to delegation of Chinese Communist Party.”**



### **CCP diplomatic delegation visited SAI Iran**

At the invitation of the of Iran's Expediency Council(IEC), a diplomatic delegation of China's Communist Party (CCP), the founding and ruling political party of China, headed by Mr. Qi Yu, Deputy Head of Organization Department of CCP, visited Iran.

With the objective to get familiar with the activities of the Supreme Audit Court of I. R. Iran (SAC) against corruption and money laundering, the delegation paid a visit to SAI Iran on 15 January 2017.

The visiting delegation met Dr. Adel Azar, President of Supreme Audit Court of I. R. Iran, Vice Presidents, Officials, Assistant Prosecutors and other Principal Auditors and Directors General of Audit and Annual Report Departments.

At the beginning of the meeting, Dr. Adel Azar warmly welcomed the visiting delegation and expressed satisfaction about the visit of CCP representatives to SAI Iran. President of Supreme Audit Court of I. R. Iran also explained the SAC's goals, tasks, responsibilities and strategies.

At the same meeting, Mr. Safaienasab, Vice President for Technical and Auditing of Infrastructure and Economic Affairs briefed the delegation about the functions and duties of the Supreme Audit Court and the role it plays for safeguarding public properties and combating against corruption and money laundering. He also briefed the delegation about the cooperation of SAC with International organizations like INTOSAI, ASOSAI and ECOSAI regarding auditing in public sector.

Mr. Qi Yu deeply thanked SAI Iran for the opportunity provided to CCP delegation to visit SAI Iran. He went on to say that the visit to SAI Iran aimed at getting familiar with the activities of the Supreme Audit Court of I. R. Iran against corruption and money laundering.

The delegation included Deputy Director of West Asian and North African Affairs Xiao Junzheng, Director General of CCP Persian Gulf Department Yu Wei and a group of directors on International Affairs of CCP.

At the same meeting some officials of Iran's Expediency Council e.g. Dr. Davoud DaneshJafari member of IEC and Mr. Ali Akbar Sibeveih Director General of International Relations of IEC, as well as Chinese Ambassador Mr. Pang Sen accompanied the delegation.



### **The Paris Declaration on Jurisdictional SAIs was signed by Supreme Audit Court of I. R. Iran, December 9, 2016**

This signing ceremony of the Paris Declaration took place on December 9, 2016 during a sideline meeting of INCOSAI XXII. This ratification formalizes the establishment of the forum of Supreme Audit Institutions (SAIs) with jurisdictional functions. 21 members and 3 observers at the level of heads of SAIs attended this major event.

Attending the ceremony, Dr. Adel Azar, President of Supreme Audit Court of Islamic Republic of Iran signed the Paris declaration along with other 21 member SAIs.

The Declaration of Paris defines the identity of the SAIs with jurisdictional functions and lists the values that characterize them. It also commits them to an action plan. Their identity consists in the commitment of jurisdictional SAIs to the great principles of independence, cooperation and objectivity. These principles are then combined with impartiality, transparency and accountability which by themselves will lead to the proper use of public budget and accordingly the prevention of mismanagement is better assured. This declaration is the first step of a process that shall lead to a better recognition of jurisdictional SAIs by the international community.

The agenda for 2017-2019 of the same forum is structured around the following objective: to submit an official text standardizing the jurisdictional control activities during the 2019 INCOSAI XXIII following the model of the standards already adopted for financial, compliance and performance audit.

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**“The Declaration of Paris defines the identity of the SAIs with jurisdictional functions and lists the values that characterize them.”**





### Preliminary assessment of the draft national budget

In accordance with the Law of the Republic of Kazakhstan on “State Audit and Financial Control” adopted on 12<sup>th</sup> November 2015, the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan (hereinafter – the Accounts Committee) starting from 2017 was empowered with a new function to conduct preliminary assessment of the draft national budget with a view to give basic directions for its expenses.

Peculiarity of the preliminary audit (control) is its preventive nature aimed at defining reasonability, practicability and reliability of the planned indicators and reducing the risk of possible financial violations in the future.

General recommendations on conduct of such audit are included in the Lima Declaration of Guidelines on Auditing precept. However, execution of the preliminary audit (control) depends on legislation, conditions and requirements to audit (control) bodies in each country. The given precepts reflect consensus of SAIs of different countries regarding best practices.

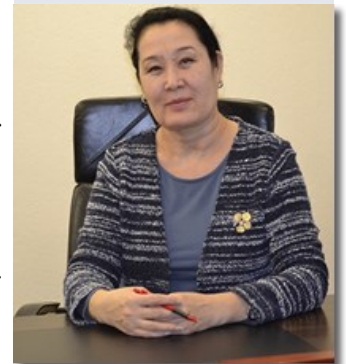
Preliminary audit is stipulated as well in the International Standards of Supreme Audit Institutions (ISSAI)

according to which the SAI can participate either in audit (control) activities or activities directed to the improvement of public management and particularly in assessment of the draft budget in case of Parliament’s request to the SAI. This kind of activity should be of high quality and valuable for decision-makers.

In order to make qualitative assessment of the draft budget, SAIs’ experience and ISSAI were studied. In addition, special attention was paid to peculiarities of the budget legislation of the Republic of Kazakhstan and adherence to independence of the Accounts Committee from any political influence to provide bias-free approach to execution of its audit functions.

For implementing the new function on assessment of the draft budget, the rules on conducting assessment of the draft national budget with a view to give basic directions for its expenses were approved by the Decree of the President of the Republic of Kazakhstan in December 2016.

“Peculiarity of the preliminary audit (control) is its preventive nature aimed at defining reasonability, practicability and reliability of the planned indicators and reducing the risk of possible financial violations in the future.”



**Khalida Kambarova,**  
Member of the Accounts  
Committee

**for Control over Execution of  
the Republican Budget of  
the Republic of Kazakhstan**





**“Preliminary audit is stipulated as well in the International Standards of Supreme Audit Institutions (ISSAI).”**

For the maximum possible decrease in violations in the future and enhancement of financial discipline, preliminary audit after budget development by the authorized public bodies will be conducted by the Accounts Committee with a view to provide legitimacy to budget formation, compliance with budget system principles and achievement of established goals and tasks for the result-oriented budget.

Preliminary audit aims at detection of existing problems in budget execution, enhancement of efficiency in implementation of strategic and program documents, including state and sectoral programs.

According to the rules on conducting assessment of the draft budget central authorized body on budget planning (Ministry of National Economy) will submit draft law on national budget for consideration of the Government of the Republic of Kazakhstan and the Accounts Committee no later than 15 August of the current financial year.

It is necessary to note that until receipt of the final draft budget the Accounts Committee has access to information on all stages of draft budget formation process.

The Ministry of National Economy submits estimates of state social and economic development to budget program administrators and the Accounts Committee simultaneously. In addition, the Accounts Committee is provided with the information on expense limits of the budget programs administrators and limits for new initiatives.

While discussing the budget of the Budget Programs Administrators at the Republican Budget Commission the Accounts Committee participates as an observer (without voting rights) being provided with all materials of the Budget Commission on issues of draft budget planning.

