



ECOSAI CIRCULAR 2014



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Mission

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

Vision

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

Core Values

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



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Foreword

Decorated with the contributions and input received from ECOSAI member countries, current year's ECOSAI Circular is presented to the members. I would like to congratulate all the members who have authored highly professional articles adding value to its contents. This year's issue again follows the previous year's pattern where separate sections have been assigned to each respective country. The Circular turns out to be very absorbing for the readers due to diversity of the subjects authored by the members. Scale and scope of ECOSAI Circular can be further enlarged and strengthened with greater number of contributions from more member countries. I would implore all fellow members to help make next issue of Circular a superior source of knowledge sharing through more contributions.

Dr. Naveeda Salam
Director General
(International Relations & Coordination)
Chief Editor



The Supreme Audit Office The Islamic Republic of Afghanistan

Benchmarking SAIs through Performance Measurement Framework-A brief¹

Arvind Acharya*

Introduction & Background

The Supreme Audit Institution (SAI) of a country is the apex oversight body and an important aid in country's legislative oversight, which objectively audits the public funds and submits its independent report(s) to the stakeholders for promoting accountability, transparency and good governance. However being the apex audit institution, there comes a need for the SAI to uphold itself in the eyes of all, especially to the representatives of the public and other stakeholders for its functioning and performances.

Though this does not imply that the SAI should necessarily be under scrutiny of an external agency, however, it does not exclude the possibility of a self initiated review and scrutiny of its work. The International Organization of the Supreme Audit Institutions (INTOSAI) to which SAIs of 192 countries are members has taken an initiative in this direction. This initiative promises to fulfill the review requirement of functioning of a SAI as per the international best practices without subjecting the SAI to any independence-compromising pressure.

In this backdrop and consequent to a decision at the INTOSAI Congress in South Africa in 2010, a tool has been developed by the INTOSAI's Working Group on the Value and Benefits of SAIs (WGVBS), namely, SAI Performance Measurement Framework (SAI-PMF). The SAI - PMF provides Supreme Audit Institutions (SAIs) a framework for **voluntary** assessments of their performance against the International Standards for Supreme Audit Institutions (ISSAIs) and other established international best practices for external public auditing. This is important to SAIs who wish to benchmark themselves against, the ISSAIs and other international good practices. This will also give SAIs an opportunity to become model organizations, leading by example, in promoting transparency and accountability through credible public reporting of their own performances. Depending on the purpose of the assessment, the SAI-PMF may be carried out as:

- a) A self assessment by the SAI,
- b) A peer assessment by another SAI or INTOSAI body, or
- c) An external assessment by consultants, donors, external auditors or other experts.

The SAI-PMF can be applied to all the three aforesaid approaches.

¹ The article is based on the Pilot version of the SAI-PMF -2013 carried out by INTOSAI and recent workshop held on the subject in Bhutan during January 2014.

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Benefits of Benchmarking

Numerous benefits accrue on account of such international acceptable benchmarking. The following are a few of them:

- a. It demonstrates systematic progress as well as values and benefits accrued**-this will show to the stakeholders the contribution of SAI to the strengthening of the public financial management of the Government and accountability and transparency therein.
- b. A tool towards ISSAI implementation**-SAIs can benchmark their performance against best practices and ISSAIs compliance assessments and analyses the areas wherein, there is room for improvement.
- c. Improves its own performance**- As a result of these assessments periodically, SAI would be able to analyze the gaps and improve their performance in the needed areas.
- d. Will help external funding**-For those SAIs, who may need external funding, SAI-PMF benchmark is a good indicator to be presented to donors and other external stakeholders.

Need for SAI-PMF

Though various tools exist in the international arena, however, no single tool meets the desired criteria for a comprehensive SAI assessment. The tools for assessing SAIs currently available are;

- Peer Review Guide and Checklist and SAI Capacity Building Guide (INTOSAI Capacity Building Committee CBC, 2006-07)
- SAI Pre-assessment Report (SAI Norway)
- PASAI Capability Model
- Institutional Capacity Building Framework, Survey and Quality Assurance Review (AFROSAI-E)
- SAI Maturity Model (SAI UK)
- ADB SAI Capacity Assessment Diagnostic Tool
- World Bank's Public Expenditure and Financial Assessment (PEFA) framework

However, since none of the aforesaid tools/frameworks provide comprehensive criteria and holistic framework for assessment of the entire gamut of SAI's working and functioning areas, the SAI-PMF gains importance and relevance, as it fulfills the gaps and bring about a complete and comprehensive assessment framework. The criteria's on which the framework is based is as follows;

Criteria

- | | |
|-------------------------------|-----------------------|
| 1. Comprehensiveness | 7. Progress |
| 2. Objectivity | 8. Consistency |
| 3. Subjectivity | 9. Compliance |
| 4. International Agreement | 10. Quality Assurance |
| 5. Relevance to All Countries | 11. Brevity |
| 6. Performance Improvement | 12. User-friendly |



The SAI PMF uses the International Standards of Supreme Audit Institutions (ISSAIs) concerned with almost all areas covering mandate, independence, scope and coverage of audit, methodology and approach of audit, quality assurance, objectivity and relevance of audit reporting, etc., as the main benchmark against which performance is measured.

The SAI PMF gives an overview of the most important areas of SAI performance. It covers both the SAI's internal processes and its external deliverables and results. However, one word of caution that may need mention here is that the SAI PMF is not a tool for detailed gap analyses or ISSAI certification.

The Framework

The SAI PMF consists of two components, a) domain & indicators and b) performance reporting, as detailed below:

1. Domains & Indicators

The framework consists of 7 domains and a set of 22 indicators (and two additional indicators for SAI's with a Judicial function) (of one to four dimensions each) for measuring SAI performance against international best practice.

The domains and the respective indicators are as under;

A. *SAI Reporting*

- SAI-1- Financial Audit Results
- SAI-2- Compliance Audit Results
- SAI-3- Performance Audit Results
- SAI-4- Judgment Results (*Additional indicator for Courts of Accounts*)
- SAI-5- Annual Report & Other Reports

B. *Independence and Legal Framework*

- SAI-6- Independence of the SAI
- SAI-7 -Mandate of the SAI

C. *Strategy for Organizational Development*

- SAI-8-Strategy for organizational development

D. *Audit Standards and Methodology*

- SAI-9- Overall Audit Planning and Quality Management
- SAI-10- Quality Assurance of Audit Processes
- SAI-11- Financial Audit Foundations



SAI-12- Financial Audit Process
SAI-13- Compliance Audit Foundations
SAI-14- Compliance Audit Process
SAI-15- Performance Audit Foundations
SAI-16- Performance Audit Process
SAI-17- Judgment Process (*Additional indicator for Courts of Accounts*)

E. Management and Support Structures

SAI-18- Ethics, Management and Internal Control
SAI-19- Asset Management and Support Services

F. Human Resources and Leadership

SAI-20- Human Resource Leadership and Function
SAI-21- Professional Development and Training

G. Communications and Stakeholder Management

SAI-22- Communications Strategy and Internal Communication
SAI-23- Communication with the Legislature, Judiciary and Executive
SAI-24- Communication with the Media, Citizens and Civil Society Organizations

Scoring for the criteria's

The five scoring levels are as follows:

Level 4 is the managed level. The SAI can achieve level 4 by strengthening its performance as compared to level 3, providing added value services, becoming a learning organization and exercising foresight.

Level 3 is the established level, under which the measured feature is broadly following the key elements of the ISSAIs.

