



ECOSAI

CIRCULAR 2021



ECOSAI

ECOSAI is regional forum of Supreme Audit Institutions encompassing countries from Europe, Caucasus and Central Asia, Middle East and South Asia

Founded in 1994, the ECOSAI aims to promote the Public Sector auditing profession in member countries through exchange of ideas, experiences and by holding seminars, conferences, workshops and training courses.

Natalya Godunova

President ECOSAI & Chairwoman,
Accounts Committee for Control over
Central Government Budget Execution,
Republic of Kazakhstan (SAI Kazakhstan)

Muhammad Ajmal Gondal

Secretary General ECOSAI &
Auditor General of Pakistan (SAI Pakistan)

**Governing Board Members
of ECOSAI**

- SAI of the Islamic Republic of Afghanistan
- SAI of the Republic of Azerbaijan
- SAI of the Republic of Turkey

The terms of these three members will expire in 9th ECOSAI Assembly scheduled in 2022.

The publisher wishes to thank all the individuals and organizations who have contributed towards this publication.

The ECOSAI Circular is the official organ of ECOSAI and has the objective of providing member SAIs with the forum of sharing experiences in different areas of public sector auditing.

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Editorial Team

Syed Imran Baqir

Director International Relations & Coordination (IR&C) Wing /
Authorized Representative of Secretary General ECOSAI,
Office of the Auditor General of Pakistan

Maryam Haider Bukhari

Deputy Director, International Relations & Coordination (IR&C)
Wing , Department of the of the Auditor General of Pakistan

ECOSAI Secretariat

Office of the Auditor General of Pakistan,
Constitution Avenue, Islamabad, Pakistan
Phone : +92519219177
Facsimile +92519224052
E-mail : saipak@comsats.net.pk





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MESSAGE FROM THE AUDITOR GENERAL OF PAKISTAN

It gives me pleasure to present Spring Issue of ECOSAI Circular 2021 being Secretary General of ECOSAI and Auditor General of Pakistan. This is first ECOSAI Circular which is published after my appointment as the Auditor General of Pakistan. ECOSAI Circular focuses on fostering knowledge sharing in the area of public auditing with the intent to promoting professional and technical cooperation among member SAIs.

The global crisis caused by COVID-19 has enhanced the need for accountability, transparency and integrity. The role of the Supreme Audit Institutions (SAIs) has been increased by examining the responses of the Government to Pandemic and responsibility of the SAIs to provide assurance for using emergency funds. Audit of the implementation of Sustainable Development Goals (SDGs) is also included in the domain of SAIs which require whole of government approach by leaving no one behind along with engagement of multi-stake holders. The capacity building of the SAIs is essential to carry out its mandate for accountability, transparency and service delivery to people. The professional development and capacity building of SAI is important to enhance the credibility of SAI. The collective contributions and efforts of the member SAIs can make this forum effective platform for sharing of ideas, experience and knowledge.

The ECOSAI Circular precisely targets the professional enrichment of member SAIs. I hope you will enjoy reading the current issue as much as I did. I take this opportunity to thank all the contributors for making contributions in the present issue and encourage ECOSAI members to become more proactive in contributing to the organization's initiatives for the benefit of all.

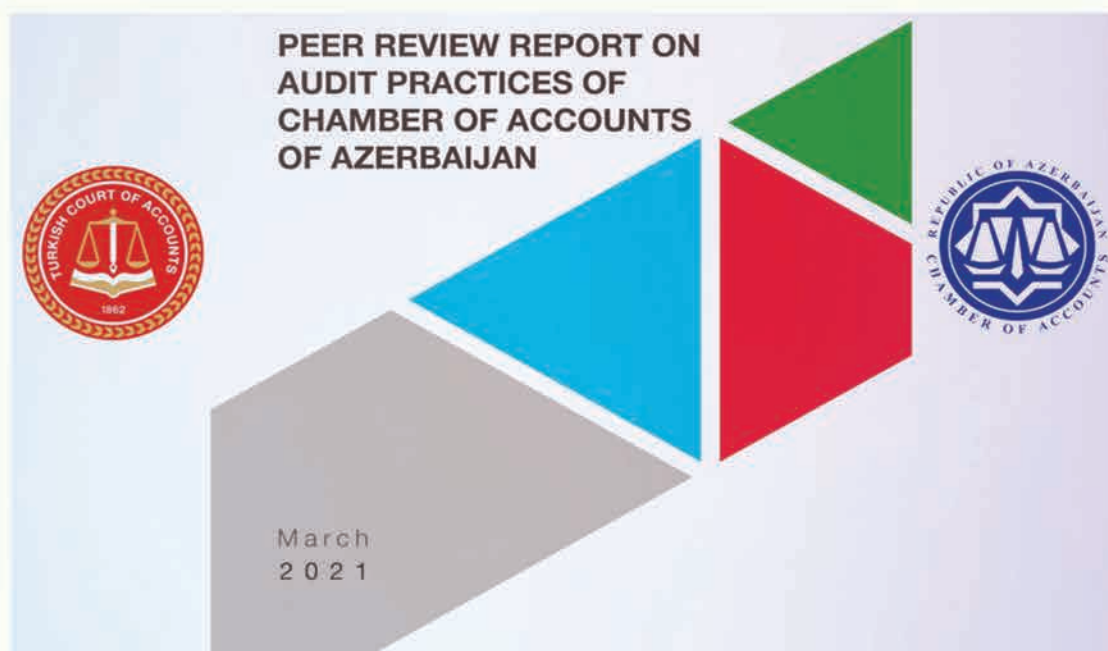
Muhammad Ajmal Gondal
Auditor General of Pakistan
Secretary General ECOSAI





News from Member SAIs





The “Peer Review” between the Turkish Court of Accounts and the Chamber of Accounts of the Republic of Azerbaijan is over

The peer review was conducted by the initiative of the Chamber of Accounts of the Republic of Azerbaijan and with the support by colleagues from Turkish Court of Accounts according to the Memorandum of Understanding signed between the Turkish Court of Accounts and Chamber of Accounts of the Republic of Azerbaijan on January 5, 2021. According to the above mentioned document Turkish Court of Accounts carried out peer review and assessed the financial, compliance and performance audits conducted by SAI Azerbaijan in line with international standards.

Within the implementation of activities determined in the work plan of peer review agreement a number of events including video conference meetings were held. During the meetings, colleagues from SAIs Azerbaijan and Turkey mutually shared their knowledge and experience in the field of financial, compliance and

performance audits, discussed practical aspects of all three types of audits considered in the mandate of both institutions, and colleagues from Turkish Court of Accounts presented results of the implemented work by mentioning the analysis of ISSAI compliance of audit reports on three audit types.

At the end of the peer review activity, it was concluded that compliance, financial, performance audits by the Chamber of Accounts were carried out in accordance with international audit standards of Supreme Audit Institutions and all three audit types were assessed under six domains and ten indicators of SAI PMF Framework, and as an output of this joint activity “Peer review report” was prepared and submitted to the Chamber of Accounts of the Republic of Azerbaijan.

Vasily Gerasimov Appointed Head of SAI Belarus



On January 26, 2021, Vasily Gerasimov was appointed Chairman of the State Control Committee, the Supreme Audit Institution (SAI) of the Republic of Belarus, by the decree of the President.

Upon his appointment, Mr. Gerasimov noted that the State Control Committee would focus on ensuring the efficient expenditure of budget funds and compliance with budget legislation, and on monitoring the use of state property. SAI Belarus' priorities will include assessing the reserves in the

country's economy, reviewing construction projects that have exceeded their timeframes, and using modern digital technologies.

Mr. Gerasimov was born in 1975 and has been working in the State Control Committee since 2003, except for 2016 to 2017, when he served as the President's Aide-Inspector for the Brest region. Previously, Mr. Gerasimov was Deputy Chairman, First Deputy Chairman, and Acting Chairman of the State Control Committee.

The President of Supreme Audit Court Presented the Annual Budget Report to the Parliament One Month Prior to the Target Date

Dr. Mehrdad Bazrpash, President of the Supreme Audit Court of I. R. Iran, presented the Annual Budget Report of the year 2019 in a public session of the Parliament on Tuesday, 29 December 2020, one month ahead of schedule.

Relying on Article 55 of the Constitution and Article 219 of the Rules of Procedure of the Parliament, despite restrictions owing to Covid-19 and extension of the deadline for acquiring the government spending in 2019, Dr. Bazrpash, presented the 31st Annual Report after the Islamic Revolution (prepared and sent to the Parliament on 20 December 2020) to the Islamic Consultative

Assembly one month ahead of schedule.

The President of SAC mentioned that the report included auditing more than 3700 executive bodies, reviewing and consolidating more than 6800 audit reports, notes on the performance of the Single Article of the 2019 budget law of the country, reviewing 274 integrated reports, notes and paragraphs in the technical and legal working groups of SAC, prepared in 599 pages and approved by the General Assembly of the Supreme Audit Court.



Representatives of Supreme Audit Court of I. R. Iran participated in regional and international events, including:

* The 25th UN/INTOSAI Symposium under the subject of "Working during and after the Pandemic", 28 to 30 June 2021, Austria



* The 14th Meeting of the INTOSAI Working Group on the Fight Against Corruption and Money Laundering, 24 November 2020, Egypt



* The 8th International Training Program on Environmental Auditing, November 2020, India



* The 20th Meeting of INTOSAI Working Group of Environmental Auditing, 19 to 21 January 2021, Finland



* ASOSAI Webinar Co-hosted by ASOSAI Secretariat and SAI Korea, 26 to 28 January 2021, Korea



* International Training Program on Audit of Extractive Industries, 15 - 19 March 2021, India



Mr. Muhammad Ajmal Gondal Appointed as Auditor General of Pakistan



The President of the Islamic Republic of Pakistan has appointed Mr. Muhammad Ajmal Gondal as 21st Auditor General of Pakistan and he has formally assumed the office of the Auditor General of Pakistan on 15 September, 2021.