According to the rules on conducting assessment of the draft budget while performing the assessment the Accounts Committee will pay special attention to connection between indicators from public bodies, strategic plans and with indicators of economic and budget planning. Moreover, planned results achievement should comply with provisions of the addresses of the President of the Republic of Kazakhstan and documents of the System of state planning.

Ensuring continuous implementation of medium- and long-term investment projects is an important element of the draft budget assessment. Therefore, analysis and assessment of these projects for past periods of reporting financial years will be conducted. Herewith in all cases results of audit and financial control held by the public audit and financial control bodies at the past reporting financial periods will be taken into consideration.

Results of assessments of implementing the state and government programs by the budget programs administrators which were made by the authorized bodies will be taken into account as well.

In the end, expenses of the draft budget will be evaluated for compliance with priorities of social and economic development of the country and prioritized areas for Republican budget.

The Accounts Committee will submit the report on assessment of the draft budget to the Government and Parliament of the Republic of Kazakhstan no later than 1<sup>st</sup> September of the current financial year.

The Accounts Committee participates in discussion over the draft budget while it is under consideration in the Parliament of the Republic of Kazakhstan.



The Department of Auditor General of Pakistan conducted a two weeks ECOSAI Training Course on 'Performance Audit' from December 5<sup>th</sup> to December 16<sup>th</sup>, 2016 at Lahore, Pakistan. The training course was attended by two audit managers each from Afghanistan, Tajikistan, Iran, Turkish Republic of Northern Cyprus, one participant from Turkey and seven participants from Pakistan. Experienced officers of the Pakistan Audit Department delivered lectures to the participants. Participants were imparted theoretical knowledge of performance audit with reference to International Standards of Supreme Audit Institutions (ISSAIs) and were given practical scenarios for effective application of tools and techniques in this respect.



Participants of ECOSAI Training Course on "Performance Audit"

### **Participation in the 51<sup>st</sup> Governing Board Meeting of Asian Organization of Supreme Audit Institutions (ASOSAI):**

51<sup>st</sup> Governing Board Meeting of Asian Organization of Supreme Audit Institutions (ASOSAI) and meetings of Capacity Development Committee were held from 11 – 15, February 2017 at Bali, Indonesia. The Auditor General of Pakistan, Mr. Muhammad Raza Shah, Director and Mr. Waqar Paras, Deputy Director represented SAI Pakistan in these meetings. SAI Pakistan presented following reports during the GBM:

- i. Report on the progress of the 11<sup>th</sup> ASOSAI Research Project on “Audit of Public-Private Partnership Arrangements”
- ii. Report on the activities of the INTOSAI Governing Board
- iii. Report on recognition of ECOSAI as a sub-regional group of ASOSAI.



**51<sup>st</sup> ASOSAI Governing Board Meeting**

**Visit of Auditor General of Pakistan to National Audit Office of People’s Republic of China to sign MoU.**

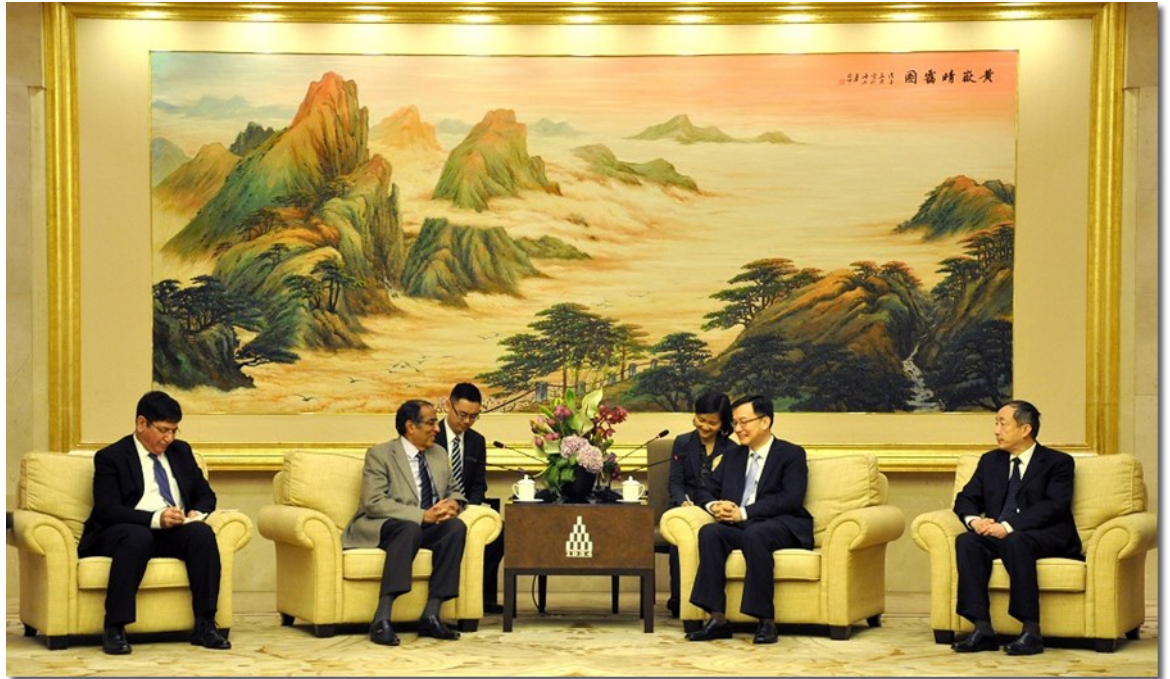
After the meeting a list of instructions were issued to the relevant Upon invitation of Auditor General of National Audit Office of People’s Republic of China, Rana Assad Amin, Auditor General of Pakistan and Mr. Khurram Raza Qureshi, Director General (International Relations) visited China from February 27 to March 3, 2017. During the visit the two SAIs signed Memorandum of Understanding (MoU) and discussed matters relating to expansion of bilateral cooperation between the two SAIs. The two SAIs agreed in principle to conduct parallel audits and training programs, revive bilateral visits and Sino Pakistan seminars. Both SAIs also discussed the issue of allocation of scholarships for



**MoU Signing Ceremony between Office of the Auditor General of Pakistan and National Audit Office, Peoples Republic of China**



**“The two SAIs agreed in principle to conduct parallel audits and training programs, revive bilateral visits and Sino Pakistan seminars.”**



**Visit of Auditor General of Pakistan to National Audit Office, Peoples Republic of China (Shanghai Offices)**

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**Study visit of Turkish Court of Accounts (TCA), Turkey to Pakistan**

A five (05) member delegation from the Turkish Court of Accounts (TCA) visited the office of Auditor General of Pakistan (OAGP) from 20- 23 February 2017 to discuss the areas of cooperation highlighted in the Memorandum of Understanding (MoU) signed between the two SAIs in October, 2016 at Ankara.

The delegation showed keen interest in the special audits conducted by OAGP. Cooperation and sharing guidance in the audit of special sectors or special issues audit between both SAIs was emphasized. It was agreed that SAI Pakistan will arrange a study visit of its officers to Turkey as provided in MOU.