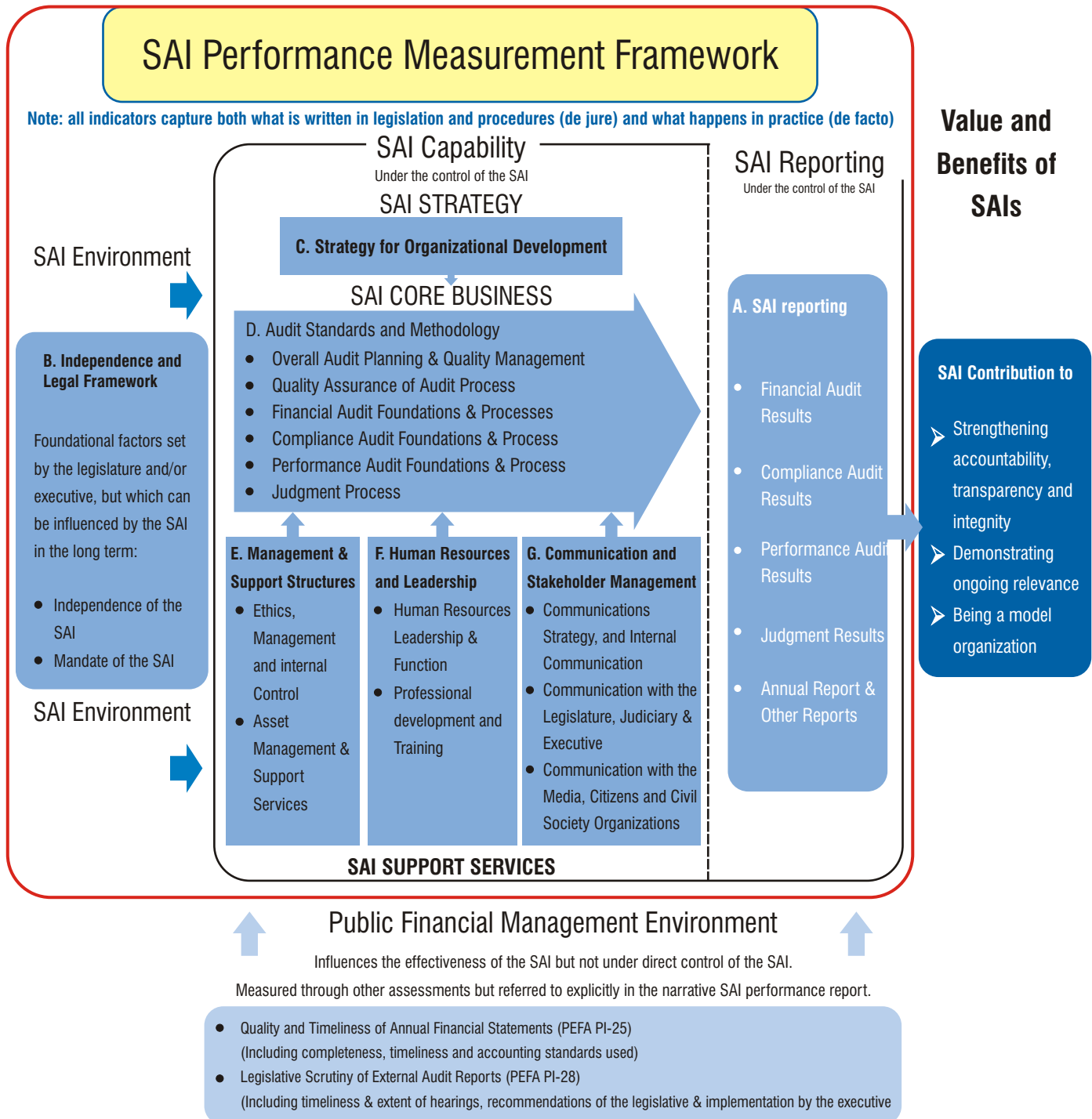
Level 2 (the development level) and

Level 1 (the founding level) represent lower degrees of compliance with the key elements of the ISSAIs.

Level 0 is the lowest level, and entails that the feature which is measured does not exist in the SAI or is not yet functioning



Diagrammatic Presentation of the Domains & Indicators



SAI Environment

B. Independence and Legal Framework

Foundational factors set by the legislature and/or executive, but which can be influenced by the SAI in the long term:

- Independence of the SAI
- Mandate of the SAI

SAI Environment

Value and Benefits of SAIs

SAI Contribution to

- Strengthening accountability, transparency and integrity
- Demonstrating ongoing relevance
- Being a model organization



2. The performance report

The performance report consists of a narrative analysis of the findings and is structured as below;

Foreword

- (i). *Executive Summary*
 - (ii). *Quality Assurance Statement*
 - (iii). *Observations on the SAI's Performance and Impact*
 - a) *Integrated assessment of SAI performance*
 - b) *The value and benefits of Supreme Audit Institutions making a difference in the lives of citizens*
 - c) *External enablers or constraints to stronger impact from SAI Performance*
 - d) *Analysis of the SAI's capacity development efforts and prospects for further improvement*
 - (iv). *SAI Management Use of Assessment Results*
-
- 1. *Introduction*
 - 2. *Country and SAI Background Information*
 - 2.1. *Description of country governance arrangements and wider environment in which the SAI operates*
 - 2.2. *Description of public sector budgetary environment and impact on SAI performance*
 - 2.3. *Description of the SAI's legal and institutional framework, organizational structure and resources and impact of country environment on SAI performance*
 - 3. *Assessment of the SAI's Environment, Capability and Performance*
Assessment against seven domains of SAI performance (evidence based indicator scores)
 - 3.1. *Domain A: SAI Performance*
 - 3.2. *Domain B: Independence and Legal Framework*
 - 3.3. *Domain C: Strategy and Organizational Development*
 - 3.4. *Domain D: Audit Standards and Methodology*
 - 3.5. *Domain E: Management and Support Structures*
 - 3.6. *Domain F: Human Resources and Leadership*
 - 3.7. *Domain G: Communication and Stakeholder Management*
 - 4. *SAI Capacity and Organizational Development Process*
 - 4.1. *Description of recent and on-going reforms*
 - 4.2. *Use of SAI results by External Providers of Financial Support*

Annex 1: Performance Indicator Summary & Tracking of Performance Over Time (where applicable)

Annex 2: Sources of Information & Evidence to Support Indicator Scoring.



Methods of carrying out the Assessment

As indicated in the beginning of this paper, there are three methods of conducting an SAI PMF assessment. It would depend on the individual SAIs to figure which methodology most suits its mandate, scope and requirements in terms of technical resources, funds and meeting the timelines.

The methods of evaluation are:

- a) Self assessment by the SAI,
- b) Peer assessment by another SAI or INTOSAI body, or
- c) External assessment by consultants, donors, external auditors or other experts.

The initiative of carrying out this assessment lies with the head of the SAI. However this tool is voluntary and exercising the option would depend upon the head of the SAI. It would also depend upon the head of the SAI whether or not to publish the results. Further being voluntary, it is not intended to replace any existing benchmark procedures. As such, the conclusion that the SAI-PMF based review and assessment may not interfere in the overall independence, scope and mandate of the SAI.

In this sense, conducting the SAI-PMF would be a good initiative for each SAI which would benefit not only the institution but all stakeholders. Further, this may as well throw up substantial corpus of best practices knowledge that different SAIs are already possessing and may help the SAIs in emerging and post-conflict countries.



The Supreme Audit Court The Islamic Republic of Iran

Investigation of effect of performance audit implementation on public sectors productivity improvement in Iran (case study of the Supreme Audit Court)

Sirous Fatahi*
Ebrahim Khoshnood*

Abstract

The purpose of the present study is investigation of the effect of implementing management performance audit on public sectors productivity improvement of Iran. This study is the survey in terms of the plan, and the survey tool consists of two five- item researcher made questionnaires (liker) which both have high validity and reliability. Time scope of the study is between February of 2012 and August of 2012, and the location of the study is the audit court of country and provinces. . The sample was determined by using Cochran formula and (322 persons) but,, in order to increase the credibility of the study,357 questionnaires were distributed that it seems that these questioners were the representative of the total population very closely. The study hypotheses consisted of three main assumptions. In addition, for hypothesis testing, statistic (sig), path analysis, equations, and other statistics used in the study including (f) and (r) regressions were used by applying (SPSS) software. Because the data obtained from questionnaires were qualitative information, therefore, non- parametric tests (Pearson's correlation coefficient) was also used. Finally, by confirming the fact that implementation of management (operational) performance audit improves the public sectors productivity, the following results were obtained: 1- Implementation of performance audit improves and develops the combined indices of structural resources, capital, management systems, and human resources (HR). 2- Improving and developing of combined indices of structural resources, capital, management systems, and human resources will cause to improve of public sectors productivity 3- Performance audit promotes the public sectors productivity through improving and developing of the combined indices of structural resources, capital, management system, and human resources.

Introduction

Societies' progress is because of the efforts of scholars and researchers who have spent many efforts on acquiring human knowledge during the years. Human knowledge is developing nonstop that is caused by using experiences and old knowledge, and improving of them. Because of this progress, social sciences and human sciences, and accounting knowledge, audit, and efficiency management have grew, too. As mentioned, in accounting science and audit, a significant growth in this section is observed, for instance audit performance of management (operational). therefore performance audit was formed because of economic development and responses increasing

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(financial and operational) in different countries, by evaluating, measuring and reporting efficiency, effectiveness, and economy of affairs and operations caused by public sector activities, limited resources are controlled and with efficient use of them by presenting audit findings and suggestions, it can help executive directors. In addition, it can provide the background for responsibility, accountability, and efficiency improvement. Although, many years have passed since performance audit conducted in developed countries, this form of audit in our country is just in the beginning. In addition, regulatory agencies, especially the country's supreme audit court, public sectors, accounting and audit experts should use the experiences of other countries in implementing this type of audit in order to improve productivity. Obviously, lack of commitment of regulatory agencies, public sector managers, accounting and audit experts to identify and implement of performance audit, and non-benefiting from the experiences of leading countries in this sectors, may cause to forget this profession of governmental audit in Iran for years. With regard to the general belief that (operational) performance audit is considered to be necessary for public and non-profit sectors, and the research performed by researchers in this area, it is hoped that this study could also help to better implementation of performance audit in order to improve of public sectors productivity in Iran.

Main hypothesis: There is a significant relationship between performance audit implementation and public sectors productivity improvement, through the effect of the composite indices of development and improvement of structural resources, capital, managerial systems, and human resources (employees).

Table 11- Main-hypothesis

Variable	Average	Standard deviation	Pearson coefficient	Significant level
Performance audit implementation	3.69	0.655	0.658	0.000
Public sector productivity	3.90	0.567		

As Table 11, the average of performance audit implemented through composite effects on productivity indices was equal to 3.69, and the average of the productivity of public sectors was equal to 3.9. The value of Pearson coefficient (r) was 0.658 which shows there is a high correlation between the two variables. This coefficient is positive and has a direct coordination; that is, as performance audit implementation is increased through composite effects on productivity indices, the productivity of the public sectors goes up as a result. Because the significance level ($\text{sig}=0.000$) is less than 0.005, the relationship is confirmed by 99 percent of confidence, therefore, null hypothesis is rejected.