Mr. Muhammad Ajmal Gondal brings to his job rich and varied experience gathered over a span of more than thirty five years of outstanding career in the Pakistan Audit and Accounts Service, variegated work experience in Auditing, Accounting, Federal Secretariat and Autonomous Bodies.

Mr. Muhammad Ajmal Gondal holds Master's degree in Business Administration and Political Science. For additional information, please contact the Office of the Auditor General of Pakistan:

Email: saipak@comsats.net.pk

Web site: www.agp.gov.pk

SAI Pakistan Elected as Governing Board Member of ASOSAI

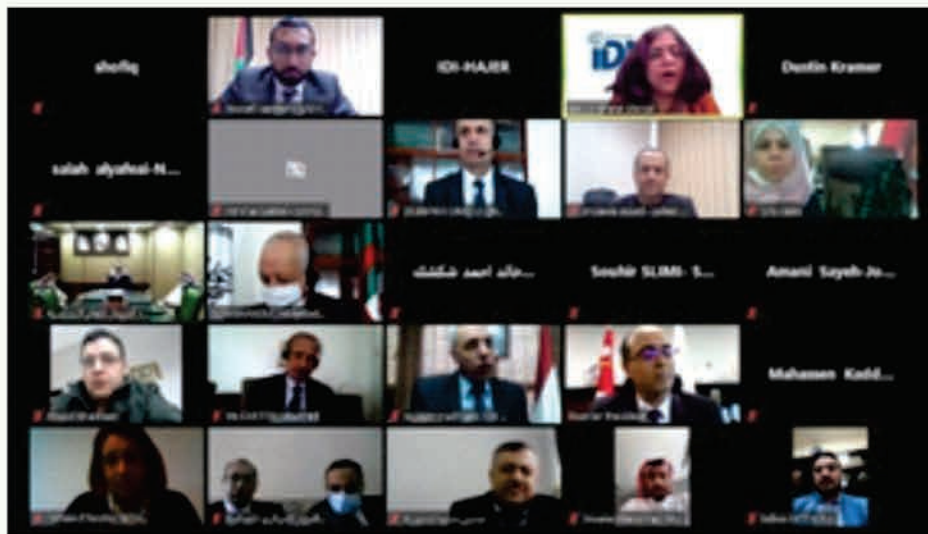


The Department of the Auditor General of Pakistan/ Supreme Audit Institution of Pakistan elected member of ASOSAI Governing Board for the term 2021-2024 during the 15th ASOSAI Assembly hosted (virtually) by the State Audit Office of the Kingdom of Thailand on September 7, 2021. During the 15th Assembly, SAIs of Korea, Malaysia, Pakistan, Philippines, Russia, Saudi Arabia and Turkey were elected as the new GB members for 2021-2024 and SAIs of Azerbaijan and Kazakhstan were elected as the Audit Committee members for 2021-2024.

The Asian Organization of Supreme Audit Institutions (ASOSAI) comprises the Supreme Audit Institutions (SAIs) of 47 Asian countries and provides a forum where regional issues and developments in the fields of financial management and auditing are discussed and deliberated upon.

The function of ASOSAI Governing Board has to execute and implement the policies of the organization in accordance with the rules and regulations approved by the Assembly.

SAACB at SAIs-Main Stakeholders' Dialogue

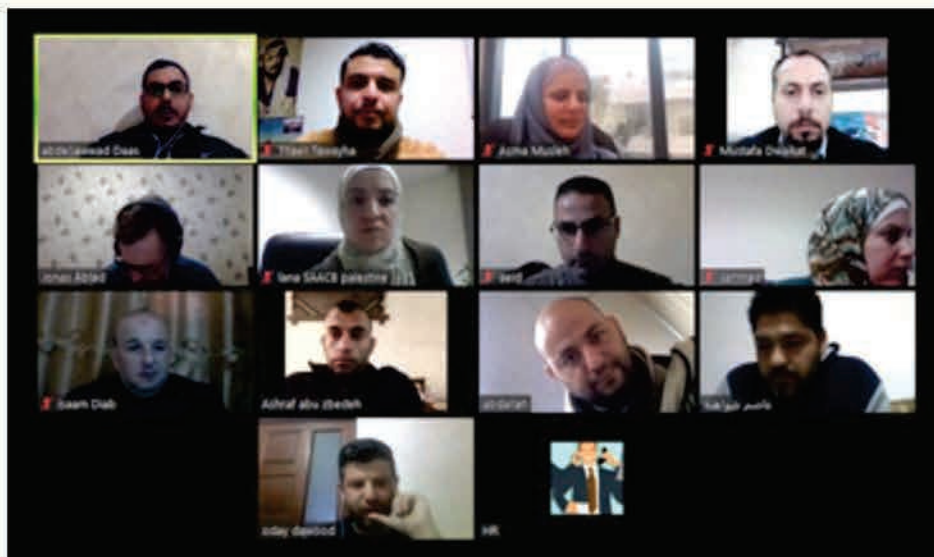


Ramallah, 19.01.2021 – the Bureau participated in an online dialogue that comprised SAI heads and main stakeholders. Organized by INTOSAI Development Initiative (IDI), the dialogue intended to share experience and lessons learned, and to identify common understanding of the transparency and accountability initiative and

comprehensive use of emergency COVID-19 finance (global cooperative compliance audits).

The Bureau was represented by the economy audit manager Mr. Muyawya Asa'ad and planning, development and capacity building unit head Mr. Yusuf Hantash.

Communication of Audit Output Development Workshop



Ramallah, 21.01.2021 – the Bureau, in cooperation with the Swedish National Audit Office, concluded a workshop about for the audit

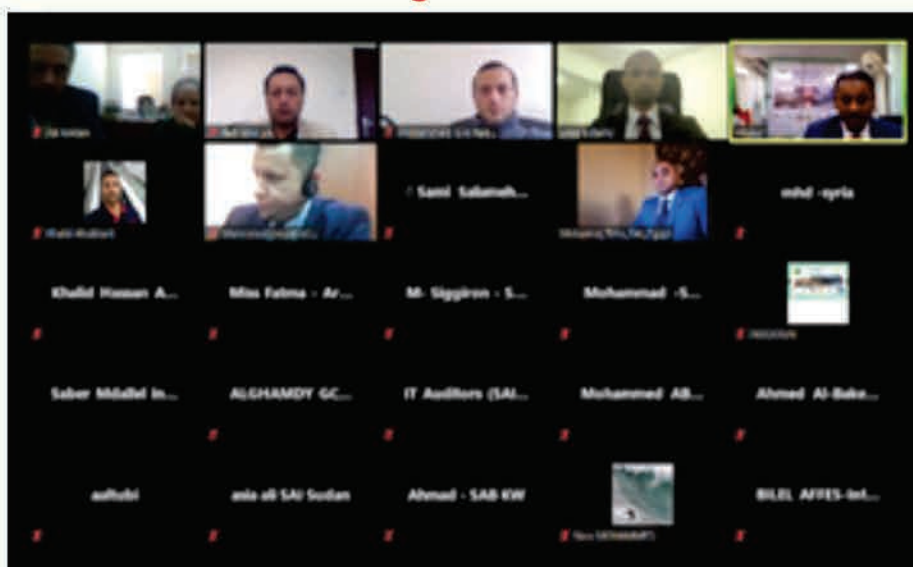
communication output development, and how to use the Bureau's website as basic communication channel.

Palestine-Poland Twining Launched

Ramallah, 24.01.2012 – actions of the twining project between the Bureau and SAI of Poland has started, which will last 27 months, financed by the European Union and supported by the Polish representative office to Palestine.

The project intends to enhance and develop capacity of staff and support independence of the Bureau as per INTOSAI standards. The project's main focus is three components; financial audit, tax/customs audit and big data audit.

Online Huge Data Seminar



Ramallah, 25.01.2021 – the Bureau participated in the online seminar on big data and influence on reporting. The seminar was part of detailed academic training and research plan, 2020. The seminar was held from January 08-22, 2021 by the National Audit Office of Sudan, in cooperation

with ARABOSAI.

The Bureau was represented by programming and database manager Mr. Fadi Aburub and the economy auditor Mr. Mohammad Taha.

Counselor Tayyem & Polish Expert Meet



Ramallah, 07.02.2021 – counselor Eyad Tayyem met at his office with the resident Polish expert Mr. Matchi. The latter handed a letter from head of SAI of Poland Mr. Marian Banas, stating the strong relations and cooperation with SAI of Palestine. Counselor Tayyem emphasized that the Polish project should be in agreement with strategic plan of the Bureau, sustainable knowledge and experience of staff and that project goals shall be

fulfilled (financial audit, tax/customs audit, big data audit). The meeting was part of the Palestinian-Polish twining project financed by the European Union, and supported by Polish representative office to Palestine.

Deputy president Mrs. Amal Faraj and project coordinator Mr. Esmat Abu Rabea' were present at the meeting.

Quality Assurance Team Meets Swedish Expert



Ramallah, 24.02.2021 – the quality assurance team at the Bureau met the Swedish expert Mr. Anders Herjevik via Zoom, to review the compliance audit quality assurance tool.