During the working level meeting, officers from both SAIs discussed the possibility of conducting cooperative audits and agreed on conducting joint and parallel audits, beside conducting future training courses by SAIs of Pakistan and Turkey.



**Study visit of Turkish Court of Accounts (TCA), Turkey to Pakistan**





**Study visit of Turkish Court of Accounts (TCA) Turkey to Pakistan**

**“The Supreme Audit Institution (SAI) of Pakistan has been holding International Intensive Training Program every year since 1981. ”**

### **Performance Measurement of the Department of the Auditor General of Pakistan through peer Reviews**

Conducting assessment through Peer Reviews by other SAIs or INTOSAI regional body is presently under consideration in DAGP. The SAI is in the process of negotiating with SAIs Iran, Vietnam and Turkey the areas for peer reviews as per provisions of MoUs between the countries. The initially identified areas for peer reviews include management and organization; human resources; legal framework; audit methodology, standards and manuals; planning; quality control, etc. being followed in these SAIs.

In order to materialize conduct of DAGP’s assessment through peer reviews, preliminary discussions are being held with the World Bank which has supported the idea and shown its willingness to fund DAGP’s Performance Measurement initiatives.

DAGP will commission an initial SAI PMF assessment as a peer review with transparent quality assurance processes once the development partner i.e. World bank formally agrees to fund the assessment. DAGP will consider publishing the finalized assessment in full, to establish a baseline against which future performance can be measured. It is expected that the finalized assessment will be a core input into the DAGP’s strategic planning process.

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

The Supreme Audit Institution (SAI) of Pakistan has been holding International Intensive Training Program every year since 1981. The Performance Audit Wing of SAI Pakistan has trained 363 officers from different 36 countries till date.

The Performance Audit Wing conducted 98<sup>th</sup> International Intensive Program (ITP) from February 20 to March 17, 2017. Six (6) participants from SAIs of Vietnam, Afghanistan, Albania and nine (9) from SAI Pakistan attended the course.

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

### Participation in 23<sup>rd</sup> Commonwealth Auditors General Conference:

Since 1951, the Auditors General of the Commonwealth have met every three years to discuss matters of mutual professional interest and concern and to share and exchange work related experiences. The 23<sup>rd</sup> Commonwealth Auditors General Conference on theme “Securing Independence of SAIs to Improve the Effectiveness of Reporting and communication of Audit Findings” was hosted by the Comptroller and Auditor General of India from March 21-23, 2017 at New Delhi, India. This important theme was sub-divided into following two sub-themes.

- i. Leveraging Technology in Public Audit; and
- ii. Environment audit: A commonwealth perspective

The Auditor General of Pakistan and Mr. Muhammad Raza Shah, Director (INTOSAI) attended the conference. SAI Pakistan presented papers on both sub-themes and also participated in the discussion as a panelist.



**23<sup>rd</sup> Commonwealth  
Auditors General Conference**



**23<sup>rd</sup> Commonwealth  
Auditors General Conference**



**“The theme of the 23<sup>rd</sup> Commonwealth Auditors General Conference was “Securing Independence of SAIs to Improve the Effectiveness of Reporting and communication of Audit Findings”.**

**Participation of Auditor General of Pakistan in 23<sup>rd</sup> Commonwealth Auditors General Conference**

**ECOSAI Training Course on “Audit of Internal Controls” from April 24-28, 2017.**

The Auditor General of Pakistan is organizing ECOSAI training course on “Audit of Internal Controls” from 24-28 April, 2017 at Lahore, Pakistan. The course intends to improve the skills and knowledge of participants in conducting audit of Internal Controls.

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### Photograph for signing of MoU between SAI Pakistan and SAI Vietnam

In the side event of XXII International Congress of Supreme Audit Institutions at Abu Dhabi, UAE, an MoU signing ceremony was held on 08.12.2016 where Rana Assad Amin Auditor General of Pakistan and Dr. Ho Duc Phoc, Auditor General of the State Audit Office of Vietnam signed a Memorandum of Understanding between the two Supreme Audit Institutions. The MoU signed between the Office of the Auditor General of Pakistan and the State Audit Office of Vietnam pertains to cooperation in public sector auditing. The heads of the two SAIs agreed to benefit from each other's experience through mutual study visits, cooperative audits, peer reviews and capacity building programmes etc. The Auditor General of Pakistan Rana Assad Amin expressed on the occasion that the signing of the formal MoU will further enhance the existing relations with the State Audit Office of Vietnam and will open new areas of co-operation between the two SAIs.

## NEWS & EVENTS

Supreme  
Audit Institution  
Pakistan

**“The MoU signed between the Office of the Auditor General of Pakistan and the State Audit Office of Vietnam pertains to cooperation in public sector auditing.”**

## SUPPORTING THE INTERNAL AUDIT FUNCTION THROUGH EFFECTIVE COLLABORATION AND REPORTING- KEY TO MAXIMIZE AUDIT ASSURANCE

BY: Aamir Fayyaz, Director

Audit by an SAI is generally considered a risk mitigation exercise and is supposed to reduce the risks inherent in the management of public funds and other resources. Audits in the public sector, apart from checking the regularity and value for money aspects, are primarily meant to facilitate the stakeholders in following the public money-*all of it!* However, with ever increased public spending following the Great Depression of 1930s, auditors around the globe have gradually shifted towards sampling and have contended themselves with expression of reasonable assurance on financial statements with a plethora of risks lurking behind the audit opinion. These limitations inherent in the audit process force the external auditors (EAs) look inside and outside for multiple sources of assurance which could help them conduct an efficient but effective audit. The system of internal controls that is established (or should have been established) by the management in the prevention and detection of errors and irregularities to achieve organizational objectives constitute an important source of assurance albeit varying in the degree of effectiveness. In modern risk based auditing, the extent of audit by the EAs is dependent upon the assessment of system of internal controls and if the systems are assessed to be excellent, this has the potential to considerably reduce the extent of audit procedures by the EAs, bringing down the cost of audit, enhancing audit coverage and providing triple assurance to the stakeholders-one from the controls in place, second by the external auditors' testing of controls and third through substantive testing by the EAs.

This brings the EAs face to face with the internal auditors (IAs)-his counterparts in the

audit entity who have essentially the same job but are believed to be lacking the independence traditionally enjoyed and taken for granted by the EAs.

The degree of independence enjoyed by the IAs has a direct bearing on the adequacy of internal controls, especially financial controls, within the entity and resultantly impacts the extent of audit by the SAI/EAs. In view of the mutual benefits that are accrued, it is very essential for the EAs to collaborate meaningfully on a professional level with the IAs. Financial Audit Manual notes that "the relationship between DAGP and the internal audit community should be one of cooperation and professional reliance.

Coordination of work can ensure adequate audit coverage, while at the same time minimizing duplicate efforts". Similarly Performance Audit Manual, on several counts, mentions the internal audit reports as a source to compile and update permanent files and considers relevant the work done by internal auditors while preparing audit programs. The EAs, who generally have to audit a large number of organizations as per their mandate but may well be facing human, financial as well as time constraints, have an incentive to develop an understanding of the functioning of the internal audit unit within the audit entity.