General Model of the Study Path Analysis

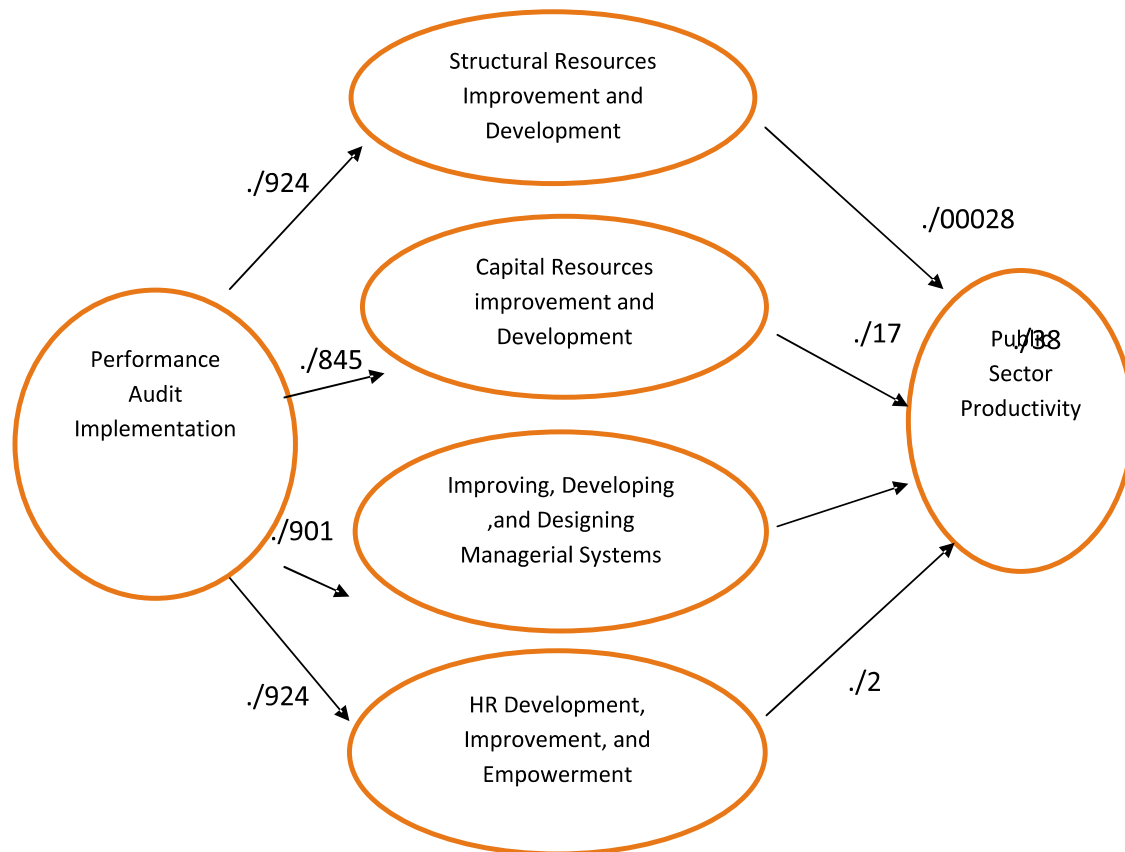


Table - Calculating the effects of performance audit implementation on improving the public sectors productivity

Variable name	Direct effect	Indirect	Total effect
Performance audit implementation - structural and organizational resources productivity	-	$0.00028 * 0.0924$	0.0002
Performance audit implementation - (financial, budget) capital resource productivity	-	$0.38 * 0.845$	0.3211
Performance audit implementation productivity of managerial system	-	$0.17 * 0.901$	0.1531
Performance audit implementation - HR (employees) productivity	-	$0.2 * 0.924$	0.1848



After calculating direct and indirect effects of the independent variables on public sectors productivity, the variable of performance audit implementation, considering all paths both direct and indirect, had an additive effect on productivity of the public sectors; that is, where performance audit implementation increased, the productivity of public sectors went up as well.

Path analysis of the effects of independent variables, and calculating the quality and intensity of the direct and indirect effects, indicates that in general, the most change in the independent variable is related to the effects of "capital resource improvement and development" variable. To calculate the explained changes in the dependent variable, determination coefficient was used. As it is specified in the path diagram, the value of changes unexplained by the model is 0.46, which is calculated using the following formula:

$$R^2 = 1 - e^2 \Rightarrow e^2 = 1 - r^2 \Rightarrow 0.46 = 1 - r^2 \Rightarrow r^2 = 0.54$$

Therefore it can be noted that the model does not explain 0.46 percent of the dependent variable variance (productivity of the public sectors), and about 0.54 percent of the public sector productivity changes can be explained through the implementing performance audit by this model.



Challenges of Public Budgeting in Iran

*Hossein Baheri**

Introduction:

Budget is the lifeline of government. It is a tool for obtaining legitimate funding. It acts as a mirror to show all the activities and programs implemented by the government. It is a tool for controlling the Executive in order to ensure that all public funds have been spent properly and in a legitimate manner. Budget plays an important role in the macro economic development. From other perspective, comprehensive and continuous development is the result of the proper functioning of the triangle of security, welfare and awareness of political, economic and scientific situation of the society. In order to ensure the sustainable development, it is vital to have dynamic economic, political and scientific systems for the management of the society.

Budgeting system in Iran:

Iran enjoys a public economy and therefore oil revenues are the major sources of income in the country. Similar to veins in the body, the budgeting system play a significant role in transferring oil revenues to different sectors of the economy. It has turned to be a complex technical and financial system. Obviously budgeting can guide and direct different sectors of the Iranian society.

Regarding what was said earlier, a disciplined, transparent and healthy budgeting can better help the development of political and social system. Contrary to this situation, the lack of discipline and corruption in the budgeting system can lead to political and social crisis and therefore affects negatively macroeconomic indices including inflation, unemployment and negative economic growth.

On the other hand, the current mode of budgeting in Iran is the result of three decades of national macro budgeting. In fact in dynamic economic systems, it is the leaders/top management that guide and direct working methods and structures but in static economic systems, the structures lead and direct leaders/top management.

Most experts believe that in spite of one century of experience in budgeting in Iran, the system is facing multiple problems and challenges. The root causes of some of the same problems/challenges goes back to the administrative and financial systems in Iran while he current social and economic situation in Iran cannot be ignored. Therefore, lack of proper structures in budgeting not only can affect the quality of this process but also can lead to lack of transparency in financial decision making which by itself will result in problems for the Legislature.

** Hossein Baheri, Principal Auditor at Supreme Audit Court, I.R. Iran*



The current article aims at critically evaluating the current situation of public budgeting in Iran covering all its aspects so that an optimal budgeting system can be defined and proposed for future use.

In the following line two major challenges are presented:

1. Budgeting challenges in relation with international financial criteria:

Considering the four following principles of International Monetary Fund regarding the financial management transparency, it can be evaluated that the Iranian system of budgeting does not conform completely to the following principles:

Roles and responsibilities in government should be clear. The boundaries between public and private sector should be clear.

- ▶ Information on government activities should be provided to the public.
- ▶ Budget preparation, execution, and reporting should be undertaken in an open manner, and
- ▶ Fiscal information should attain widely accepted standards of data quality and be subject to independent assurances of integrity.

2. Budgeting Challenges in compliance with public budget management:

These challenges include:

- a) Lack of proper information regarding continuous financial activities and the results of operational budgeting considering the revenues and expenditures in public management sector.
- b) Lack of a comprehensive definition of budget to direct revenues and expenditures, structures, integrity in decision making, preparing operational account, financial management structure and public accounting
- c) Lack of conformity between financial and auditing rules and regulations with requirement of present time as well as the requirement of growth, innovation and information technology
- d) Numerous and contradictory laws and regulations for financial and audit sectors and personal interpretation of such laws
- e) Lack of a proper organization for public budgeting planning which can supervise and direct revenues and expenditures in the optimal way

¹. Website of World Bank available at:
<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTFINANCIALMGMT/0,,contentMDK:21388749~menuPK:3914328~pagePK:210058~piPK:210062~theSitePK:313218,00.html>



- f) Lack of proper attention or lack of belief in the usefulness of upstream laws while preparing and approving annual budget
- g) Lack of attention to the national requirement while approving the budget by the Parliament. Based on the current practice, regions get prioritized over the whole country
- h) Lack of coherence and integrity between items of annual budget law with generally accepted principles of budgeting
- i) Lack of full transparency in budgeting process from preparation of the budget bill to the ratification of the budget by the Parliament
- j) Lack of appropriation of budget compliant with the duties of the executive organizations during the financial year
- k) Essential disagreement between budgeting experts with the public managers regarding budgeting process for realization of public interest.

In addition to the above two major challenges, there are other challenges including administrative structure of the government, budget preparation process, approval and implementation of the budget, capital assets property management, operational and financial supervision, legal bases, public management and inefficiencies in public sector. The same challenges could be discussed separately in different articles.

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Araghi, Seyed Hassan (2008). Government Accounting. Tehran: Faculty of Economic Sciences Publications Annual Budget Laws (2011-2013)

Challenges of Budgeting in Iran (2009). Tehran: Research Center, Islamic Consultative Assembly(Iranian Parliament)

The Fifth Economic, Social and Cultural Development Plan of the. I. R. Iran



High Ranking delegation from Supreme Audit Court visited Italy*

To boost bilateral cooperation and to exchange ideas and experience in the field of both audit and jurisdictional function, a high ranking delegation headed by Dr. Mesbahi Moghhdam, Chairman of the Planning and Budget and Public Audit Committee of the Islamic Consultative Assembly (Iranian Parliament) accompanied by three MPs , Chairman of Training Center, Chairman of the Judiciary Board, Deputy Public Prosecutor and Head of International Relations Department visited Corte dei Conti of Italy from 15-16 May 2014. The delegation was well received by H.E. Mr. Raffaele Squitieri, President of the Corte dei Conti of Italy and other high ranking officials from SAI Italy.