Team Mr. Shehadeh Alawneh, team members (Mr. Shaher Qalalweh, Mr. Faisal Masri, Mr. Abdullah al-Ali, Mr. Yusuf Hantash) and Mrs. Ahd Abu Amsha from PR were present at the meeting.

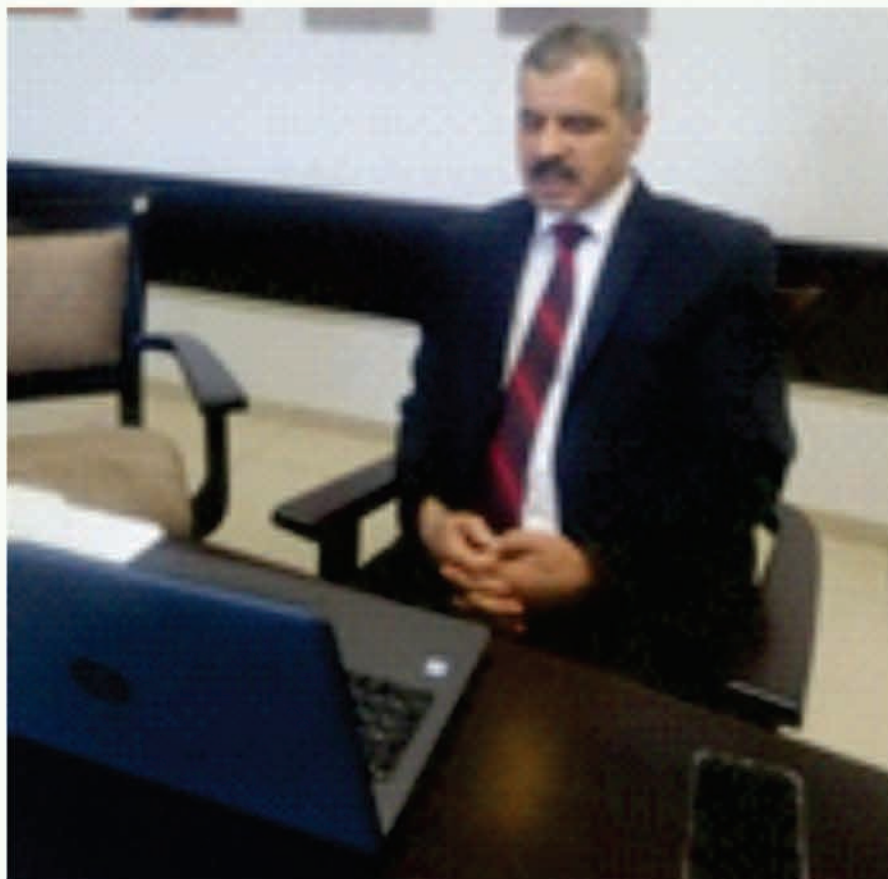
SDGs Workshop with Turkish SAI



Ramallah, 09.03.2021 – the Bureau and the Turkish Court of Accounts had a Zoom workshop on audit practices in the sustainable development goals field.

The workshop, titled 'experience exchange on preparedness to implement SDGs', was administered by the counselor Eyad Tayyem and COA head Mr. Sed Ahmet Bas, and deputy president Mr. Amal Faraj was also present.

Counselor Tayyem Oversees Swedish Project Follow up



The Bureau at SDGs Meeting

Ramallah, 10.03.2021 – counselor Eyad Tayyem administered a meeting to follow up progress of the Swedish project over the past two months, and to discuss the 2021 plan with project manager at Swedish National Audit Office Mr. Kameran Khudr.

Representatives from the Bureau (Mrs. Saba Barghouthi from performance audit department,

Mr. Mohammad esh-Shaer from local government audit department) were at the online training meeting held by ARABOSAI and Central Accounts Bureau of Egypt. The meeting had the title 'sustainable development goals indicators and standards from environment perspective', and took place from March 22-25, 2021.

The Bureau at Sustainable Development Seminar

Engineer Majdoleen Samour from Performance Audit Department represented the Bureau at the Arab Sustainable Development Forum 2021 (expedite work towards 2030 plan post COVID-19). Engineer Samour were present at the second

session on 'audit in the case of SDGs implementing in Arab region'. The forum was organized by the United Nations Economic & Social Commission for West Asia (ESCWA) over the course of 3 days (March 29-31, 2021).



Ramallah, 30.03.2021 – the Bureau –in cooperation with the Swedish National Audit Office- held a workshop on 'impact measuring of audit reports and tools necessary to initiate a

methodological assessment of audit impact and report findings'. All managers, unit heads and planning and development staff were present at the workshop.

Appointment of the New President of the Turkish Court of Accounts



Mr. Metin Yener
President of the Turkish Court of Accounts

Mr. Metin YENER, who has been elected as the President of the TCA at the 94th Session of the General Assembly of the Parliament on 22.06.2021, has taken office on 25.06.2021. Mr. YENER, who has begun active duty as the President of the TCA, said "We have taken over the flag. Hopefully, we will leave a good story behind and hand over this office to the succeeding colleague".

Mr. Metin YENER was born in Ankara. He graduated from the Department of Economics of Gazi University.

He started his career as an Assistant Specialist in the Prime Ministry. After that, he worked in the Prime Ministry as Prime Ministry Specialist, Head of Department, Deputy General Director of Laws and Decisions, and General Director of Personnel and Principles. He was appointed as the General Director of Personnel and Principles of the Presidency on 3 August 2018.

He received his master's degrees from the Department of Economic Policy of Gazi University, and from Indiana University/USA.

He is married and has two children.

TCA Celebrated the 159th Anniversary of its Establishment

Turkish Court of Accounts (TCA) celebrated the 159th anniversary of its establishment in May 2021 as one of the most important institutions of our state tradition exceeding one thousand years. Audit in modern context is addressed within the framework of the power of the purse on behalf of parliaments, but in historical Turkish states, audit was addressed as the audit of state treasury with inspiration from the Islamic culture and has a rooted history. The TCA owes this culture to the historical Turkish states therefore we celebrated both the 159th anniversary of the Turkish Court of

Accounts and the 1181st anniversary of our state audit culture that can be traced back to the Karakhanids.

The TCA transfers the immense experience and audit culture that it gets from its historical roots to the present day and to international arena by taking active roles in the international organisations and also targets to carry it to future generations within the framework of modern requirements in line with its ideal of “exceeding the level of contemporary civilisations”.



Online XI EUROSAT Congress and 53rd & 54th GB Meetings were held

XI EUROSAT Congress was held via online platform on 14 April 2021 with the participation of 48 EUROSAT members. The Congress started with the speech of former TCA President Mr. Seyit Ahmet BAŞ as the outgoing President of EUROSAT and continued with the Handover Ceremony of the EUROSAT Presidency from Turkish Court of Accounts to the Supreme Audit Office of Czech Republic.

During the Congress, the Report on Implementation of the EUROSAT 2017-2021 Presidency Programme which summarizes the most highlighted activities during the Presidency of TCA was presented and the report was followed by the EUROSAT Activity Report 2017-2021 presented by the EUROSAT Secretariat.

In the next part of the meeting, the Consolidated Progress Reports of Strategic Goals 1&2 and Governance Portfolios were presented and the

Congress took note of the reports. The reports were followed by the activity reports of the Working Groups and Task Forces.

After discussing the financial issues such as Auditor's report and EUROSAT budget, the elections were held for EUROSAT positions.

The 53rd and 54th EUROSAT Governing Board meetings were also held in the framework of the XI EUROSAT Congress on April 14th and 15th, respectively. The 53rd GB meeting was chaired by the former TCA President Mr. Seyit Ahmet BAŞ during which the progress reports of Strategic Goals 1&2 and Governance Portfolios were discussed and under the item about the report of Overall Governance and Culture Portfolio of the TCA, updates of some strategic documents such as General Procedures and Financial Rules were approved.

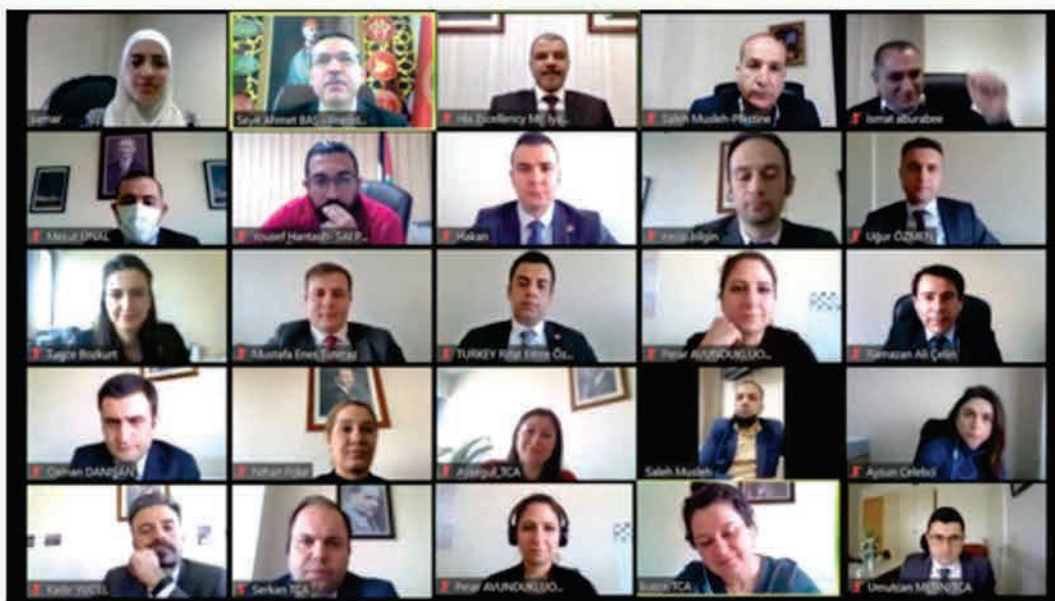


Workshop on the Audit of SDGs was held with the Collaboration of the TCA and SAI of Palestine

The Sustainable Development Goals (SDGs) Audit Workshop was held online on 9 March 2021 starting with the opening speeches of the Presidents of both SAIs.