**"The degree of independence enjoyed by the IAs has a direct bearing on the adequacy of internal controls".**



This will help them appreciate their organization, reporting mechanism, the degree of independence enjoyed in the discharge of their mandate, the adequacy and sufficiency of their scope of work in a particular audit year. This understanding will be beneficial for the EAs in determining the degree of reliance to be placed on the internal controls, determine and modify the nature, extent and timing of audit work, contextualize the audit conclusions to the adequacy of internal controls and ultimately be able to make specific as well as systemic recommendations to the stakeholders. Suppose that during planning phase of an audit assignment, EAs discovered that the internal audit of the entity has recently performed a comprehensive audit of purchase and repair work pertaining to transport and other equipment' and if after testing/re-performance on some of the work done by the IAs during the execution stage, the external auditors are convinced of the quality and adequacy of the work done, they can set the control risk in these areas as low and considerably reduce their substantive testing leading to conservation of limited audit resources and their availability in the audit of other budgetary areas where control risk is assessed to be on the higher side calling for, sometimes, 100% reliance on substantive testing by the EAs.

An independent and effective internal auditing is therefore in the interest of SAI/EAs as it is tantamount to having the SAIs presence in the audit entity throughout the year increasing the likelihood of overall decreased number of audit observations every year, elimination of repetitive nature of audit observations and implementation of audit recommendations by the management. This also ensures better coordination with entity during audit as well as at the time of meetings of the Departmental Accounts Committee and Public Accounts Committee.

However, having noted the benefits inherent in a strong and independent internal audit, public sector entities may have, in many a case, a semblance of the internal audit which may not be independent of the management and resultantly may not be in a

position to allow the EAs maximize audit assurance from the IAs work. The EAs should not be misled by the presence of an internal auditor (unit) within the entity. It should be understood that internal audit is a type of internal control and the availability of a number of internal auditors or (even) of a full-fledged internal audit unit indicate nothing in itself unless the external auditors are assured of their independence and adequacy of working. EAs therefore have a duty to support the IAs by including in their reports to the stakeholders, instances where, in their professional judgment, internal auditors lacked the requisite mandate, capacity and independence to carry out their work of such quality as to be of utility not only to those who are charged with the governance of the entity but also to the EAs in conducting a cost effective audit.

Let us observe from the watchful eyes of an external auditor how he understood and reported the functioning of internal audit during an audit assignment.

“During audit of entity ABC for the Financial Year xxxx, we noted that the entity enjoys an autonomous status which is within the Government’s approved budgeting, accounting, reporting and auditing framework. The entity maintains its own bank account approved by the Government and payments are processed as per the sanction granted by the competent authorities within and outside the entity as per the Government’s own approved delegation of financial powers and internal re-delegation approved by the Board of Governors of the entity. Internal audit unit exists which also performs functions of pre-auditing on case to case

## NEWS & EVENTS

Supreme  
Audit Institution  
Pakistan

**“the relationship between DAGP and the internal audit community should be one of cooperation and professional reliance. Coordination of work can ensure adequate audit coverage, while at the same time minimizing duplicate efforts”.**



**“Serving the nation  
by promoting  
accountability,  
transparency and  
good governance in  
the management and  
use of public  
resources.”**

basis as per the discretion of the management. The head of internal audit unit reports to the Head of department and his annual performance report is written by Head of Department and is countersigned by an officer whom the Head of Department reports to.

Incidentally the head of internal audit unit is also the head of administration and therefore the conflict of interest cannot be ruled out as in that capacity, he is, most of the time, the sanctioning authority for various types of expenditures and is also the authority to take disciplinary action against the personnel which includes the internal audit staff.

Internal audit unit, for all practical purposes, is dependent for basic logistic and financial resources on management and the existence of a system of quid pro quo cannot be ruled out. The internal audit has only a skeleton staff available and is generally under pressure to render advice on cases referred to by the management on immediate basis. Personnel of internal audit unit are frequently included in the

committees tasked for purchase, inspection of goods and works, disposal of assets and for all practical purposes lack an awareness of their functions. The internal audit unit has no access to the Board of Governors of the entity and its work is generally a low key affair and lacks the independence that is a pre-requisite for any effective audit system. Additionally, the working of the internal audit was found to be against the principles of internal auditing which state that ‘to be most effective, internal audit must not become part of the operational controls. The internal audit unit should not be performing checks on an ongoing basis. It should audit and review after the fact, or as a separate, independent and additional check, to ensure that the management and staff have been carrying out their duties properly. "We have therefore come to the conclusion that the system of internal auditing, even though established and working, is not in accordance with the established and acceptable practices of internal auditing.”

Scenarios like the one described above, lead to disappointment for the EAs as they would be constrained to place no reliance on the work done by the IAs and, in all likelihood, they would have to assume the control risks in most areas to be high and resort to direct substantive testing to achieve the desired assurance level for the users and in the process burdening the already limited audit resources. The non-establishment of an independent and operational internal audit set up by the management thus deprived the EAs to reduce their substantive audit work and use the resources thus saved on some other audit assignment. Audit report (s) on the entity, while including other audit findings, should also flag, in specific terms, the issues pertaining to internal audit practices. This helping hand extended by the SAI/EAs will not only be appreciated by the stakeholders (including the IAs) but also lead to effective utilization of limited audit resources of the SAI in future audit assignments.

## Overcoming the challenges in implementation of ISSAIs

### By: Muhammad Raza Shah, Director (INTOSAI)

#### INTRODUCTION:

Supreme Audit Institutions (SAIs) are the highest auditing bodies in respective jurisdictions responsible for independent oversight of the governmental activities. Supreme Audit Institutions are useful in managing public spending, ensuring financial accountability, and strengthening public institutions.

SAIs continuously strives to adopt and follow best practices which can help them achieve their objectives. In order to improve the quality of audit work, the SAIs under the umbrella of International Organization of Supreme Audit Institutions (INTOSAI) have adopted International Standards of Supreme Audit Institutions (ISSAIs). The ISSAIs are pronouncement issued by INTOSAI which spells out the basis prerequisites for the functioning of SAIs, besides, containing detailed auditing guidelines for the audit of public entities.

The adoption and complete implementation of ISSAIs by SAIs is indeed a laborious task. In order to ensure the use and application of these standards in day to day audit work, the SAIs are continuously in a process to assess and evaluate as to what are the challenges for implementing ISSAIs and what decisive steps need to be taken to overcome these challenges. This paper attempts to highlight the strategic considerations in the implementation of ISSAIs and suggest possible ways to address and overcome the challenges in implementation of ISSAIs.

#### OVERCOMING THE CHALLENGES:

Implementation of ISSAIs and achieving an ISSAI compliant audit practice is a challenging task. A SAI cannot refer to use of ISSAIs in its audit reports unless it has complied with all ISSAIs relevant to audit. Where SAI chooses to adopt the Level 4 General Auditing Guidelines as their authoritative standards the auditor must comply with all ISSAIs relevant to the audit. Such a compliance level requires lot of awareness and training of auditors, besides, establishment of new audit units and adoption of new practices and processes by

SAIs. The SAIs depending on their level of development and available resources devise ISSAI implementation strategies to implement ISSAIs and overcome the challenges it faces during the process. Dealing with challenges is rather easier once the strategic issues discussed above are properly identified and assessed.