Throughout the meetings that were held during the visit, the representatives of both SAIs had the opportunity of working together and exchanging various concern and interest in the field of our jurisdiction and audit function. Both side considered the visit positive. As the first contact between the Supreme Audit Court of I.R. Iran and Corte dei Conti of Italy, it is expected that this visit will be the basis for future bilateral cooperation between the two institutions.

At the side line of this visit, the delegation had the chance to visit the Italian Parliament where they were warmly welcomed by the Mr. Francesco Boccia, Chairman of the Public Accounts Committee of the Italian Parliament. During the short meeting in the Parliament, both sides had the chance to share ideas and discuss matters of mutual interest.



*Source: Supreme Audit Court of Iran



Judicial Cooperation between Supreme Audit Court of Iran and Tribunal De Cuentas of Spain*

A four member delegation headed by Mr. Felipe García Ortíz, President of the Trial Section of Tribunal De Cuentas of Spain visited Supreme Audit Court of I.R. Iran from 5-12 October 2014. The visit aimed at boosting bilateral cooperation between the judicial section of both SAIs focusing on exchange of information and experience in judicial audit system. The delegation paid a courtesy call on Mr. Amin Hossein Rahimi, Senior President where both parties expressed interest on strengthening bilateral cooperation through signing an MOU.

In separate meetings, the delegation met Mr. Fayaz Shojaei, Public Prosecutor of Supreme Audit Court. In two separate meeting both sides exchanged ideas and experience on the judicial activities and evaluated the strength and weakness of their work. In the same meeting it was agreed that the Forum of Prosecutors of SAIs in European and Latin American countries together with Iran is established. Additionally it was agreed that the draft MOU between two SAIs are exchanged.

At the sideline of this visit, the Spanish delegation visited the Parliament where they attend the General session of Parliament for a few minutes and then met with Mr. Tajgardoon, Chairman of Public Account Committee. The delegation also visited Tehran Oil Refinery.



*Source: Supreme Audit Court of Iran



Representative of SAI Iran attended INTOSAI CBC Meeting*

The Annual Capacity Building Committee (CBC) Meeting was held in Lima, Peru from 9th to 11th 2014. A delegation Headed by Mr. Abolfazl Asadi Deputy Public Prosecutor of Supreme Audit Court of Iran attended the same meeting.

With the objective to modernize and develop the organization, SAI Iran joined the CBC last year at the sideline of the XXI INCOSAI in Beijing China.

This meeting in particular, took place in a context where SAI Independence and capacity building is part of the discussion for the World Development Agenda post 2015, as key factors to improve the public accounting systems and sustainable growth. The meeting offered a unique opportunity to discuss and analyze the capacity building needs of SAI and Regional Groups.

At the same meeting SAI Iran joined Subcommittee 2 of CBC entitled: Developing Advisory and Consultant Services with special focus on common and parallel audits.



*Source: Supreme Audit Court of Iran



The Accounts Chamber The Republic of Tajikistan

Institutional development of the Accounts Chamber of the Republic of Tajikistan as the basis of the translational movement of the state Supreme Audit Institution*

A number of important steps were taken by the Government of the Republic of Tajikistan towards reforming the system of financial control and audit in order to increase the effectiveness of internal and external financial control in the process of reforming the economy and public administration in the Republic of Tajikistan.

It is well known that the state is an essential element of monitoring mechanism in the formation of economic and social policies.



Although, the currently effective republic system of state control was operating prior to the independence, due to changes in socio-economic relations, the emergence of new market relations, investments and grants, systematic increase in the state budget led to the need for a competent authority that can directly monitor and provide the President of the Republic of Tajikistan, the Parliament of the Republic of Tajikistan and public with reasonable conclusions and information on the economic activities of the state, namely, the use of the state budget and state property.

Approving the Strategy and Action Plan for the formation of a new independent external audit body in the Republic of Tajikistan, the President established a working group to study the institutional framework of this body, the preparation and drafting of legislation that regulates relations in the field of financial audit.

Over its three-years activity the working group on the study of an independent external audit activities, using the best international practices, created a real premise in the preparation and drafting of legislation, organization and strengthening of the legal framework for the formation of the SAI in Tajikistan which was presented to the Parliament for the consideration.

Thus, exercising their constitutional authority, after the adoption of this Act by the Parliament, it was signed by the President of the Republic of Tajikistan and put into effect in June 28, 2011.

*Source: The Accounts Chamber, The Republic of Tajikistan



The purpose of the adoption of this law is to create a legal framework for the organization and conducting an independent external audit that is carried out by the Accounts chamber of the Republic of Tajikistan.

This law, regulating the issues of legal status, competence, structure, functions, rights and responsibilities, defined the status of the Accounts Chamber as the Supreme Audit Institution of the Republic of Tajikistan that conducts an independent external audit to assess the implementation of the state budget and makes proposal for its improvement.

Legislation clearly defines the main functions of the supreme audit institution, structure and activities to be monitored, the objectives of which are to evaluate the reliability of the financial management system and the consistency of financial reporting (financial audit), evaluation of the organization's objectives achievement or any of its subsidiary's objectives (efficiency audit), and assess the parsimony and feasibility of using the budget (performance audit).

It should be noted that along with the concept of "financial audit" this law for the first time in the current legislation and regulations of the Republic of Tajikistan in the field of public financial control defined the concept of "external audit", "efficiency audit" and "performance audit" is an independent audit views, during which, the activity of state bodies and organizations to cost saving, efficiency and effectiveness of government programs and projects are studied and analyzed.

Unlike other provisions of this law from the rules of other laws is that the authority of an independent external audit, in order to protect the operating independence, while selecting sites for inspection, itself determines subject, methods, timing of checks and submission form of an appropriate conclusion on the basis of international advanced standards approved by the Board, i.e. the supreme body of the Accounts Chamber.

This law defines the rights and responsibilities of staff of the supreme body of state financial control, businesses and organizations in which control activities are carried out. The competence of the Accounts Chamber are also identified in the direction of collaboration and cooperation with other bodies of financial control (internal) and the SAIs of foreign countries to assist in improving the efficiency and effectiveness of core operations.

In addition, the legislation stipulates that the SAIs of the Republic of Tajikistan (Accounts Chamber), for the purpose to conduct their audit work independently the necessary standards and methodologies are developed and accepted relevant to international best practices. Accounts Chamber also developed and adopted mandatory standards, which must be used in the core



business of other bodies of financial control (internal). Currently, the Accounts Chamber has developed and approved a number of necessary standards used in the core activities.

In the end it should be noted that the present laws improved in the initial stage of the Chamber. Proper implementation of the norms of the law and approved standards contributes to reliable control on the proper use of budget funds and state property.

The Law of the Republic of Tajikistan "About the Accounts Chamber of the Republic of Tajikistan", developed standards and guidelines that are composed in this booklet, published in Tajik and Russian languages.



The Turkish Court of Accounts The Republic of Turkey

The Supreme Audit Office of the Islamic Republic of Afghanistan (SAO) conducted a study visit to the Turkish Court of Accounts (TCA)*

A delegation of nine people, headed by Prof. Dr. Mohammad Sharif SHARIFI, the Auditor General of the Supreme Audit Office of the Islamic Republic of Afghanistan (SAO), visited the Turkish Court of Accounts (TCA) on 9-18 February 2014 to learn about the TCA, which was identified as a model, and discuss opportunities for interagency cooperation in the scope of the Public Financial Management Reforms Project conducted by the World Bank. The visiting delegation was welcomed by the President



of the TCA, Assoc. Prof. Dr. Recai Akyel, on 10 February 2014. The discussions in this visit covered the topics of public financial management and control system implemented in Turkey, and presentations were made for the visiting delegation on the structure of the TCA, its mandate and duties, and audit activities. The two SAIs agreed on a Memorandum of Understanding on Cooperation, which will be signed during the SAO's visit to the TCA in 8-12 October 2014.

Memorandum of Understanding between the Turkish Court of Accounts (TCA) and the Supreme State Audit Office of Cameroon

A delegation, headed by H.E. Mr. Henri Eyebe AYISSI, the Minister-Delegate in charge of the Supreme State Audit Office of Cameroon and consisting of three people, visited the Turkish Court of Accounts (TCA) in 26-29 January 2014 in order to discuss the possible areas of interagency cooperation.

Within the scope of the said visit, discussions were made on the possible areas of cooperation between the two entities, including the roles and responsibilities of the two SAIs, ways and methods to be followed for ensuring good governance, citizen participation and cooperation in public external audit, the development of human resources, quality management systems, fight against corruption, and the development of ethical implementations.

*Source: The Turkish Court of Accounts, Republic of Turkey



At the end of the discussions, a *Memorandum of Understanding* has been signed between the TCA and the Supreme State Audit Office of Cameroon in 28 January 2014 in order to support the exchange of experience in the area of public external audit methodology and procedures; professional training and the improvement of professional standards of personnel; the exchange of information and documentation on the professional activities of the Parties; the holding of consultations, joint researches and parallel audits, seminars, conferences and technical meetings; and the cooperation in other

areas of mutual interest within the framework of the national legislations of two countries.