In the workshop, attended by approximately 50 participants from the Turkish and Palestinian

SAIs, presentations were made by the representatives of both SAIs on the evaluation of the SAIs' roles and objectives regarding SDGs and the experiences of Turkish and Palestinian SAIs in SDG preparation and implementation audits.



TCA Organized an IT Audit Training for the Auditors of SAI Romania

Within the scope of the 1st phase of the Information Technologies (IT) Audit Capacity Building Agreement signed with the SAI of Romania on 17 February 2021, 2 weeks IT audit training was organized by the TCA for 23 auditors

from the Romanian Court of Accounts between 22 March-2 April 2021.

During the training, the basic principles, standards and frameworks of IT auditing and basic control areas were studied in detail with case studies.



MoU with the SAI of Libya and Workshop on Enterprise Risk Management and Internal Control Practices in Financial Audit

Mr. Khaled Ahmed SHAKSHAK, Head of SAI of Libya and his accompanying delegation made a working visit to the TCA on 10-11 December 2020. As a result of this visit, Memorandum of Understanding between the two Courts of

Accounts was signed and negotiations were held to increase cooperation on various issues in the sessions held.

Following this MoU, "Workshop on Enterprise Risk Management and Internal Control Practices

in Financial Audit” was held online on 27 May 2021, and Presidents of both SAI made their opening speeches.

During the workshop, which had approximately 50 participants from the SAIs of Libya and Turkey,

the representatives of two SAIs made presentations on Enterprise Risk Management, international standards of Internal Control, and the experience of Turkish and Libyan SAIs in the field.



Training Workshop on “Quality Management in Public Audit” was Held

“Training Workshop on Quality Management in Public Audit” was held in 15-16 June 2021 by the Turkish Court of Accounts (TCA), in cooperation with the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC), with participation of Supreme Audit Institutions of Organisation of Islamic Cooperation (OIC) Member Countries, in the framework of the “Public Audit Capacity Building

Programme” of SESRIC.

In online training program in which auditors from TCA participated as trainers, the participants were informed about ISSAI 140 Quality Controls for SASI and the presentations on quality control and quality assurance in audit by TCA were made.

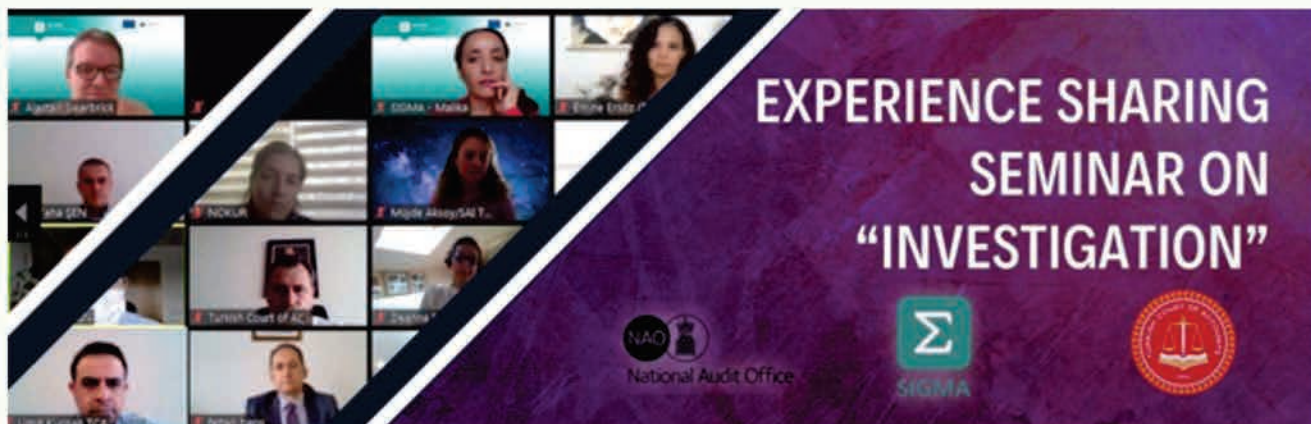
In the last session of program, the participants shared their experiences and information through questions & answers.



Experience Sharing Seminar on “Investigation” was held

The experience sharing seminar on “Investigation” was held on 24.06.2021 with the participation of the Turkish Court of Accounts (TCA), National Audit Office of the United Kingdom (NAO UK) and OECD-SIGMA as the organisation coordinating the online event.

In the event, Lee Summerfield and Ciara Gomez shared the experiences of the NAO UK in relation to the targets, planning, implementation and reporting of the Investigation methodology that the NAO UK is conducting. The program ended following the Questions-Answers session.



The TCA Completed the Peer Review of the SAI of Azerbaijan

A cooperation agreement was signed between the Turkish Court of Accounts and SAI of Azerbaijan on 5 January 2021 for a peer review with the participation of the Presidents of both SAIs. In line with this agreement, the TCA completed the peer review regarding the assessment of the audit activities of the SAI of Azerbaijan. Within the

scope of the peer review performed in a two-month period, the main policy documents and audit processes of the SAI of Azerbaijan were assessed in terms of compliance with professional standards.



The President of the SAI Azerbaijan and the Accompanying Delegation Visited the TCA

President of the SAI Azerbaijan Mr. Vugar GULMAMMADOV and the accompanying delegation visited the President of the Turkish Court of Accounts, Mr. Metin YENER, in his

office on 8 July 2021. During the visit, ideas were exchanged on the development of the close cooperation between the SAIs of the two countries.



TCA and SAI of Bangladesh Carried Out the External Audit of Developing 8

D-8, also known as Developing-8, is an organisation for development cooperation among the following countries: Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey established on June 15, 1997.

The external audit of D-8 Accounts was performed jointly by the TCA and SAI of Bangladesh on the expenditures made from these funds in 2019 and

2020. As a result of the inspections; a report has been prepared on whether the expenditures made are carried out in accordance with the legal agreements, the cooperation organization's regulation and the determined objectives, and whether the financial statements regarding the expenditures contain accurate and reliable information.

Contribution of TCA to the Audit of Economic Cooperation Organization (ECO)

Economic Cooperation Organization (ECO) is an intergovernmental regional organization encompassing countries from Europe, Caucasus and Central Asia, Middle East and South Asia with more than 460 million inhabitants and over 8 million square kilometres connecting Russia to the Persian Gulf and China to Europe. The overall objective of the Organization is the sustainable economic development of its Member States and

the Region as a whole.

Audit Team including also representatives from the TCA conducted audit on the regularity of the revenue and expenditures for 2019 and 2020.

As a result of the audit, a report was prepared on whether the expenditures have been realized in line with legal agreements, cooperation organization regulations, financial regulations, personnel regulations and the specified objectives.

TCA Organized an Online Training on Financial Audit Standards for Colleagues from the SAI of the Turkish Republic of Northern Cyprus

Within the framework of the Memorandum of Understanding (MoU) signed between the Turkish Court of Accounts (TCA) and the SAI of the Turkish Republic of Northern Cyprus (TRNC), an online training program on “Financial Audit Standards” was organized for 20 colleagues from the SAI of TRNC on 5-9 July 2021.

Following the opening speeches, presentations were delivered on “Basic Principles of Public

Audit” and “Introduction to International Audit Standards”, and topics such as “Pre-Audit Activities”, “Introduction to Financial Audit”, “Planning in Financial Audit”, “Implementing Financial Audit”, “Completing and Reviewing Financial Audit” and “Reporting and Monitoring/Quality Control” were addressed during the training together with case studies related to these topics.





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Articles from Member SAIs



Auditing After COVID-19

Ali Ghaffari

Deputy Principal Auditor

Supreme Audit Court of the Islamic Republic of Iran



Abstract

In recent months, the COVID pandemic has affected the entire human ecosystem, and accounting and auditing are no exception. The limitations that the COVID has caused have led auditors toward remote auditing. In fact, auditors need to use alternative methods to perform their duty, and in this case, communication through information technology and cyberspace is effective.

IT Based Auditing

Prior to COVID, the use of technology, especially in data extracting and analysis, was the biggest revolution of the auditing profession. However, in some countries, auditing suffers a lag in the use of IT-based Audit. The emergence of the COVID and its consequences, rose the necessity of information technology, especially in public and private sector auditing.

We all face many COVID oriented hardships and challenges in our personal and professional lives, which all of them are valuable lessons to learn. Discussing the consequences of the recent crisis on financial reporting helps us to understand the required changes to consider in our present auditing methods and look for alternative ways to apply on testing internal controls, implementing substantive tests and the way of gathering audit evidences.