Some possible ways, step and initiatives which may help SAIs in combating the challenges in implementing ISSAIs are as under:

#### Devising a well defined and effective ISSAI Implementation Strategy:

One of the most important prerequisite in overcoming the multi dimensional challenges in implementing ISSAIs is to have a well defined and well thought out implementation strategy in place.

Before devising an implementation strategy an SAI is required to conduct a gap analysis through employing ISSAI Compliance Assessment Tools (iCATs), write an ISSAI Compliance Assessment Report, conduct SWOT Analysis, determine priority implementation issues and finally develop an Action Plan.

For an ISSAI Implementation strategy to be workable and effective it should contain definite timelines and be able to identify the specific activities, resources required and responsible officers. It is important that the implementation strategy is not too ambitious and does not call for achieving too much too quickly. The implementation strategy should be able to take forward the SAI to ISSAI compliant audits by implementing ISSAIs gradually based on SAI requirements and resources .

- ◆ Devising a well defined and effective ISSAI Implementation Strategy
- ◆ Ensuring continuity and sustainability of the implementation process
- ◆ ISSAI awareness raising
- ◆ Formulating a Change Management Plan



**Mr. Muhammad Raza Shah,**  
Director (IR&C) /  
INTOSAI



**“The Change Management Plan should cover the people change to cater for the affect on the auditor’s new behaviors, job roles and responsibilities.”**

**“SAIs continuously strives to adopt and follow best practices which can help them achieve their objectives.”**

### **Establishment of ISSAI Implementation Unit:**

It has been seen that many SAIs carry out the process of implementation without a formal structural arrangement in place. Similarly, many SAIs carry out implementation through one of its wings or section which alongside its normal activities also oversees the implementation of ISSAIs. In all such cases no one in the SAI is clearly declared as formally responsible for overseeing the process. Implementing ISSAIs is a huge activity requiring a dedicated implementation unit and a specified team with clear job descriptions. Therefore, SAIs should establish ISSAI Implementation Units dedicated to spearhead and oversee the entire implementation process and take responsibility of all work and reporting etc.

### **ISSAI awareness raising:**

ISSAI implementation can only be successful if an SAI undertakes a comprehensive ISSAI awareness raising programme. SAIs can overcome the challenges in implementing ISSAIs by conducting awareness raising seminars on the ISSAI framework and specific ISSAIs. In this regard the SAIs may benefit from the experiences of the Professional Standards Committee (PSC) which has played an important role in ISSAI awareness raising. An ISSAI Awareness-Raising Task Force was established in Copenhagen in June 2010 which aimed at developing various material to create awareness of the ISSAIs and how best to implement them”. The folders, presentations, power point presentations and articles developed by the Task Force may be consulted by the SAIs to carry out a structured awareness raising programme.

### **Ensuring continuity and sustainability of the implementation process:**

Implementing ISSAIs and achieving an ISSAI compliant audit practice is a very long and time consuming process. It is extremely important that the implementation process has continuity and sustainability and it does not hamper with any changes in the top management. The implementation of ISSAIs should transfer as a legacy from one head of SAI to another. Similarly, the middle and top management in the SAI

should also be able to transfer the realization

and understanding of the ISSAI implementation to their successors. This can be achieved through advocacy, informal communications, charge relinquishment reports and statement of commitments etc.

### **Formulating a Change Management Plan:**

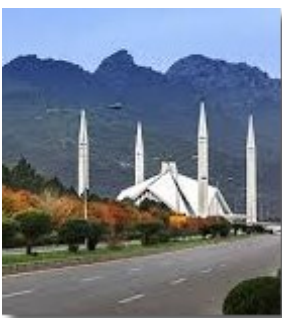
To achieve the goal of ISSAI compliant audits, an SAI has to change its behavior, practices and processes. During the process of change the audit staff may resist which is a natural tendency. Therefore, it is important that SAIs develop a proper Change Management Plan to identify the root causes in order to plan strategies for implementing ISSAIs. The Change Management Plan should cover the people change to cater for the affect on the auditor’s new behaviors, job roles and responsibilities. The Plan should also address process change which tends to be more complex as such changes represent adoption of completely new audit process or different application of existing audit processes. In a nutshell, a well thought out Change Management Plan will help SAIs to manage change properly and achieve the desired results. Such a formal plan will be one way of minimizing the risks when turning to new approaches and methods.

### **Conducting ISSAI compliant pilot audits:**

ISSAI compliant Pilot Audits should be undertaken by SAIs with the objective of testing the newly adopted audit processes, procedures, practices and techniques etc. The pilot audits can provide quality feedback about how the changes are working in practice and what needs to be done more.

### **Effective capacity building & learning interventions:**

Significant capacity development efforts will be required to be made before many SAIs will be able to meet all the requirement of ISSAIs. Building capacity of the SAI and individual auditor is an important element for facilitating the implementation of ISSAIs and making the task easier. INTOSAI Development.





Initiative (IDI) has identified number of areas in which SAIs need to look holistically at capacity development needs.

At the individual auditor level the goal of capacity building can be achieved through targeted training activities as continuous trainings play a key role in implementing any audit methodology.

#### **Employing the pool of ISSAI Facilitators:**

ISSAI Facilitators can play a very important role in overcoming the challenges in implementing ISSAIs. In many SAIs IDI-PSC certified ISSAI Facilitators are available for all three streams of audit. One of the roles of ISSAI Facilitators as suggested by IDI is to facilitate projects and programmes related to ISSAI Implementation in the SAIs. The ISSAI facilitators can be used by the SAIs for facilitating a wide range of projects related to ISSAI Implementation.

#### **CONCLUSION:**

ISSAIs are a set of robust audit practices the adoption of which leads to high quality outputs. ISSAI compliant audit practices results in the required audit impact enabling the SAIs to contribute to good governance in respective jurisdictions. Today most SAIs face challenges in the successful implementation of the ISSAI framework. The implementation of ISSAIs requires a lot of strategic decision making involving strategic planning, managing change, making available the required resources and assessing the stakeholders expectations. Such decisions cannot be made unless the SAIs are determined to accept the challenge of implementation of ISSAIs on a full scale and

make concrete efforts based on best international practices to overcome the challenges.

The implementation of ISSAIs is a comprehensive and systematic process of capacity building of SAIs, which can only be successful if the SAI leadership is committed, responsive, vigilant and ready to take necessary initiatives toward this end. The journey toward the full implementation of the ISSAIs is onerous and time consuming and requires a long term commitment by SAIs.

**“The journey toward the full implementation of the ISSAIs is onerous and time consuming and requires a long term commitment by SAIs.”**

## Auditor-General's Reforms

### Remarkable increase in recoveries with shift in audit approach

By : Muhammad Yahya

*[The Writer is Director-General in Office of the Auditor-General of Pakistan]*

Soon after taking oath of the Auditor-General of Pakistan (AGP) in June 2015, Rana Assad Amin initiated a series of systemic reforms to promote transparency and accountability in Government transactions. He has been engaged in restoring a soft image of the Department after inheriting a regime of lackluster performance based on traditional auditing approach. Far reaching outcomes of these reforms include a remarkable increase in recoveries to the tune of Rs.81 billion in 2015-16, at the instance of audit and special focus on performance and special audits in an enabling environment, monitored at the highest level.