Training Program on “Information Systems (IT) Audit” for the Delegation from the Albanian SAI

Within the framework of a bilateral cooperation agreement signed between the Turkish Court of Accounts (TCA) and the Albanian SAI on 16 November 2012, a training program was organized for the auditors from the Albanian SAI on “Information Systems (IT) Audit” on 14-18 April 2014. The training program was organized by the Audit Development and Training Center of the TCA, and a delegation of 15 people including auditors and senior auditors working at the Albanian SAI attended this training.



Within the framework of this training program, firstly, information was given on TCA and its functioning, and this was followed by an intense program focusing on the topics of Information Systems Audit, SAI Audit Management, Computer Aided Audit Techniques, Information Technologies Management and Projects.

The President of ECOSAI was elected as the President of EUROSAI for the next term

The IX Congress of EUROSAI (European Organisation of Supreme Audit Institutions) was held in The Hague in the Netherlands from 16-19 June 2014. In the EUROSAI Congress, it was decided that the Turkish Court of Accounts (TCA) will host the next EUROSAI Congress in 2017 and will undertake the



Presidency of EUROSAI for three years following the Congress in 2017. As per the EUROSAI Statutes, the head of the SAI of the country where the next EUROSAI Congress is to take place assumes the Presidency of the organization. Accordingly, the TCA took over the First Vice Presidency Vice of the EUROSAI for the years 2014-2017.



Assoc. Prof. Dr. Recai AKYEL, the Head of the Turkish SAI and the President of ECOSAI for 2013-2016, delivered a speech and made a presentation promoting Turkey at the IX Congress of EUROSAI.



The New Approach to the Audit Management System: SAYCAP

*Assoc. Prof. Dr. Recai Akyel**

The Turkish Court of Accounts (TCA), which is a supreme audit institution conducting audit on behalf of the Turkish Grand National Assembly (TGNA), is a constitutional entity that is equipped with the task and power of taking final decision and that gets its impartiality from its independence. In this context, it has been successfully continuing its audit and judicial tasks for 150 years. The TCA, which has been established in 1862 and which is a reputable member of the global SAI community, is an active member of the international and territorial organizations of SAIs such as International Organization of Supreme Audit Institutions (INTOSAI), European Organization of Supreme Audit Institutions (EUROSAI), Asian Organization of Supreme Audit Institutions (ASOSAI), and Economic Co-operation Organization Supreme Audit Institutions (ECOSAI).

From the beginning of the 21th century, Turkey has launched a series of reforms not only government sector such as financial management and control system but also social life. Especially Public Financial Management and Control Law numbered 5018 has introduced a new approach for the public financial management and control. The TCA Law numbered 6085 foresees new audit approaches in order to conduct audits in compliance with the international standards and principles. After enactment of the new TCA Law in 2010, TCA has been responsible for carrying out regularity audits of the public sector including both financial audit and compliance audit.

On the other hand, by the new law the TCA has now a wider audit scope and more responsibilities in terms of audit types and objectives and also audit methodology has changed. It is not possible to overcome these issues by using traditional tools. The TCA has to perform its audit and reporting functions in line with the generally accepted international auditing standards. For that reason, TCA has to adapt new financial audit manual and TCA has carried out the Audit Management System Project in order to conduct and manage regularity audits of the TCA with a systematic approach to enhance overall effectiveness of the audits.

Definition and Process of Audit Management System

Audit management systems are systems that are used for planning, managing, documenting, indexing, connecting, reviewing, reporting, recording audits in a computerized environment.

With the audit management system, the followings are achieved:

- Increasing and improving the efficiency and effectiveness of the audits,
- Managing and using information,
- Providing value-added activities,
- Improving results,

* Source: Assoc. Prof. Dr. Recai Akyel is President of Turkish Court of Accounts



- Sharing information,
- Standardization,

Audit management systems, whether package programs or tailor-made products, play vital roles in managing the auditing functions of SAIs or other audit organizations. The main objective of the TCA in order to develop audit management system is to conduct and manage the audit which is especially regularity audit in a systematic way.

Before developing a tailor-made audit management system following steps are necessary to establish well-designed project:

- It is decided that which software is suitable for your SAI such as developing a tailor made program or buying a package programs,
- Make a good market research in order to choose audit management system,
- Analysis of the software cooperating with the audit groups,
- Requirement for designing a project,
- Ensuring the management support,
- Making up a well-established and competent project team,
- Approval of the project with time table

After this steps SAI can develop or reach suitable audit management system.

How to Develop Audit Management in the Turkish Court of Accounts

In the case of the TCA, TCA develop a tailor-made audit management system. Firstly, TCA found an external Turkish company which is expert especially audit management system and computer-assisted audit tools and techniques (CAATTs). Secondly; made an analysis of the external company's audit management system whether suitable for implementation of regularity audit methodology. After that, project team was established. The project team composed of an IT project manager, software programmers, three IT auditors, one financial auditor with solid technical background, two financial auditors, one auditor with IDI training certificate and one auditor from Audit Planning and Reporting Group were employed for the project on full-time basis. Finally, the project team and the external company made adaptation of regularity audit methodology to the software. After finalization of the project, following criteria is fulfilled:

- Suitable for TCA's regularity audit methodology,
- Suitable for team work,
- Meets the audit management requirements,
- User friendly,
- Adaptable and flexible,

Before Audit Management System started to use, it was necessary to give new name to the system.



In order to decide new name of the Audit Management System, TCA made a survey with in auditors. Finally the name of Audit Management System of TCA is decided as a "SAYCAP". "SAY" means first 3 letters of Turkish Court Of Accounts in Turkish and "CAP" means computerized audit program.

Audit Management System (i.e. SAYCAP) has been used for 2 years in the TCA. Between 01.03.2014 to 14.07.2014 approximately 689 auditors actively use this system as a heads of financial audit groups, team leaders or auditors. The number of 483 regularity audit was made on SAYCAP.



The Functions of the SAYCAP

The main benefit of using the Audit Management System for TCA (i.e. SAYCAP) are as follows:

✓ General Risk Assessment:

The TCA has an audit mandate covering about 5000 auditees. It is not possible to audit all of them in a given auditing year because TCA has limited human resources capacity and budget. For that reason, a risk assessment methodology is developed so as to successfully fulfil the requirements.



The risk assessment methodology consist of set of questions that some of them answered by the Heads of Financial Audit Groups and also some of them answered by the Head of Audit Planning and Reporting Group. The answers to all questions are scored within the range of 1-9 and the total value of the answers is converted to the risk level such as very high level risk, high level risk, medium level risk and low level risk. Final decision of the Annual Audit Program is made by the Board of Auditing, Planning and Coordination depend on this risk level.

Institution	Status	Approve	Disapp...	General Assessment					Planning Department Assessment					Audit Group Assessment				
				Risk Assessment			Assessment of the Au...		Risk Assessment			Assessment of the Au...		Risk Assessment			Assessment of the Au...	
				Max Risk Score	Risk Weight	Risk Percent	Risk	Score	Max Risk Score	Risk Weight	Risk Percent	Risk	Score	Max Risk Score	Risk Weight	Risk Percent	Risk	No
Ministry 5	OutOfScope	Approve		72	56	% 77,8 High	High	0	17	17	% 100 Very High	High	17	55	39	% 70,9 High	High	
Ministry 4	OutOfScope	Approve		72	72	% 100 Very High	Very High	0	17	17	% 100 Very High	Very High	17	55	55	% 100 Very High	Very High	
Ministry 3	OutOfScope	Approve		72	12	% 16,7 Low	Low	0	17	3	% 17,6 Low	Low	3	55	9	% 16,4 Low	Low	
Ministry 2	OutOfScope	Approve		72	40	% 55,6 Medium	Medium	0	17	15	% 88,2 Very High	Very High	15	55	25	% 45,5 Medium	Medium	
Ministry 1	OutOfScope	Approve		72	37	% 51,4 Medium	Medium	0	17	5	% 29,4 Low	Low	5	55	32	% 58,2 Medium	Medium	
Ministry 5	OutOfScope	Approve		72	0	% 0 No risk asse...	No risk asse...	0	17	0	% 0 No risk asse...	No risk asse...	0	55	9	% 16,4 Low	Low	
Ministry 4	OutOfScope	Approve		72	60	% 83,3 Very High	Very High	0	17	11	% 64,7 High	High	11	55	49	% 89,1 Very High	Very High	
Ministry 3	OutOfScope	Approve		72	0	% 0 No risk asse...	No risk asse...	0	17	0	% 0 No risk asse...	No risk asse...	0	55	37	% 67,3 High	High	
Ministry 2	OutOfScope	Approve		72	0	% 0 No risk asse...	No risk asse...	0	17	0	% 0 No risk asse...	No risk asse...	0	55	37	% 67,3 High	High	
Ministry 1	OutOfScope	Approve		72	34	% 47,2 Medium	Medium	0	17	11	% 64,7 High	High	11	55	23	% 41,8 Medium	Medium	
Ministry 2	OutOfScope	Approve		72	47	% 65,3 High	High	0	17	11	% 64,7 High	High	11	55	36	% 65,5 High	High	
Ministry 5	OutOfScope	Approve		72	0	% 0 No risk asse...	No risk asse...	0	17	0	% 0 No risk asse...	No risk asse...	0	55	0	% 0 No risk asse...	No risk asse...	
Ministry 4	OutOfScope	Approve		72	0	% 0 No risk asse...	No risk asse...	0	17	0	% 0 No risk asse...	No risk asse...	0	55	0	% 0 No risk asse...	No risk asse...	
Ministry 3	OutOfScope	Approve		72	56	% 77,8 High	High	0	17	11	% 64,7 High	High	11	55	45	% 81,8 Very High	Very High	
Ministry 2	OutOfScope	Approve		72	0	% 0 No risk asse...	No risk asse...	0	17	0	% 0 No risk asse...	No risk asse...	0	55	0	% 0 No risk asse...	No risk asse...	
Ministry 1	OutOfScope	Approve		72	0	% 0 No risk asse...	No risk asse...	0	17	0	% 0 No risk asse...	No risk asse...	0	55	0	% 0 No risk asse...	No risk asse...	