Consequences of COVID on Financial Systems

- 1- The absence of 30% to 50% of the staff, lack of access to workplace in some jobs, teleworking and staff turnover may cause some insufficiencies on the internal control application. Therefore, the establishment of alternative appropriate controls with the pandemic conditions is an unavoidable necessity.
- 2- To prevent the virus spreading, most businesses were shut down for one to two months at the end of the fiscal year. As a result, taking inventory was not completed at the mentioned period and it was not possible for auditors to monitor it in the auditee (entity).
- 3- Following the mentioned compulsory closures, the legal deadlines for spending public funds, submitting financial statements and tax returns were extended by the Legislature. Due to this, preparation of financial statements and delivering accounting records and other supporting evidences to the auditors were significantly delayed.
- 4- The allocation of significant amounts of aid, facilities and tax allowances by the governments to fight against the coronavirus also increased the risk of crime and financial misconduct.
- 5- Therefore, the risks and uncertainty of the

economic environment and accounting information have increased. In such conditions, it is generally expected that the rate of fraud and corruption will increase both at the level of employees and managers.

6- The consequences of coronavirus are not the same for all government and non-government entities, and as a result, auditors should consider the impact of this crisis separately for the auditee.

7- In the current difficult situation, in order to enable auditors to detect frauds and financial corruptions and to prepare an effective and timely annual audit report for the parliament, it is necessary for the SAI to provide auditors with

online access to databases and the other IT systems prescribed by legislators for government agencies, and equip them with advanced auditing software or computer-assisted audit tools.

8. The risk-based auditing and the use of techniques such as Analytical Procedures, Remote Inquiry (talking to the client or people) and Observation in accordance with health protocols should be highly regarded.

9. SAI's measures and investments for eliminating the above-mentioned shortcomings must be increased and accelerated.

The Role and Importance of Voice in the Commitment and Performance of Employee in the Supreme Audit Court of Islamic Republic of Iran

Atefe Moghaddam

Auditor Iranian National Tax Administration

Meysam Tahsiri, Senior Technical Expert

Supreme Audit Court of the Islamic Republic of Iran



Regarding normative dimensions of human resource management (HRM), it has long been argued that value added is not merely a result of competition for product price or quality but rather the ability to elicit more commitment from employees dedicated to organization's goals. In this vein, what matters is the way an employee decides to take the responsibility of his/her job and the extent he/she puts effort. Thus, increased employee participation is the most recent management strategy that aims at liberating employee volition and aligning employee interest with managerial goals, by assuming that this in turn will improve organizational performance. In today's organizations, employees are expected to show interest, as well as creativity and enterprise, in their tasks and, by contrast, organizations must provide suitable working conditions and incentives for employees. Engaged employees have a load of energy and enough ardor for their jobs; they focus on and immerse themselves in their work as they don't notice the passage of time. Many experts refer to job engagement as a predictor of organizations' outcomes and achievements.

Scientific support of the advantages of career-minded labor is on the rise. It is said that employees who are more dedicated to their work are more likely to behave to the benefit of both their company and themselves in positive and cooperative ways. It is also argued that engaged employees are more likely to work better for the success of their organization than others by demonstrating their dedication to their work and being prepared for greater effort.

It is purported that employees are moved by recruitment relations so as to demonstrate positive attitudes and behaviors when they realize that their employer value them and their help. Organizational practices provide explicit and implicit signals for employees concerning the extent to which they are given trust and value, creating a sense of responsibility in employees, which is compensated by demonstrating positive behaviors. In these circumstances, we can assume that if employees understand their work environment in a way that their opinions, ideas and attitudes can be shared, they are more likely to demonstrate a higher level of engagement/participation. Voice is held to be an optional verbal communication of ideas, suggestions and comments with the intention of improving the performance of an organization or unit, which is consistent with several recent studies.

Similarly, voice has been defined as staff's innovative suggestions for change and encouragement to standard procedure adjustment even when others are opposed. This is employee's perception of voice, rather than existence or features of voice mechanism that determines whether staff attempts to express their concerns to management or stay silent, or leave the organization. Moreover, they contend that one of the main drivers of engagement is employees as they stand the chance to develop their own opinions. This altogether holds that it is likely there is a relationship between employees' perceptions of voice and engagement.

Voice chances can encourage employees to display more positive attitudes towards management, and line managers who provide employee with engagement opportunities can affect their attitudes in positive ways, because employees may feel they are recognized and heard. Social exchange theory holds that if employees have trust-based relationships with their top managers and believe they are supported by their line manager, they will probably exhibit positive response, and hence their engagement level will go up. However, these aspects are both part of a wider set of social exchange between employees and employers. Research has also shown that trust-based relationships with top managers and line manager-staff relationship is differently associated with individuals' attitudes and behaviors.

The authors consider unofficial bottom-up relationships and call for the development of new relationship methods that can facilitate the relationship between senior managers and employees. They argue that bottom-up critical

feedback should be fully institutionalized in organizational life. One way to achieve this is to ensure that there are internal corporate/organizational relationship practices designed to maximize the opportunity for staff critical voices.

As a result, it must be said if employees perceive that senior managers have no desire to hear them out and management or refuse to listen and respond to their talks or requests, they may be discouraged from expressing their voices. The "deaf ears" syndrome, turn a deaf ear to what one says and demands, can put a voice off and possibly result in non-engagement of employees. Having a voice and being heard is one of the most important precursors of an interaction. Delivering ideas and work-related opinions can be viewed as an indication of employee engagement. However, recruited staff may set back if they feel they are at risk due to potential threats and consequences; hence they may think employee voice is detrimental.

VAT Survey in Iran

Rasool Behroozi

Senior Auditor

Supreme Audit Court of the Islamic Republic of Iran



Introduction

Value-added Tax (VAT) is a general tax imposed by the government and levied on business actors (legal entities and individuals) from production to distribution. When a shirt is produced to reach the consumer, dozens of services are performed on it and its taxes must be paid separately. VAT is divided into three categories: consumption, income and production. Taxpayers must pay taxes and duties on time so as not to be subject to fines. Due to rising government spending and fluctuations in oil revenues, it is natural that the government needs a stable tax revenue to compensate for the budget deficit. One of the ways to reform the country's tax system is to study the VAT Law, and the implementation of this law is one of the most efficient sources of financing government budget deficits. Therefore, one of the concerns of the Ministry of Economy and Finance and the Iranian National Tax Administration is full and correct implementation of this law. The implementation of the VAT system in more than 150 countries shows the special position of this tax system among governments.

Theoretical Foundations

In most countries, taxation is one of the most important and stable sources of revenue for governments. Among the types of available taxes, one of the best ways to collect taxes is VAT. Value-added tax is a type of indirect tax collection that plays a special role in the economies of countries. This study seeks to examine VAT and its problems

in Iran in light of the current social and economic conditions. The results of this study indicate that VAT, or basically any tax, has increased government revenues and therefore can expand government budgets and expenditures, so since the expansion of government spending can be potentially inflationary, the establishment of the above tax system can increase the general level of prices.

Policymakers are looking at value-added tax as a viable option to restructure the tax system to find a way to reform the tax. The need to establish a special tax system is one of the concepts to understand before designing or restructuring a tax system.

Hypothesis

- 1- Establishment of VAT system causes fair presentation of financial statements.
- 2- Establishment of VAT system will establish tax justice in the society.

Conclusion

VAT has been debated in Iran's economic circles for many years, and the goal of establishing this system has always been to increase tax revenues, reduce the government's reliance on oil revenues, reduce the budget deficit and find a stable source of revenue. Since the VAT system is always mentioned as a progressive system with more participation of citizens, one of the important factors that can play an effective role in the

successful implementation of this system and achieving the desired goals is the level of readiness of financial experts as auditors and tax payers and the practicality of the relevant system.

Following the study of the necessity of establishing a VAT system in Iran, the first hypothesis of the research was designed to examine the existence of a tester and sufficient executive requirements for the establishment of this system in terms of readiness of financial experts to accept VAT to test whether this system provides financial support. The results indicate that from the perspective of financial experts, the establishment of a VAT system will result in a fair presentation of financial statements. Since the establishment of tax justice is one of the important features of a favorable tax system, therefore, before establishing a serious tax system, it is necessary to ensure that it is fair in terms of imposing an equal tax burden according to the ability of taxpayers.

The VAT system can also be considered an efficient tax system if its implementation leads to the establishment of tax justice in society. This will

increase the welfare of the citizens and as a result, their greater participation in the successful implementation of this system. The results indicate that from the perspective of tax experts, the establishment of a VAT system will lead to the establishment of tax justice in society.

Suggestion

Although the concept of value added tax in Iran is not new in theory, there are still very few people who have the necessary and sufficient information about this tax system. Now that we are going to establish a value-added tax system in the Iranian economy and aim at making the country's tax system more efficient, we are moving towards a growing economy and increasing the welfare of the citizens than to spend on military that the economic, social and cultural conditions of society are not yet ready to accept.

Spreading the culture of paying taxes through training sessions, conferences and even training through mass media can increase the likelihood of successful implementation of the VAT system, which is a national plan.

Explaining the Quantitative Model of Public Sector Governance; Experimental Test of the Impact of Public Sector Governance on Financial Discipline

Seyed Mohammad Mohammadi
Senior Technical Expert

Rohollah Mohseni
Technical Expert
Supreme Audit Court of the Islamic Republic of Iran



Proper governance in both public and private sectors is one of the prerequisites for good governance as well as primary assumptions of sustainable development. Some experts believe that the existence of poor performance and failure of corporate governance in the private sector due to the collapse and scandal of large corporations can be the result of poor governance and poor organizational governance in the public sector. Therefore, public sector governance can provide new insights into improving the management of private sector companies.

The content and procedures of corporate governance are diverse in different countries because there are major differences between countries in different aspects. Therefore, given the economic, cultural, and social conditions of Iran compared to other countries and the inefficiency of current regulatory procedures, this notion is expected to become an unreasonable necessity in the coming years.