According to the Constitution, the Parliament and the Provincial Assemblies approve federal and provincial budgets, respectively. Public funds are then released from the accounts of Federal and Provincial Governments. Oversight of these funds is exercised by the Parliament through the office of the Auditor General to ensure conformity to financial laws. The prime objective of government audit is to ensure that sanctity of the budget is preserved within the confines of financial rules and regulations governing disposal of expenditure and revenues. To revive achievement of this objective, the Auditor-General had to initiate a series of short term and sustainable reforms to improve the Department's image while improving the audit outcomes. This was done by re-introducing the element of risk-based auditing with emphasis on examination of systemic issues. In line with the Auditor-General's zero tolerance for corruption, massive re-shuffling of senior management officers was done to place honest and professionally competent officers in field audit offices. Special instructions have been issued to disallow any favors to officials engaged in field audit. In this regard, the audited organizations have also been requested to discourage any kind of favors to the auditors. To encourage 'whistle-blowing' complaints, a dedicated helpline has established at the Auditor-General's Office Headquarters.

The Department is presently engaged in promoting audit reforms based on the Auditor-General's first-ever Strategic Plan (2015-19), primarily implemented through recommendations of the Audit Reforms Committee. Human resource development and a paradigm shift in audit approach to special audits, are the hallmarks of AGP's reforms agenda. The new audit approach has been initiated in all Field Audit Offices

by allocating at least 30% of their resources for special audit activity. For administration of special audit activities, a grade 21 position has been created to implement and monitor performance audit, forensic audit, IT audit, banking audit and environmental audit. Audit of provincial governments is also being given special attention by reaching out to the provincial authorities at the highest level to revive public accounts committee sessions. For the first time, Grade-21 Officers of the Department have started attending meetings of Provincial Public Accounts Committees on behalf of the Auditor General of Pakistan.

After a lapse of more than three years, Annual Performance Report of the Department has been revived. According to the Annual Report 2015-16, there has been substantial increase in recoveries pointed out by audit. The benefit-cost ratio has registered a record high of 21:1 in 2015-16, against the strategic plan target of 12:1. This means that for every rupee spent on audit, Rs.21/- is recovered by ministries/divisions on the basis of observations raised by audit. This ratio had dwindled to Rs.12/- per Rupee spent during 2014-15 due to regressive approach in the previous regime. Total recovery for the year 2015-16 was Rs.81/- billion as compared to Rs.40/- billion during 2014-15, showing an increase of 100% in recoveries over the previous year.

The remarkable surge in recoveries also serves as a deterrent for financial indiscipline on rest of the expenditure not covered by audit. In addition to the quantitative reforms, qualitative improvements are now being made in the shape of amendments in the existing rules and procedures of the Department.

**"The Department is presently engaged in promoting audit reforms based on the Auditor-General's first-ever Strategic Plan (2015-19), primarily implemented through recommendations of the Audit Reforms Committee."**



**“For capacity building of its professional resources, the Department’s first ever HRM strategy has been developed to facilitate optimal allocation of resources besides career planning of the professional cadre.”**

To seek valuable input from major stakeholders, the Auditor-General has revived the Policy Board comprising of members including Governor State Bank of Pakistan, Finance Secretary, Chairman FBR, Secretary Planning Commission, Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost and management Accountants of Pakistan (ICMAP), Chairman Securities and Exchange Commission of Pakistan (SECP), Federation of Pakistan Chamber of Commerce and Industries (FPCCI) and representatives from NGOs. First meeting of the re-constituted Policy Board was held on August 1, 2016. While endorsing the AGP’s reform initiatives, including remarkable achievement of a record benefit-cost ratio, the Board members gave specific recommendations for organizational development, capacity building of human resources and involvement of social sector and NGOs in audit planning.

For capacity building of its professional resources, the Department’s first ever HRM strategy has been developed to facilitate optimal allocation of resources besides career planning of the professional cadre. The Strategy offers solutions to the human resource related challenges. It addresses the key issues of recruiting the right people, adding value to the recruited human resource by equipping them with requisite knowledge and skills, placing right man for the right job and retaining the professionals through performance based incentives. Pakistan Audit & Accounts Officers are now being trained in emerging areas including forensic, environmental and performance audit. For the first time, the element of competency-based training is being introduced in training activities. As an initial step, the curricula of PIPFA (Pakistan Institute of Public Financial Accountants) which is a promotion qualification for elevation of auditors to assistant accounts officers, is being revised to facilitate development of competencies in the actual work environment. HRMIS is now being adopted for career planning and placement of right man for the right job.

For professional capacity building and IT-based systemic reforms, the Department is actively engaged in collaborating with development partners like JICA, ADB and the World Bank. In collaboration with USAID, 307 officers of the

Auditor-General’s Department and Controller-General of Accounts will benefit from foreign & local trainings facilities in areas including risk-based auditing and forensic auditing, by May 2017. Besides, special incentives and opportunities are being offered to Pakistan Audit & Accounts Officers to seek professional certifications at the local level. For instance, reimbursement of Certified Information Systems Auditor (CISA) Certification charges is encouraging a large number of officers to seek this professional qualification. To promote chartered accountancy, the Institute of Chartered Accountants of Pakistan (ICAP) has been approached to allow attachment of newly inducted Pakistan Audit & Accounts Officers with Chartered Accountant Firms. Similarly, grant of exemptions in CA examinations for the Department’s professionals, is presently under consideration by the ICAP Education & Training Committee.

Special priority is being given to expansion of the human resources base to meet the challenges of extended scope of audit, aimed at focusing on systemic and technical aspects of audit. Besides emphasizing on the training aspect, the Department has embarked upon making qualitative value addition to human resources. Campuses of training academies at Lahore, Islamabad, Karachi, Peshawar and Quetta are being integrated through a video link. A special research wing has been established in Audit &Accounts Academy Lahore to provide professional input to practitioners on international good practices as well as for the emerging disciplines of auditing and accounting professions.

Infrastructure development is another milestone which the Department strives to achieve for improving its working environment through renovation of buildings and landscape improvements. The website of AGP has also been given a new shape and soon it will be converted into a web portal involving online interaction among various wings of AGP Headquarters besides real-time linkage with the prime portal of ECOSAI (Economic Cooperation Organization Supreme Audit Institutions).

In the international arena, significant achievements have been made for standardization of audit at local level and cooperation with other Supreme Audit Institutions (SAIs). Memorandum of Understandings for cooperation in public sector auditing have been signed with the Supreme Audit Court of Iran and Turkish Court of Accounts for conducting cooperative audits, peer reviews, mutual visits and joint training programs. The Department is also playing a very active role in various Committees and Working Groups of the International Organization of Supreme Audit Institutions (INTOSAI). Liaison Officers have been appointed for six working groups and one committee of INTOSAI to contribute and participate in the activities of these forums. Recently DAGP has become member of INTOSAI ‘Working Group on the Fight against Corruption and Money Laundering’ and ‘Working Group on Value and Benefits of SAIs’.