- ✓ **Planning of Audit Resources:**
Before Audit Management System, Heads of Financial Audit Groups didn't have any idea about their resources such as work force and work load. After using Audit Management System, each financial audit group is able to compare the potential work load (days)



required for implementing audits under their mandate with the work force (auditor/day). Finally Heads of Financial Audit Groups can see the balance between total days required for all auditees and audit resources.

✓ **Audit Procedures:**

SAYCAP has an audit pool (i.e. database of audit questions). These procedures are categorised by the stage of audit such as control tests or substantive tests and the type of auditees such as university or municipality.

Team leader make a plan of audit and decide that who is responsible for completion of the procedure in accordance with audit requirements.

✓ **Working Papers:**

Without using computer tools, it is hard to manage lots of working papers. After SAYCAP, it is easy to monitor and archive of working papers in a systematic way. When the auditor finishes his working paper, this working paper has to reviewed and approved by the team leader. By this way, all working paper monitored during the audit. Moreover, SAYCAP stores all working paper as an archive. This provide auditors to see the previous 5 years working paper related to the same auditee by using audit management system.

✓ **Findings:**

Draft findings written during the planning or execution phase of audit are automatically sent to the evaluation module for findings in reporting phase and subject to modifications and final approvals of team leaders and the head of groups. Nevertheless, initial copies of the draft findings are archived to be reviewed in case of a disagreement. Team leaders and/or heads of group are obliged to write a brief explanation if (s) he removes a finding completely. Furthermore, the SAYCAP is able to embed approved audit findings into the draft and final audit report templates so that auditor can automatically extract audit reports in the doc. format.

✓ **Management Information:**

The SAYCAP provides a wide range of management information if you compare other audit management systems. Management of the TCA can see lots of report which is related to the cost of each audit, progress of audits at any particular time, a comprehensive analysis of audits on the basis of audited entity, sector, budget and institution type during the audit.

✓ **Library:**

Auditors can easily reach the information which is necessary while the planning, execution, reporting stages of the audit.

✓ **Quality Control and Monitoring:**

Quality control team can evaluate regularity audit according to the financial audit manual.



Gains of the SAYCAP

The audit management system of the TCA (*i.e.* SAYCAP) has helped to improve itself in following areas:

- Standardization in the implementation of the regularity audit manual,
- Improving the transparency and accountability throughout the audit processes,
- Efficiency and effectiveness in regularity audits,
- Better risk assessments of auditees in general planning phase,
- Facilitating the team work,
- Eliminating the trivial procedures do not provide any value added,
- Provide information of human resource and audit days in order to make better planning,
- A better quality control review system including hot and cold reviews,
- Give management information to help management level of TCA,
- Integrity of audit work papers and information,
- Time savings,
- Standard and configurable reporting,
- Provide opportunity to the management to monitor reports in order to submit this report to the Parliament in time,

However implementing this kind of huge system with large number of user and data is not easy enough because there are always some risks related to the external factors.

- Resistance of auditors especially to adapt new system,
- Insufficient training and system support for users,
- Lack of computer literacy within auditors,
- Unclear business needs,
- Lack of financial audit knowledge,

Conclusion

Audit is a planned and documented activity performed to determine misuse of property and budget by investigation, examination or evaluation of objective evidence. Beside this audit also add value to the auditees for reaching maximization of public interest. Moreover audit is a public serves as a security, justice and education. For that reason audit must be thought as a business activity because it has a complex structure. This business activity consist of audit methodology, working paper, team work, relationship with auditees and public awareness. If you do not have it instrument especially Audit Management System, it is not possible to manage all of them. In the case of the TCA, Audit Management System is a part of strategic management because SAYCAP is a unique program which is tailor made and cover all stages of the audit from the general risk assessment to the reporting. SAYCAP provide different kind of management information which is related to the auditor and progress of audits. SAYCAP stores all not only working paper but also all document of audit such as financial audit report as an archive. It is easy to manage this kind of huge data and process with SAYCAP. In the future we will adapt other audit types such as performance audit and IT audit.



A Memorandum of Understanding Was Signed Between the TCA and the SAI of Afghanistan*

A memorandum of understanding was signed between the TCA and the SAI of Afghanistan on 09 October 2014 in order to share experience as regards to public external audit methodology and methods, hold professional trainings and develop professional standards, share documents and information related to the professional activities of the parties, provide consultancy service, organize joint research, parallel audits, seminars, conferences and technical meetings and support cooperation in the other areas of common interest within the framework of the legislations of both countries.



*Source: The Turkish Court of Accounts, Republic of Turkey



The Project Conducted by The Turkish Court of Accounts (TCA) And Other Partners in Relation to Strengthening the Capacity of The Chamber of Accounts of The Azerbaijan Republic*

The Turkish Court of Accounts (TCA) is conducting an international project in relation to Strengthening the Capacity of the Chamber of Accounts of the Azerbaijan Republic with its international partner within the scope of its international relationship strategy. The title of this project is “Assisting the Chamber of Accounts in Implementing its Strategic Development Plan for 2012-2014 (Corporate and Public Sector Accountability Project in Azerbaijan)”. The project duration is 18 months (starting date is 2013 July). The main donor of the project is Swiss Confederation, and the consortium of the project consists of World Bank, TCA, Chamber of Accounts of the Azerbaijan Republic, and KOSI Corporation.

The project has four main components focusing on performance audit, financial audit, legal requirements and human resources. The TCA works in relation to Components 2, 3 and 4 with other partners:

- ✓ *Component 2: Assisting the Chamber in building its capacity to conduct risk-based financial audits*
- ✓ *Component 3: Assisting the Chamber in enhancing its legal framework and auditing standards*
- ✓ *Component 4: Supporting the Human Resources (HR) and training practices*

Several outputs have been produced so far within the scope of the project. Present outputs of the project include: Training Assessment Document of the Chamber, Draft Financial Audit Guidelines, CAAT-Based Financial Audit Strategy Document, Draft Law of the Chamber, Gap Analysis of the Chamber in relation to the legal framework, Draft Communication Strategy, Translation of ISSAI Framework, Internal HR Policies and Procedures Strategy Document, Draft Training Strategy and Program, Draft HR Guidelines, workshops in Turkey about the implementation of international audit standards in audit activities, workshops in Azerbaijan about the implementation of CAAT based financial audit, workshops in Azerbaijan about the implementation of financial audit, workshops in Azerbaijan about the human resources policy and pilot audits, and Consulting Services during the project for all Components.

*Source: The Turkish Court of Accounts, Republic of Turkey



TCA Audit Reports For 2013 were Submitted to the Parliament*

The audits of 2013, which are required by Articles 160, 164 and 165 of the Turkish Constitution, the Public Financial Management and Control Law no.5018 and the TCA Law no.6085, have been completed. TCA Audit Reports regarding the results of the audits of 2013 have been prepared, and they have been submitted to relevant authorities.

General Conformity Statement, External Audit General Evaluation Report, Activity General Evaluation Report, Financial Statistics Evaluation Report, which were prepared as a result of the audits for 2013, and the TCA Audit Report for 157 entities have been submitted to the Parliament on 12 September 2014.

The President of the TCA, Assoc. Prof. Dr. Recai AKYEL visited the Speaker of the Parliament Mr. Cemil ÇIÇEK and gave information on the TCA Audit Reports for 2013.

Among the TCA Audit Reports for 2013, the reports, which were submitted to the Parliament and sent to the relevant entities, have been published on the website of the TCA and made public. Reports regarding the local administrations will be sent to the relevant local administration councils, Development Agency Reports will be sent to the relevant entities, and State Owned Enterprises' reports will be sent to the Parliament and the relevant entities, and then they will be published on the website of the TCA.



*Source: The Turkish Court of Accounts, Republic of Turkey



The Auditor General The Islamic Republic of Pakistan

Computer Assisted Audit Techniques and Tools (CAATTs) for SAI's

Mr. Khurram Khan*

CAATTs for SAI's

Auditors are the most sought after employees in the current financial reporting setup as they provide assurance about the true and fair presentation of the financial statements. They assist in identifying risks in the control setup of any organization and provide opportunity to the management for addressing, mitigating the identified risks and detecting fraudulent activities. With the advent of Information Technology most of the organizations shifted their manual accounting system to computerized accounting system to make effective decisions. Now financial information is just a click of mouse away. With the implementation of Enterprise Resource Planning (ERP), a company or an organization that has scattered business units at different places now have access to the information to exercise controls over each department of the company viz HR, Finance, Accounts, Project Management, Manufacturing, Production etc. This led to cut throat competition between of the ERP solutions offered in the shape of SAP (System Application and Product) and Oracle Financial etc.