Given that very little applied research is done on corporate governance in the public sector, this study attempted to address this shortcoming with an emphasis on two adaptive and functional aspects of public sector organizational governance. Having examined the different components of public sector governance in

developing countries such as England, Australia, and the Organization for Economic and Social Cooperation, and taking into account the specific characteristics of our country, four principles of public sector including transparency, accountability, efficiency and effectiveness were selected and examined as influential components of governance in the public sector.

The findings confirm that the two components of accountability and efficiency have significantly reduced financial discipline among the ministries under review. As such, the government can help how to interpret, understand and practice within the framework of corporate governance in a public sector organization. Accordingly, this research can provide a unique insight into the complex concept of corporate governance in the public sector and can be considered a constructive conceptual model for further research on good governance.

It seems that the complex relations between those who have the main responsibilities and authority in the public sector of the government, as well as lack of proper delegation of duties and powers and lack of appropriate organizational culture as well as government's desire to expand the scope of its duties and monitoring are among the most important reasons for the reduction of government accountability in Iran.



Shahriar Shokri
Technical Expert

Optimal Clustering of Audited Executive Organizations employing Multi-Objective Genetic Algorithm (MOGA)

*Supreme Audit Court of the
 Islamic Republic of Iran*



Gholamreza Bazgosha
Director General of SAC Zanzan

The objective of the annual allocation of the organizations to the auditing teams in the Supreme Audit Court of Iran (SAC) is the optimal use of the auditors' human resource and the prevention of possible corruption, which is considered one of the most critical and complicated decision points. Determining the composition of auditing groups in the current situation is performed manually and arbitrarily by provincial officials. In some cases, auditor's ability to handle the accounts of that organization is not taken into account. Hence, the existence of an assessment at the beginning of the division of groups is essential. In this article, a new approach using a multi-objective genetic algorithm to select the optimal clustering of executive organizations is offered.

Inspired by genetics and Charles Darwin's theory of evolution, the genetic algorithm (GA) is based on the survival of the fittest. In this study, the Non-dominated Sorting GA-II (NSGA II) was selected as a known method in solving multi-objective optimization problems. By applying some modifications to the operators, the achieved results in relation to the criterion problem were examined. In this article, SAC of Zanzan province was evaluated as the case study.

This study aims to design a model through which a desirable level of efficiency in the audit can be attained. To this end, the effective variables on both sides of the equation are used. In this paper, the audit variables are divided into the following 12 components: 1- Independence, 2- Implementation of audit operations, 3- Auditor's ability, 4- Auditor's experience, 5- Accountability,

6- Business process knowledge, 7- Information technology (IT) and knowledge of controls 8- Business environment, 9- Planning and methodology, 10- Communication with organizations, 11- Accounting knowledge, 12- Access to resources.

In this article, a novel algorithm was presented using a multi-objective genetic algorithm (MOGA) for clustering executive organizations. To prove the algorithm in practice, this software was implemented in the MATLAB software environment. The relevant data to 30 executive organizations and 12 components related to 25 auditors in the intervals of 2014 to 2019 were given to the software as inputs.

Moreover, on the basis of the results, this algorithm takes into account all the factors required for the selection of the best auditors, as well as the factors necessary to choose large-volume organizations in terms of auditing. Accordingly, the optimal fit of the executive organizations clustering for the audit groups was achieved. The results of this study demonstrate that the new algorithm has better performance in comparison with the traditional groupings carried out in previous years.

Given the assistance of the simulation, this paper demonstrates that the new technique can be successful with regard to the basic metrics in the choice of executive bodies and their allocation to audit groups. Besides, it can contribute to the provincial authorities each year in selecting the optimal combination of executive bodies.

Assessment System as a Tool for Improving the Efficiency of Public Administration (SAI Kazakhstan)

The key direction of the administrative reform carried out in the Republic of Kazakhstan in the second half of the 2000s was the introduction of "Good Governance" practices based on the rule of law and respect for the rights of citizens, strengthening democracy and ensuring transparency in public administration.

In his Address to the People of Kazakhstan in 2007, the Head of State set the task of accelerating the implementation of administrative reform, taking into account international practice, by building a new model of public administration based on the principles of corporate governance, efficiency, transparency and accountability to society.

The measures taken within the framework of the administrative reform were embodied in the Decree of the President of the Republic of Kazakhstan No. 273 of January 13, 2007 "On measures to modernize the public administration system of the Republic of Kazakhstan", where a comprehensive assessment of the effectiveness of the activities of state bodies is defined as one of the elements of an effective public administration system.

Thus, in 2010, in order to increase the efficiency of state bodies in the implementation of their assigned tasks and functions, Presidential Decree No. 954 approved a system for annual assessment of the effectiveness of the central state and local executive bodies of regions, cities of republican significance, and the capital. A number of approaches used in international practice (based on the existing assessment systems of Canada, the United Kingdom, the United States, South Korea and other countries) have been adapted to the realities of Kazakhstan and included in the assessment methods. At the same time, important aspects of these methods were developed in direct connection with the peculiarities of the local public administration system, which made our assessment system to a certain extent unique.

Over the ten (10) years of its existence, the assessment of the effectiveness of the activities of state bodies has taken place as an integral system. The rights and obligations of its participants are defined: the evaluated state bodies, the bodies authorized for assessment, and the coordinating bodies. The methodology for the blocks and areas of assessment has been developed and is constantly being improved. Every year, a schedule of assessment activities is formed, and all the key procedures have been developed: from the collection of reporting information of the evaluated state bodies and the preparation of preliminary conclusions to the development of recommendations and monitoring of their implementation.

The list of evaluated state bodies is regularly updated taking into account the reorganization of old and the creation of new agencies and ministries. So, in 2010, a pilot assessment of three state bodies was carried out: the Agency for the Regulation of Natural Monopolies, the Ministry of Labor and Social Protection of the Population and the Akimat (local administration) of the Akmola region. After the pilot assessment, the methodology and assessment procedures were finalized, forty (40) state bodies were evaluated in 2011. In order to improve interaction with the population in 2017, the Assessment System included state law enforcement agencies (the Prosecutor General's Office) and the Power Unit (Ministry of Defense), as well as the Department for Ensuring the Activities of the Courts under the Supreme Court. Taking into account the latest changes in the structure of the state apparatus in 2021, the assessment will cover 25 central state bodies and local executive bodies of regions and cities of republican significance.

At the moment, the System provides two types of assessment: performance assessment and operational assessment.

Performance Assessment

The performance assessment was introduced only in 2020, it focuses on the analysis of the performance of public authorities on key indicators aimed at increasing incomes and improving the quality of life of the population. So, for each central state body, a unique set of statistical and survey indicators is approved, according to which the degree of improvement/deterioration in the development of the supervised sphere over the past 3 years is calculated. While the performance index of local

executive bodies of regions and cities of republican significance due to the unified functions is calculated on the basis of a single set of indicators (41 statistical and 9 survey indicators). Also, in order to determine the progress of Kazakhstan against the background of the countries of the Organization for Economic Cooperation and Development (OECD), the results of Kazakhstan are compared with the average values of the OECD countries for 25 socio-economic indicators. The performance assessment conducted in 2020 in a pilot mode allowed us to identify risk areas – areas where there is a certain regression in development.

Assessment Sub type	Short Description
Government Performance Index	CGB: according to a unique set of indicators for each (a total of 148 statistical and 19 survey indicators)
	LEB: for a single set of indicators (41 statistical and 9 survey indicators)
RK National Progress Index	Relative to OECD countries (according to 25 socio-economic indicators)
	Relative to the base year (2016) (for 25 socio-economic indicators)

Operational Assessment

The operational Assessment, in turn, focuses on the current activities of government agencies in key areas, combined in three blocks: "Achieving goals", "Interaction with individuals and legal entities" and "Organizational development".

The first block evaluates the achievement of strategic goals, the effectiveness of the use of allocated budget funds, as well as the relationship of the budget with the goals at the central level and financial discipline at the local level. Special attention is paid to the quality of strategic and budget planning: in addition to achieving goals and indicators, over-fulfillment and adjustment of planned values of indicators and the dynamics of their actual implementation are taken into account.

In addition, since 2019, it is estimated to ensure the availability of budget information through the placement of the Civil Budget, and the involvement of the public in the formation of the

budget with the help of the "budget of popular participation".

Interaction with the population is evaluated through the quality of public services and consideration of incoming requests, as well as the degree of openness of the state body. In particular, the assessment of the quality of public services takes into account compliance with deadlines and lists of documents for their provision, public satisfaction with their quality and automation of the provision processes. Regarding the consideration of appeals, the timeliness of providing responses to complaints and applications of citizens and legal entities, the quality of resolving appeals at the initial admission to state bodies is evaluated. The subject of the analysis in the framework of the direction "Openness of the state body" is the work on the portals of "Open Government", including timely filling in the necessary data and responding to requests, comments and suggestions of users.

The assessment of the third block focuses on the internal processes of state bodies: the quality of personnel management and the effectiveness of the use of information technologies. The assessment of personnel management takes into account the satisfaction of civil servants with working conditions (survey), net turnover of personnel, compliance with the principles of meritocracy and gender equality. As part of the assessment of the use of information technologies, the work of state bodies on automating functions, integrating information systems, filling the architectural portal with information about information resources, as well as ensuring the relevance of the data contained in them is analyzed.