Department is actively participating in international events organized by high level international forums including the International Consortium on Governmental Financial Management (ICGFM) and the Asian Association of Supreme Audit Institutions (ASOSAI). As a special initiative, the Department is actively pursuing creation of SAARCOSAI – organization of Supreme Audit Institutions of SAARC countries besides proposing establishment of a regional organization of SAIs of D-8 countries including Pakistan, Indonesia, Malaysia, Bangladesh, Egypt, Turkey, Nigeria and Iran.

Apart from the assigned function of auditing of public finances, the Auditor-General has made a special intervention for improving service delivery for pensioners. While briefing the Federal Finance Minister in October 2015, he highlighted the problems and perceptions of pensioners, Accounts Offices, Banks and the Executive and proposed a set of specific reforms for implementation by Finance Division, ministries/divisions and the accounts organization.

The Finance Minister approved the Auditor-General’s system reform recommendations, triggering a series of reforms for initiating and processing of pension payments, with positive outcomes.

One of the key challenges of Pakistan Audit Department is that its administrative and financial independence is not compromised. Despite constitutional independence and autonomous status allowed in the Rules of Business, it has been rendered subordinate to Finance Division and is treated as an ordinary service delivery department instead of a supreme accountability agency. This anomaly creates a conflict of interest as the Auditor-General’s Department audits the accounts of Finance Division while being subservient to it for governance matters. The International Organization of Supreme Audit Institutions has already recommended that the Department should be given an independent status by treating it as an independent watchdog.

To strengthen its exclusive mandate, the Department has resolved that that no government agency can escape auditing, in view of a Supreme Court ruling with reference to Article 170 (2) of the Constitution that the Auditor-General of Pakistan enjoys a strong constitutional mandate to audit all public spending without exception. In this context, the Department has proposed certain amendments in the Auditor General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The proposed legislation will ultimately lead to greater financial and operational independence of the department as it renders its audit reports for adjudication of the parliament. On the operations side, the Manual of Standing Orders of the Department has been revised to cater for the current requirements of working environment. Performance Audit Manual of the Department is being revised to provide for latest audit methodologies in terms of international standards and good practices.

**“The Department is presently engaged in promoting audit reforms based on the Auditor-General’s first-ever Strategic Plan (2015-19), primarily implemented through recommendations of the Audit Reforms Committee.”**



**“The Department’s reforms will have a long lasting impact on the organization’s internal governance while improving the extent of its contribution in the Government’s accountability mechanism.”**

High quality audit for efficient implementation of financial discipline in the country, is the hallmark of ongoing reforms of the Auditor-General’s Department. With a top-down approach, performance evaluation of senior officers on audit side are regularly monitored through focused briefing sessions on implementation of the audit plans. While recoveries at the instance of audit have significantly increased, output of field audit offices is planned to be linked with a performance based reward system. Finance Division has also been approached to allow a 20% incentive allowance for audit employees.

The Auditor-General accords special priority for promotion of IT in audit activities. Procurement of IT-based Audit Management System has been planned to produce high quality audit reports with real-time monitoring and tracking of audit observations at the highest level. This system will also help in eliminating the element of ‘discretion’ at the lower levels of hierarchy during field audit. For quality assurance and other interactions, a video conferencing system will be installed by the end of January 2017. This will bring

economy and efficiency in the centralized monitoring of audit planning and execution. Another reform area for government audit is collaboration with investigating agencies like NAB. The Bureau has been approached to sign a Memorandum of Understanding with the Auditor-General’s Department for sharing of audit observations involving serious irregularities. This will not only help in the enforcement of recoveries but also in apprehending employees involved in serious irregularities. To play its role of advisor for the public financial management, the Department has proposed a series of measures to strengthen the Public Accounts Committee and to further enhance its role as a public accountability body.

The Department’s reforms will have a long lasting impact on the organization’s internal governance while improving the extent of its contribution in the Government’s accountability mechanism. Success of the Department’s anti-corruption measures will also depend upon a corresponding initiative by the executive departments.

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## **FARRUKH MAHMOUD HAMRALIZODA**

### **Chairman of the Accounts Chamber of Republic of Tajikistan**

- In office since February 1<sup>st</sup>, 2017
  - Born in 1966, Dushanbe, Tajikistan.
  - 2007-2008 served as a Head of Economic Reforms and Investment Department of the Executive Administration of the President of Republic of Tajikistan. In the meantime, managed Public Governance Reform Project.
  - 2008-2009 Chairman of the State Committee on Investments and State Property Management of Republic of Tajikistan.
  - 2009-2012 Minister of Economic Development and Trade of Republic of Tajikistan
  - 2012-2017 State Advisor on Economic Policy and later on Assistant to the President of the Republic of Tajikistan on the Economic Issues.
  - On February 1<sup>st</sup>, 2017 Majlisi Namoyandagon Majlisi Oli of Republic of Tajikistan (Parliament) appointed him to the post of the Chairman of the Accounts Chamber of Republic of Tajikistan.
  - Fluent in English and Russian languages.
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**THE COURT OF AUDIT OF TURKISH REPUBLIC OF NORTHERN CYPRUS**

ECOSAI Membership Approval of The Court of Audit of Turkish Republic of Northern Cyprus

By: Osman Korahan, President of The Court of Audit of Turkish Republic of Northern Cyprus



SAI of Turkish Republic of Northern Cyprus was approved as a permanent member of ECOSAI at the 7th ECOSAI Assembly held on October 18, 2016 and status of the SAI of TRNC was changed from observer to permanent member of ECOSAI.

We consider our membership in ECOSAI which creates opportunities for mutual sharing of ideas, values and principles of auditing in public sector as a significant improvement for us in terms of knowledge sharing and interaction. Being a member of this platform where public audit issues are discussed internationally will give us an opportunity to share our knowledge and experiences with other members and to follow changes and new practices in public audit. We wish to enhance our cooperation with member countries of the ECOSAI and share knowledge and experience and carry out collaborative works with other members.

**The Court of Audit of Turkish Republic of Northern Cyprus**

According to the TRNC Constitution, The Court of Audit of Turkish Republic of Northern Cyprus is charged with auditing public resources and establishment and duties of SAI of TRNC are regulated by TRNC Constitution. According to the TRNC Constitution, SAI of TRNC is assigned to audit the public income and expenditure and submit the audit reports to Assembly of Republic. There is the Court of Audit of TRNC Law and the purpose of this Law is to regulate functioning, rights and obligations of SAI of TRNC, audit procedures, qualifications and appointments of its staff, responsibilities and competence, and other matters pertaining to personnel.

According to The Court of Audit of TRNC Law, The Court of Audit of TRNC shall audit independent institutions, Ministries, all types of

administrations, organizations, institutions, associations, enterprises and companies affiliated to Ministries, local governments, joint stock companies with their capital directly or indirectly owned by the public sector and other administrations which their laws require SAI audit.