Providing a reasonable assurance on the state of affairs of a company and its results of operations has become challenging task for the auditors when the information is in ERP solution or divergent database platforms. The shift has also necessitated thorough examination of the information of the accounting and other records as the IT has made it possible to perform cyclical task with electronic speed. So a simple error can cause big damage to the whole entity. Most of the companies use Ms-Excel as a tool to do different kinds of analysis on limited number of records but when there is question regarding integrity of data (Read only) and measures to check audit log, sampling, fraud detection techniques, continuous monitoring and many more, Ms-Excel appears to have very limited options. Generalized Audit Software is one of the technique of Computer Assisted Audit Techniques and Tools (CAATTs) which can help the auditor to do data analysis on millions of transactions, fraud detection, risk management, data integrity verification, audit log or trails, duplication of records, sampling, fuzzy duplicates, measures to improve governance, compliance, continuous auditing and continuous monitoring by using the tools viz ACL (Audit Command Language) and IDEA (Interactive Data Extraction Analysis) etc in an efficient and effective manner which will help the organization to improve its internal controls in a timely manner.

In this paper, we will discuss one of the tools of Generalized Audit Software known as Audit Command Language (ACL). ACL is a very powerful tool for data analyses in an environment where data is available in soft form only and the auditors cannot use the manual files for carrying out audit. The Department of the Auditor General of Pakistan being the Supreme Audit Institution has

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procured Audit Command Language (ACL) as a Generalized Audit Software for the auditors of Field Audit Offices (FAOs) to perform different kinds of Audit on hundreds of entities in a financial year. Most of the entities have shifted their accounts from manual to computerized form and also use divergent database platforms viz SQL Server, COBOL, FOXPRO, Ms-Excel, Ms-Access, SAP, ORACLE and many more.

For getting the best out of the software, a pool of 12 ACL Master Trainer was created who have trained hundreds of auditors in ACL and now ACL has become a powerful analytical tool for Supreme Audit Institution of Pakistan. The ACL trainers of SAI Pakistan have developed three ACL Guidelines viz Guidelines on Data Extraction and Analysis (SAP&ACL) Payroll, Guidelines on Data Extraction and Analysis (SAP&ACL) Expenditure and Guidelines on Data Extraction from divergent Accounting Platforms for the ease of field auditors. The purpose of these guidelines is to guide auditors to make a request to the IT department or extract millions of transactions of data from IT environment of the company which have divergent platforms. The Guidelines are available on the official website of PIFRA (Project to Improve Financial Reporting & Auditing) and the link is www.pifra.gov.pk as well as on official website of M/S ACL Services Ltd, Canada and the link is www.acl.com/supportcenter. The Department of Auditor General of Pakistan has five ACL Certified Data Analysts (ACDAs).

ACL is the game changing tool which result a revolution in Computer Assisted Audit Techniques and Tools (CAATs) for the users who want timely, accurate, complete and effective analysis on the financial or non-financial data of the company. The inception of ACL was in year 1987 and till now ACL has become the global leader in audit, control testing and compliance technology solution. The suite of ACL Software comprises of three products viz ACL Analytics (New Version launch in the month of September, 2014), ACL Analytics Audit Exchange (AX) 5 and ACL Governance, Risk and Control (GRC). ACL has 14,000 customers all across globe including 89% of fortune 500 companies and four big Accounting Firms of the world.

ACL is a tool which helps the user to read and analyze the data. It is used by data analysts, auditors, accountants and other professionals who need quick access to data and means to analyze it efficiently. According to David Coderre an Author and ACL Super User, the advantages of ACL over Ms-Excel are as follows:

- Read only - maintains integrity of data
- Supports multiple data types and platforms
- Log file - review and working papers
- Fraud detection by using Benford Law, duplicates and fuzzy duplicates.
- Easy scripting (English like)
- Handles more records (larger files)
- Sampling



- Faster processing
- Well known and supported (e.g. training, tech help and forum)
- Designed for auditors - many audit-specific functions and commands
- Easy sharing of scripts - across projects and users
- Automatic refresh of ODBC data
- Read ASCII, EBCDIC and Unicode characters
- Notes - data files, views, etc can be documented

When the organization have ACL Desktop (New name is ACL Analytics) for performing data analysis by using commands or automated scripts on millions of transactions from divergent data platforms then auditors have a wish that there is a way to present the risky or weak areas in the form of working papers to enable management to make Audit Plan and risk management strategy for the organization in the following years based on the lesson learnt.

The year 2014 has emerged as a remarkable year for the suite of ACL Products. It has now changed the game and provided the platform in which management can make audit plan, identify risks, customized templates, result of analysis is link with ACL Analytics and ACL Analytics AX by using ACL Analytics Launch Pad. M/S ACL Service Ltd, Canada has introduced Audit Management Information System Cloud based in which procurement of additional hardware should be minimized. The brief description of ACL Product Suite is as follows. For detailed review please consult the website <http://www.acl.com/solutions/products>.

ACL Governance, Risk and Control (GRC):

How do you organize your work? If you relate to the majority of other audit, risk, and compliance teams, your daily reality involves spending too much time in building spreadsheets and working in silos. You lose a lot of time spent on documenting and reviewing, instead of helping your organization meet its objectives while managing risks and doing your best to collaborate across your teams.

There is a solution. Audit, risk and compliance management doesn't have to be complex or spreadsheet-intensive. ACL™ GRC a flexible and easy way to manage the process of assessing risk, planning and organizing projects, analyzing data, communicating issues, and visually sharing your findings. Since ACL GRC is delivered in the cloud, it's accessible from anywhere, secure, and doesn't require any ongoing IT support.

ACL Analytics:

ACL's Data Analysis solutions are specifically designed to help risk and control groups, such as Audit, Risk, Compliance, IT or Financial Control professionals perform in-depth analysis of data



with ease. Quickly find exceptions and control breakdowns that leave users exposed to financial and reputational risk-increasing coverage and decrease the time it takes to analyze the truth in transactions can be easy.

ACL Analytic Exchange (AX):

Transactions are where business happens and where the facts live. Easily gaining access to these transactions shouldn't to be a tug of war. ACL's Enterprise Continuous Monitoring (ECM) solution, powered by ACL™ Analytics Exchange technology, allow Audit, Risk, Compliance, IT or Financial Control professionals to gain immediate insight into the transactional data underlying their business processes moving from a reactive traditional model, to an immediate, proactive approach, that continuously protects the bottom line.



Taking Managers Along - A study of SAI Pakistan's endeavours to maintain communications throughout the Audit Cycle*

*Aamir Fayyaz**

'Hear the other side' is one of the basic principles of natural justice which gives an opportunity to all the parties to a case to be heard and understood. It is most often used to refer to the principle that no one should be condemned unheard. The principle includes the rights of a party to have a fair opportunity to respond to and challenge the evidence presented by the other party.

Audit by the SAI Pakistan viz. Department of the Auditor General of Pakistan (DAGP) clearly incorporates this golden principle into the audit cycle. At each and every step and phase of audit, a consistent effort is made to take the managers along and keep them on board. This is done as part of the value system cherished by the Department where one of the core values is that of partnership. As per the constitutional and legal requirements and in line with International Standards of the Supreme Audit Institutions (ISSAIs), adopted by the SAI Pakistan, three types of audits are broadly conducted viz. financial, compliance and performance audits. Audit directorates, called Field Audit Offices, responsible for specific audit entities (entities) conduct all these audits as per their Annual Audit Plans. They are responsible to maintain a close liaison with the entities throughout the audit cycle- right from planning to the follow up stage. This ensures that the management as well as those charged with governance of the entity remains consistently committed.

Communications Before audit

Audit guidelines applicable to the DAGP clearly stipulate that except where fraud is suspected, there is no room for surprise audits. DAGP has been given a legal mandate to perform its audit work and as such it does not need to negotiate the scope of its work with the entity, or to make use of formal engagement letters as common in the corporate sector. Still, adopting the best practices, management is informed about the nature, extent and timing of audit through an Entity Communication Letter before the start of audit. An effort is also made to integrate various types of audits that DAGP may have to conduct as part of its mandate so that an entity is not subjected to more than one audit in a year. The rationale is simple: just as the DAGP has been mandated to carry out auditing activities within government establishments, similarly the entities have also their specific mandates to discharge and duties to perform making it inconvenient for them to have more than one audit exercise in a year. The multiple audit objectives in a given year are communicated to the entity through this letter to ensure saving of time and effort on the part of the management and also to bring about audit efficiency. Additionally, as per practice, at the beginning of each audit, the auditors, who are usually sent as a team, meet entity management and staff to discuss and elaborate upon the scope of audit and its objectives. They also intimate them about their time frames for completing the audit; ask them for access to required records and personnel; and request the management to designate a focal person for coordinating the audit assignment.

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All these steps help the audit entities to better appreciate the work of the auditors and their timely input can also contribute to the efficiency of the audit work.

Keeping entity officials informed

Similarly, when audit is underway, management is kept constantly informed about the progress of audit, audit findings developed by the audit teams are shared with the responsible entity officials and their responses obtained. An effort is made by the auditor to closely work with the management and discussions normally take place on daily basis. Auditors also ensure that findings about an area of audit are not reported to a more senior manager (like the Head of the department) before the manager at the lower level (like a Drawing & Disbursing officer) has been provided with an opportunity to challenge the audit observations. Customized forms are used to seek the management's written acknowledgement and response of the audit observations preferably on daily basis.

Communications at the End of Audit

After audit activity is completed, but before finalization of an initial draft audit report, another discussion or exit meeting is also held with a senior official responsible for the entity. The responses of the management are documented and observations are cleared on spot by citing the evidence found or convincing reply whatever is the case. This is another opportunity to the management to comment not only on the findings and recommendations but also on the wording of the draft report.