The assessment methods are dynamic and adapt to the current tasks of government agencies. For example, new criteria or indicators may be included in the assessment methodology to comprehensively monitor the progress of reforms

or to address current challenges. For example, in order to implement the Concept of Family and Gender Policy, an indicator on compliance with the principles of gender equality in managerial appointments is included in the personnel management assessment. Also, in order to encourage akimats to involve the population in the formation of the local budget, bonus points are provided for the introduction of new budgeting practices ("budget of popular participation") from 2019. Another example is the inclusion in the 2017 assessment of public services of the criterion for expanding the Register to track the work to identify "hidden" services assigned to public authorities based on the results of the assessment for 2016.

Thus, the assessment criteria and indicators are constantly adjusted in accordance with the current tasks of state bodies and "accompany" the implementation of key reforms..

Block "Achievement of Goals"

Directions	Criteria
Strategic Component	Achieving the goals of strategic plans and territorial development programs
Budgetary Component	Efficiency of execution of budget programs
	The relationship between the goals of strategic plans and budget programs
	Achieving direct results of budgetary development programs
	No violations of budgetary and other legislation
	Quality and content of the Citizens Budget publication
	Using new budgeting practices

Block "Interaction of a State Body with Individuals and Legal Entities"

Directions	Criteria
The Quality of the Provision of Public Services	Satisfaction of service recipients with the quality of the provision of public services
	Ensuring the quality of the provision of public services
	Automation of public services
Quality of Handling Complaints and Applications	Compliance with the terms of consideration of complaints and applications
	The proportion of complaints and applications recognized as justified by a court decision
	Consideration of repeated substantiated complaints and applications
	Internal control over the quality of consideration of complaints and applications

Openness of the State Body	Filling the official Internet resource
	Opendata
	Openbudget
	OpenLSI
	Opendialogue
Block "Organizational Development of a State Body"	
Directions	Criteria
Personnel Management	Personnel potential of the state body
	LabourOrganization
	Meritocracyandorganizationalculture
Application of Information Technology	Fillingthearchitecturalportal
	Integration of information systems (CGB) / Implementation of Smart Cities Initiatives (LEB)
	Relevance of information contained in information systems and databases
	Availability of unused information systems and databases
	Automation of functions of government agencies
	Share of local content in information systems

System of Operational Assessment Bodies

The assessment of the directions is carried out by the authorized bodies responsible for the development of the relevant areas of activity. For example, the assessment of the effectiveness of the use of budget funds is carried out by the Ministry of Finance, the authorized body for budget execution, the use of information technologies is evaluated by the Ministry of Digital Development, Innovation and Aerospace Industry, the responsible body for informatization.

The activities of the bodies authorized for assessment are analyzed by the Office of the Prime Minister, and the activities of the central state bodies directly subordinate and accountable to the President are evaluated by the Presidential Administration.

Also, the Presidential Administration provides general management of the assessment process, while the methodological coordination of the activities of the bodies authorized for assessment

is provided by the Accounts Committee for Monitoring the Implementation of the Republican Budget.

The final conclusions on the results of the operational assessment are formed by the Assessment Commission chaired by the Head of the Presidential Administration.

Operational Assessment Stages

At the end of the assessment period, the bodies authorized for assessment collect and process the reporting information of state bodies. The state bodies identified on the basis of the risk management system are checked for the completeness and reliability of the data provided. Further, the bodies authorized for assessment prepare initial conclusions on the results of the assessment in the areas, and the evaluated state bodies can appeal them by sending objections with supporting materials.

Based on the results of the appeal, the final conclusions on the blocks are formed, which are sent to the evaluated state bodies and the Accounting Committee, and then to the Presidential Administration. The key results of the assessment and the system conclusions on the activities of state bodies are reflected in the expert opinions of the Assessment Commission, after which the results of the assessment are submitted to the Head of State.

After each operational assessment cycle, the execution of orders and recommendations is monitored, and the assessment results are publicly available.

Operational Assessment Results and Achievements

As a result of the annual analysis of the operational activities of state bodies, the development of specific recommendations to eliminate problematic issues and monitor their implementation, the assessment has become an effective tool for improving the system of public administration. Thus, thanks to the motivation embedded in the assessment system, the indicators in all key areas of activity of state bodies have improved.

For example, based on the results of the assessment of the effectiveness of the provision of public services in 2010, the country's leadership was instructed to study the feasibility of developing the law "On Public Services", to determine the authorized bodies for the development of the sphere and control over the quality of services provided, which marked the beginning of systematic work on building the regulatory framework for state regulation of this sphere. In the period from 2010 to 2019, as a result of standardization and strengthening of measures for internal and external quality control, the number of violations of the deadlines for the

provision of public services decreased by 250 times (from 494.6 thousand to 2 thousand). Optimization and automation of service delivery processes has provided a fivefold increase in the share of public services available in electronic form (from 16% to 80% of services on the Register). The improvement of this direction is also reflected in the UN E-Government Development Index, in which Kazakhstan rose from 46th place in 2010 to 29th place in 2020, while the "Online Services" component saw a constant increase in the index (from 0.53 in 2010 to 0.92 in 2020).

The transparency assessment, introduced for the first time in 2017, aimed at increasing the authority and transparency of the activities of state bodies, allowed us to systematize the work on maintaining the components of the Open Government portal. The measures taken made it possible to increase the importance of the Open Government portal as a tool for interacting with the state and involving the population in the decision-making process. So, from 2016 to 2019, the number of user requests to the first heads of state bodies on the Open Dialogue portal increased almost 3 times (from 17 thousand). The number of comments on the draft budget programs on the Open Budgets portal (from 50 to 2.3 thousand) and on the draft NPA on the Open NPA portal (from 6.5 thousand in 2017 to 14.8 thousand in 2019) has significantly increased. Accordingly, Kazakhstan's position in the UN e-Participation Index has significantly improved from 67th place in 2016 to 26th place in 2020. At the same time, the work on ensuring the openness of budget processes requires further strengthening. Thus, despite the improvement in the indicator in 2019 (58 points) compared to 2015 (51 points), in the Review of Budget Openness (International Budget Partnership) for 2019, the degree of transparency of budget processes in Kazakhstan is assessed as "unsatisfactory".

As part of the assessment of the quality of personnel management, it was practically possible to eliminate the problem of overtime work of civil servants. In response to the recommendations made as a result of the assessment, effective mechanisms for managing working time have been implemented, including the Access Control and Accounting System (Access Control System) and the "Forced Shutdown" program for automatically shutting down computers after working hours. As a result of the measures taken, the share of civil servants reporting permanent overwork decreased from 50-60% in 2016 to 10-15% in 2019.

The assessment of the use of information technologies accompanied the activities of state bodies on the transition to electronic document management, as well as on the automation of functions and integration of information systems with the centralized system of Public Service Centers (PSCs) and the gateway of "electronic government", which provided an accelerated transfer of public services to the provision through PSCs and a web portal egov.kz. On the basis of the proposals based on the results of the assessment, a Plan for the integration of information systems of

state bodies for 2018-2022 was developed, by the end of 2019, 86% of the planned integrations were carried out.

Together, the above-mentioned and other positive results of the activities of state bodies have contributed to improving the efficiency of public administration in Kazakhstan. Thus, for the period 2010-2019, Kazakhstan's indicators on the indicator "Government Effectiveness" of the World Bank's Global indicators of public administration improved from 42.2 to 57.7 (percentile).

Thus, the annual assessment system has become an effective tool for monitoring and stimulating the work of state bodies. It is a set of measures aimed at determining the effectiveness of the processes of activity in state bodies and achieving concrete results in the implementation of strategic goals and objectives. The assessment allows us to form a comprehensive vision of the situation in many areas of the state apparatus and plays a crucial role in supporting key public administration reforms.

Mr. Masood Akhter Sherwani
Deputy Auditor General – SAI Pakistan



REFORM PROCESS IN SUPREME AUDIT INSTITUTION OF PAKISTAN

Pakistan inherited its audit and accounts institutions from the British India. These have evolved since independence. After a confluence period of 54 years, the Auditor General of Pakistan (AGP) devolved accounts functions to Controller General of Accounts (CGA) and opted for a reform offensive through PIFRA (Project to Improve Financial Report and Auditing) as a World Bank funded initiative. The project concluded in 2015, with its FABS (Financial Accounting and Budgeting System) component shifted to CGA, but the spirit of PIFRA continued to inspire the AGP.

With the induction of the present government, which brought in its change agenda, the AGP put forth its own reformation proposals aimed at shifting from traditional regulatory audit to thematic product for a meaningful, relevant and timely feedback to the respective governments.

The Pakistan Audit Department was structured to work in regulatory mode. AGP's earlier initiative in 1990s to evolve it to Performance Audit took years for the field offices to gradually imbibe the performance-focused output. The Department has learnt a lot from its performance audit experience as to how to align its HR with the planning and execution process of audit in Field Audit Offices (FAOs).

At the same time, the AGP has realized that in spite of reform realization and adoption at functional level, an equally important area has been the reporting segment especially with reference to the

conservative methodology of the parliamentary fora.

Gaining from the prevailing impetus, the AGP has now reached a stage in its current reform transformation that the concept of issue-based thematic audit with emphasis on sectoral review has now moved out of the corridors of the Audit House at Constitution Avenue to the 28 Field Audit Offices sprawling through the lengths and breadths of the country.

Thematic Audit aims at identification of strategic objectives to select major themes based on solid review of policies, plans, frameworks and directions of main entities. The identification process requires active coordination between the strategic and methodical levels of the audit hierarchy, in institutional terms. This review exercise walks the audit management through the annual operational plans, periodic targets, mid-term budgetary documents, appropriation comparison with actual expenditure and its interoperability with the goals and targets of all vital activities, as collected from ECC, ECNEC, NEC, Cabinet Committees and Cabinet decisions.