The reports which are published by The Court of Audit of TRNC are as follows:

- The statement of general conformity reports which is a constitutional requirement.
- Financial audit reports which include the results of the audit on reliability and accuracy of financial reports and statements and these reports also include the opinion on compliance of accounts and transactions related to the revenues, expenditures and assets of public administrations with laws and other legal arrangements.
- Performance audit reports which include the results of audit on the effectiveness, economy and efficiency of public sectors.

**Training Course Participation**

Two of our auditors participated in the ECOSAI training course on Performance Audit which was designed and delivered by the Office of The Auditor General of Pakistan and conducted from 5 December to 16 December 2016 in Pakistan. This course included topics such as differences between financial audit and performance audit, risks within the performance audit, approaches and methodologies in performance audit and international standards on auditing about planning, field work and reporting stages.

**“According to The Court of Audit of TRNC Law, The Court of Audit of TRNC shall audit independent institutions, Ministries, all types of administrations, organizations, associations, enterprises and companies affiliated to Ministries-”**



**Osman Korahan, President of The Court of Audit of Turkish Republic of Northern Cyprus**

**“SAI of Turkish Republic of Northern Cyprus was approved as a permanent member of ECOSAI at the 7th ECOSAI Assembly held on October 18, 2016 .”**



- > 16th ECOSAI Training Committee Meeting
- > 21st ECOSAI Governing Board Meeting
- > A Cooperation agreement has been signed between TCA & DAGP
- > 7TH Ecosai Assembly
- > 7th ECOSAI Symposium

### 16<sup>th</sup> ECOSAI Training Committee Meeting

16<sup>th</sup> ECOSAI Training Committee Meeting hosted by the Turkish Court of Accounts, was held at Ankara on 17 October 2016 before the 21<sup>st</sup> Governing Board Meeting of the organization. The delegations from Afghanistan, Iran, Pakistan and Turkey, from among the members of ECOSAI, attended the meeting. The issues addressed in the 16<sup>th</sup> Training Committee meeting and the training plan for 2014-2017 were discussed in the meeting, and a report was prepared to be submitted to the Governing Board.



### 21<sup>st</sup> ECOSAI Governing Board Meeting:

21<sup>st</sup> ECOSAI Governing Board Meeting started on 17 October 2016 with the opening speech of Mr. Seyit Ahmet BAŞ in his capacity as the Chairman of ECOSAI. Representatives from the SAIs of Afghanistan, Azerbaijan, Iran, Pakistan and Turkey which are the members of the ECOSAI Governing Board attended the meeting.





The following points were assessed in order to be submitted to the approval of the General Assembly:

- Report of the 16<sup>th</sup> ECOSAI Training Committee Meeting
- Annual financial report and accountability report of ECOSAI
- Publication of the ECOSAI Circular
- ECOSAI 2016-2021 Strategic Plan
- Signature of Memorandum of Understanding between ECOSAI Member States
- Conduct of joint audits

**“Representatives from the SAIs of Afghanistan, Azerbaijan, Iran, Pakistan and Turkey which are the members of the ECOSAI Governing Board attended the meeting.”**



#### **A cooperation agreement has been signed between the Turkish Court of Accounts (TCA) and the Auditor General of Pakistan**

A cooperation agreement was signed between the Turkish Court of Accounts (TCA) and the Auditor General of Pakistan on 17 October 2016 in order to promote co-operation in the areas of the exchange of experience in the area 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 of the Parties, holding of consultations, joint researches and parallel audits, seminars, conferences and technical meetings, and cooperation in any other areas within their jurisdictions.

## 7<sup>th</sup> ECOSAI Assembly



7<sup>th</sup> ECOSAI Assembly was hosted by the Turkish Court of Accounts (TCA) at Ankara on 18 October 2016. In the meeting which started with the opening speech of the TCA President Seyit Ahmet BAŞ who is also the President of ECOSAI; Mr. Sharif Aman SHARIFI, Auditor General of Afghanistan, Mr. Rana Assad AMIN, Auditor General of Pakistan, and Mr. Adil MAHARRAMOV, Deputy Chairman of the SAI of Azerbaijan delivered speeches. Delegations from Afghanistan, Azerbaijan, Iran, Kazakhstan, Pakistan, Turkey and the Turkish Republic of Northern Cyprus (TRNC) as observer attended the meeting.

The decisions of the meeting are as follows:

- Turkish Court of Accounts was re-elected as the ECOSAI President for the period 2016-2019.
- SAIs of Afghanistan, Azerbaijan and Kazakhstan were elected for the Governing Board, SAIs of Iran and Tajikistan were elected for the Audit Committee for the period.
- ECOSAI Strategic Plan for 2016-2021 was adopted.
- ECOSAI Membership of the SAI of TRNC that took part in the meetings as observer was approved.
- The decision was taken to increase and intensify the training activities for the SAIs in line with the 1<sup>st</sup> objective of the 2016-2021 ECOSAI Strategic Plan regarding the promotion of capacity building activities of member SAIs.

**“Turkish Court of Accounts was re-elected as the ECOSAI President for 2016-2019 period.”**





A seminar is held on a predetermined subject along with the ECOSAI General Assembly meeting. In this respect, the subject of the 7<sup>th</sup> ECOSAI Seminar held on 18 October 2016 was determined as “Overcoming the Difficulties Encountered in the Implementation of International Standards on Auditing (ISSAIs)”. In the symposium, representatives from the SAIs of Iran, Kazakhstan, Pakistan and Turkey delivered presentations.

In his presentation, Mr. Mahdi DEHROUYEH, Adviser to the President of the SAI of Iran, mentioned the contributions of international standards on auditing in guiding the auditors to overcome the difficulties encountered in the audits and in creating a uniformity of implementation among auditors and provided summary information about the difficulties that the SAI of Iran has encountered in the adoption and implementation of international standards on auditing as well as the measures taken for overcoming such difficulties.

Mr. Nurlan NURZHANOV, member of the SAI of Kazakhstan, stated in his presentation that the Public Audit Implementation Concept was adopted in Kazakhstan in 2013 during the recent reforms undertaken in the field of public audit and that the system basically consisted of such elements as transition to public audit complying with international standards on

auditing, optimally constructed internal and external audit institutions in the public sector, a certification system comprising all public auditors and creation of an integrated data bank. Mr. A. Ömer KARAMOLLAOĞLU, Head of Electronic Information Processing Centre in the Turkish Court of Accounts (TCA), addressed the difficulties of implementing the International Standards on Auditing (ISSAIs) and summarized the conclusions reached within the scope of the ISSAI Implementation Project conducted by the TCA:

- Full compliance with the ISSAIs is highly difficult due to the abundance and inconsistency of existing standards.
- A full compliance with the ISSAIs is not sufficient for creating an ideal SAI due to the structural deficiencies of the existing standards and the contradictions among the requirements of varying standards.
- Changes planned in the structure of INTOSAI are about to make the full compliance of the SAIs with the ISSAIs compulsory.

Lastly, Ms. Bismah Farrukh Khan, Deputy Director of International Relations and Coordination from the SAI of Pakistan, summarized the general framework of the ISSAIs in her presentation and provided information about the strategic subjects related to the implementation of ISSAIs as well as the ways of overcoming the difficulties encountered in the implementation of ISSAIs.