Communication after the completion of audit

After the completion of field audit, the initial report is reviewed at the audit office and the issues contained in it are generally categorized into two types: first category of issues is serious in nature and have the potential to catch the attention of the law makers who under the Constitution of the country have to be provided the audit reports by the Auditor General through the President or the Governor. Management is again given an opportunity to convene a meeting of the stakeholders to discuss and resolve the audit observations developed out of the initial reports. As per the existing mechanism, the Secretary of a government department, who is the Principal Accounting Officer to the parliament for entities under his jurisdiction, is supposed to chair the meeting of the Committee known as Departmental Accounts Committee (DAC). Representatives from audit and Finance Ministry/Department also attend the meeting as members of the committee. The Committee deliberates on issues raised by audit, gives an opportunity to the departmental representatives to clarify their positions and then gives its decision on the audit observation as to whether the issues stand resolved, some further action is required or the matter requires the attention of the higher forum viz. Public Accounts Committee (PAC). The importance of the forum of DAC can be judged from the fact that no matter is considered worthwhile for presentation to the



themselves of this excellent opportunity and then have to appear directly to the PAC. This is when the management of the entity fails to provide a response to the auditor on a timely basis.

Communications Before and after the PAC

Observations which are not resolved at the levels discussed above are deliberated when the PAC takes up the reports of the Auditor General. PAC is an open forum and elected representatives of the people, who originally sanctioned the budget for implementation, discuss each and every observation reported by the SAI. In many cases, there may be a considerable time lag between the date of observation and the date when PAC takes up the issue for deliberation. To give the PAC an updated account of the status of the department' view point on the audit observation, another opportunity is provided to the management to hold a DAC meeting and get its record or response verified from audit before the PAC meeting is convened. This results in considerable saving of time of the PAC which may have a huge workload to deal with. Even when the PAC discusses the matters contained in the audit report, it may still request the DAGP to continue to follow the matter or the DAGP may itself feel that the matters are too serious in nature to be ignored and hence they are taken up with the management until they are no longer relevant.



The Auditor General of Pakistan has completed his third consecutive term as the External Auditor of United Nations Industrial Development Organization (UNIDO) in June 2014. The AGP was elected as the External Auditor in 2008 for the biennium 2008-9 and re-elected for two more biennia in 2010 and 2012. The External Auditor of UNIDO cannot serve for more than 3 consecutive biennia

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Introduction of the Entity

UNIDO was established in 1966 and became a specialized agency of the United Nations in 1985. UNIDO has a special place in the United Nations system: it is the only organization specifically targeting the creation of wealth through manufacturing, in which it mainly focuses on promoting growth in the small and medium enterprise sector, the key generator of wealth in most developing countries. To improve standards of living through industries that are both internationally competitive and environmentally sustainable, the Organization has created the largest portfolio of projects related to trade capacity-building in the United Nations system, and plays a lead role in, among others, the implementation of the Montreal Protocol for the elimination of ozone depleting substances (ODS) and the Stockholm Convention for the elimination of persistent organic pollutants (POPs). As such, UNIDO works toward improving the quality of life of the world's poor by drawing on its combined global resources and expertise in the three interrelated thematic areas; Poverty Reduction through Productive Activities, Trade Capacity-building and Environment and Energy.

Scope of Audit

The yearly Financial Statements of UNIDO were examined in accordance with Financial Regulations and Rules of UNIDO and the Additional terms of reference governing the audit of the UNIDO. The Financial Statements included the; Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement, Statement of Comparison of Budget and Actual Amounts and the Notes to the Financial Statements.

Audit Objectives

The main objective of the audit was to form an opinion as to whether the expenditure charged to the budget had been incurred for the purposes approved by the General Conference (GC); whether income and expenditure were properly recorded, classified and summarized in accordance with Financial Regulations and Rules; and whether the Financial Statements presented fairly the financial position as at the end of the financial year.

The correctness of year-end balances of all UNIDO Funds was also ascertained. The UNIDO management adopted IPSAS as the basis of accounting from the financial year 2010 and applied transitional provisions available under IPSAS 17 and 23. In accordance with the Additional terms of reference governing the audit of the UNIDO, the performance of UNIDO was also reviewed.

*Source: Syed Umar Ali Shah Banoori is Director (IR&C) at Office of the Auditor General of Pakistan



Auditing Standards

The External Audit of the UNIDO Financial Statements was conducted in accordance with International Standards on Auditing (ISA) and where applicable, according to International Standards for Supreme Audit Institutions (ISSAIs) which are the INTOSAI prescribed auditing standards for Supreme Audit Institutions.

Audit Methodology

The External Audit adopted system-based approach in auditing the financial statements and commented on the performance of UNIDO management. The External Audit was conducted by a number of audit teams including the teams which carried out audits of UNIDO field offices. Each year two audit teams visited UNIDO Hqs in Vienna for the audit of UNIDO and two more audit teams visited two field offices in different regions across the globe. Two separate teams also visited UNIDO Hqs for the audit of Vienna International Centre's Catering Services and Global Environmental Facility (GEF). In total, each year six teams were involved in the external audit activities of UNIDO. The audit teams:

- Examined financial and accounting procedures followed in UNIDO in the light of their Financial Regulations and Rules and other relevant documentation;
- Assessed internal controls regulating financial operations of UNIDO and carried out compliance testing for determining the extent of control operation;
- Conducted substantive testing of a representative sample of selected transactions;
- Reconciled bank balances with accounting records;
- Carried out review, on test check basis, of a number of contracts and transactions related to the creation of assets and liabilities; and
- Reviewed Programme for Change and Organizational Renewal (PCOR).

Reporting

In order to achieve audit objectives, the audit teams administered questionnaires and held discussions with the relevant UNIDO staff in the Headquarters and the field offices. The audit teams interacted with the staff nominated as focal persons for audit, and issued queries to the concerned Branches. The audit findings take into account the management's viewpoint as communicated to the audit teams. In accordance with normal practice, audit teams also provided UNIDO with a Management Letter, setting out the detailed findings arising from their examination at the UNIDO Headquarters and the field offices.

Overall Results

The audit reports included a number of observations and recommendations. The audit teams recorded additional findings in the Management Letters to the management. During the term of



audit of the AGP none of the matters materially affected the audit opinion on the UNIDO's Financial Statements; and, notwithstanding the observations in this report, the audit revealed no weaknesses or errors that was considered material to the accuracy, completeness and validity of the Financial Statements as a whole. Accordingly, the AGP, during his term as the External Auditor, have placed an unqualified opinion on UNIDO's yearly Financial Statements.

Implementation of IPSAS in UNIDO

At its 60th Session in July 2006, United Nations General Assembly approved the adoption of International Public Sector Accounting Standards (IPSAS) throughout the UN System by 2010. In compliance with this UN decision, process of obtaining approval of UNIDO Governing Bodies was initiated in November 2006 that culminated in December 2007 when the General Council, at its twelfth session, decided to adopt IPSAS at UNIDO, effective 1st January 2010, as part of the UN System wide adoption of these standards. A working group in the Financial Services Branch was established in 2007 to address, inter alia, the following issues related to the adoption of IPSAS:

- a. Conduct an impact analysis of IPSAS;
- b. Ascertain the implications for the financial regulations and rules;
- c. Ascertain the impact on financial system.
- d. Bilateral discussions with external auditors on the IPSAS compliant accounting policies

Under the working group, sub-groups were established for Property, Plant, and Equipment (PPE), Revenue recognition, Employee benefits, and Intangible assets. An IPSAS Implementation Task Force was also established in April 2008 to execute and monitor the overall process of IPSAS implementation at UNIDO.

UNIDO introduced interim amendments to Financial Regulations to facilitate IPSAS implementation. Besides, IPSAS compliant policies were formulated and approval. UNIDO had invoked the following transitional provisions in 2010, permitted on first time adopting IPSAS:

Five-year transitional period, allowed under IPSAS 17 Property, Plant and Equipment (PPE) for recognizing the PPE class "Buildings" and for TC PPE;

Three-year transitional provision, allowed under IPSAS 23 Revenue from non-exchange transactions for measuring revenue for pre-2010 voluntary contributions.

The three year transition period allowed under IPSAS 23 expired in 2012, while the five year transitional period for IPSAS 17 will expire in December, 2014. However, project assets (Technical Cooperation PPE) purchased since 1.1.2013 are being recognized and capitalized in accordance with IPSAS without taking into consideration the transitional provision regarding IPSAS 17.



The adoption of IPSAS has changed the basis of preparing the Organization's financial statements to full accrual; however, in the United Nations system as a whole there has been no change to the programme and budget preparation methodology.

Benefits accrued to the SAI Pakistan

By virtue of its long association with the audit of UN agencies the AGP had fair understanding of accounting procedures and standards adopted at UNIDO. The audit of UNIDO provided opportunity to more than 80 officers to conduct audit of a UN agency. Before embarking on the audit assignment, the officers were given training at the Audit & Accounts Training Institute, Islamabad. This invaluable experience of carrying out external audit of UNIDO polished their auditing skills, which they can use in Pakistan and abroad. Besides, learning and practicing new techniques, the officers got the opportunity to visit and work in UNIDO Hqs in Vienna and field offices in Asia, Africa and South America. The SAI Pakistan did not charge any audit fee for the carrying out the audit. However, airfare and Daily Subsistence Allowance was paid by the auditee. By virtue of its election as the External Auditor of UNIDO, the SAI Pakistan has remained on the UN Panel of External Auditors from 2008-2013, which provided opportunity to the SAI Pakistan to share its experience and learn from other SAIs the role of an External Auditor of a UN agency.





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