The themes so developed in a scientifically multi-dimensional manner are then segregated to sub-themes or objectives of selected entities to develop two broad categories.

The first category focuses on specific activities and operations initiated by selected auditees for achieving their strategic goals during a given

period - usually annual - but can spread over 3 years, 5 years and longer term plans, depending on the size of the initiative. Under this audit activity, risk profiling of the projects/ plans is carried out to enlist them separately as high to medium risk levels. These analyses become part of the Annual Audit Plan, FAO-wise, leading to HR and budgetary allocations to support the audit plan implementation.

The second category attracts attention of the top audit management to cross-cutting issues. Since the themes under this category are mostly common to almost all entities of a particular government or sector, the issues are usually addressed under the broad headings like governance, procurement, financial management, control, service-delivery and innovation under the super-concepts of transparency and value for money.

Having identified themes and sub-themes under the above two broad categories, the planning phase concludes with selection of formations for review of targeted record through meticulously constructed annual plan which is approved by the AGP. In fact this approval also goes through a seasonal process. Usually, AGP chairs 3 conferences in the spring to inculcate his "policy-for-the-audit-year" and in the process satisfies himself that the strategy and methodology phases are in line with the same. Ranging from FAO-wise policy papers by each Deputy Auditor General, to review of each audit plan by the Additional Auditor General's apex committee, each plan obtains AGP's seal before commencement of a financial year so that the tactical implementation is not delayed even for a single man-day. Hence, proverbially the audit parties move out on very next day of next financial year. Execution period is the whole summer and early winters when audit reports start taking shapes for presentation in late winter to the President/ Governor who lay them to the legislative bodies for open discussion via PACs

which constitute a set of significant fora for representational accountability of the executive.

With the promulgation of Public Financial Management Act, 2019 - and similar arrangements being followed in provinces - where main focus is on performance-based budgeting and reporting, the AGP's transformational reform initiative is in sync with the evolving governance paradigm. The Federal Government has recently issued Financial Management Regulations, to replace the System of Financial Control and Budgeting, with emphasis on devolution of financial powers to Principal Accounting Officers, assisted by Chief Finance and Accounts Officers (CFAOs) and internal-check mechanism through Chief Internal Auditors (CIA) under the executive management. Provincial and regional governments are likely to follow suite. These arrangements have given the AGP a degree of assurance level to shift time and energy from compliance to thematic audit.

AGP, as SAI Pakistan, has now developed an Audit Management Information System (AMIS) with the assistance of World Bank - funded Program for Results (PfR) facility, which in league with the professional availability of market - hired subject specialists and capacity building of core HR, will go a very long way in implementing the whole reform agenda of the AGP, through production of quality sectoral reports to the parliamentary fora, which are also being approached to align the process of scrutiny of reported material in holistic manner, for institution-building, informed decision-making and consequential development/ relief for the general masses.

Under the present reform agenda, the SAI Pakistan takes quantum strides towards attainment of its constitutional objectives, for a prosperous nation and a content country.

Benchmarking as a Tool of Performance Audit

Mr. Wasim Ahmed
Director General, SAI Pakistan



Introduction

One of the key challenges in designing and executing Performance Audits is development of appropriate Audit criteria. This challenge is getting more pronounced as government operations across the world are becoming more complex and intricate, with introduction of myriad projects of unique and complicated nature. Take for example, the Social Safety Net programs initiated by several governments, involving unconditional or conditional cash transfers, often based on simple criteria, amounting to billions of dollars to millions of beneficiaries, at regular periodic intervals. The peculiar character and unique nature of such programs due to diverse ground situation in each country, makes it very difficult for Performance Auditors to develop a standardized criteria to comprehensively evaluate such Programs. In this backdrop, Benchmarking, basically an Operations Management tool and technique developed in the private sector, can be used in certain circumstances as an effective tool to assist in designing and executing meaningful Performance Audits.

This paper traces the genesis of the term 'Benchmarking', and the gradual evolution of the concept as a Management tool and technique in the business world. The paper reviews some characteristics and forms of Benchmarking which make it a useful tool to assist in a very different domain, Performance Auditing. The paper describes the generic steps involved in Benchmarking, and discusses in detail the three levels or dimensions of Benchmarking in the context of Performance Auditing; i.e., Broad

Comparisons, Performance Benchmarking and the Process Benchmarking. The paper concludes with a brief note of caution, about certain aspects which need to be carefully weighed before using Benchmarking as a tool of Performance Audit.

What is Benchmarking?

The term benchmark originated in the field of surveying. Before recent technological advances, surveyors used to dig out or chisel a horizontal mark in a permanent structure such as a wall, building or rock, where a tool could be placed in the indentation to help create a benchmark with a level rod, helping them and other users to have a point of reference for building. Thus, the Benchmark was a distinguishable mark placed on a wall, building or rock that was used as a reference point to determine elevation and position in topography surveys. In businesses today, companies use a benchmark in much the same way, as a point of reference. However, instead of having physical Benchmarks carved in stone, businesses use Benchmark reports as a way to compare them selves to others in the industry.

Companies use Benchmarking for comparing key metrics to other businesses in the industry. This allows companies to see how well they are performing as compared to other Industry players, identify any performance deficiencies and find out ways they can become more competitive in the industry. Thus, in corporate parlance, Benchmarking is the practice of a business comparing key metrics of their operations to other similar companies. Benchmarking can be done across all types of organizations, including private,

public, nonprofit, and for-profit, as well as industries e.g., technology, medical care, education, and manufacturing. By looking at how other companies are doing, they can identify areas where they are underperforming, and identify ways they can improve their own operations without having to re-invent the wheel.

Benchmark and Benchmarking

Benchmarking is a process for obtaining a measure – a Benchmark. Simply stated, Benchmarks are the “what,” and Benchmarking is the “how.” However, as we shall see, Benchmarking is not a quick or simple process or tool. It is not just a matter of making inquiries about another organization or touring and documenting another company's facilities or processes.

Forms of Benchmarking

There are several forms of Benchmarking, however, these can be classified into three broad categories; Internal, Competitive and Strategic.

Internal benchmarking is used when an Organization already has established and proven best practices, and they want to replicate these across the entire Organization. Internal Benchmarking may also become necessary if comparable industries are not readily available.

Competitive Benchmarking is used when an Organization wants to evaluate its position within its Industry, typically, when the Organization needs to identify industry leadership performance targets.

Strategic Benchmarking is used for identifying and analyzing world-class performance. This form of Benchmarking is usually done when an Organizations exploring the possibility of venturing outside of its own Industry.

Using Benchmarking in Performance Auditing

One way of looking at Benchmarking can be as the search to find and implement good practices. In fact, one common type of Benchmarking is Mapping of Best Practices, where Organizations look at other companies that they aspire to be like, to identify things that they are doing right. By choosing Organizations at the leading edge of the industry, they can identify best practices that help improve their own Organization. The aim of Benchmarking is to determine through comparisons or good practice elsewhere, whether there is scope for doing things better. Benchmarking can help identify opportunities to improve efficiency and cut down expenses. Reviewing Organizations that carry out functions similar to the entity being Audited, can also provide useful clues about how the performance can be improved, or highlight the areas the Auditors should examine further. In this context, Benchmarking can help as a diagnostic tool in Performance Audit.

Generally, organizations seek to carry out their functions and deliver their services in the most economic, efficient and effective manner. Benchmarking is a tool which helps them in doing this, by using an internal or external comparable Organization to evaluate how the Organization is doing things or performing. The primary objective of this analysis is to identify gaps in performance and suggest measures for improvement by addressing these performance gaps. Due to its very nature, Benchmarking can be used in certain circumstances as an effective tool of Performance Audit or Value for Money (VFM) studies. Used appropriately, Benchmarking can make an important contribution to Performance Audit.

Generic Benchmarking Process

As already noted above, Benchmarking can assume several forms, and be undertaken in

numerous ways, depending, inter-alia, upon the size, nature, complexity and business process of the Audited entity, as well as the human resource, technical expertise and resource availability in the Audit office. The following is a list of generic, vital steps involved in benchmarking. These steps should be tailored based on peculiar circumstances of the Entity, Program or Project being audited:

1. **Determining the Benchmark Focus** - During this phase, the Auditor should determine the specifics of the Benchmarking exercise, e.g., which organizations, or which components of same organization in case of Internal Benchmarking, will be included in the comparative study and what types of metrics will be compared.
2. **Planning and Research** - During this phase, the Auditor puts the resources together to implement the Benchmarking exercise, e.g., develop surveys, seek assistance from other comparable entities, and identify available literature and databases relevant to the exercise.
3. **Gathering Data** - During this phase, the data is collected through the methodology determined in the Planning and Research phase.
4. **Analysis** - After gathering the data, the Auditor uses statistical techniques to evaluate available information and generate main findings.
5. **Recommendations** - After analyzing the data and areas where the Organization can improve, recommendations are developed.
6. **Implementation and Follow-up** - The Auditor monitors Organization's implementation of agreed recommendations, and provides feedback, where required.

Different Dimensions of Benchmarking

For the purpose of Performance Audit, Benchmarking can be used to evaluate performance of Public Sector Organizations,

Programs or Projects at three distinct levels or dimensions:-

1. Broad Comparisons
2. Performance Benchmarking
3. Process Benchmarking

These three important dimensions of benchmarking are discussed in some detail in the following paragraphs.

Broad Comparisons

Involve broad or generalized comparisons of a Public Sector Organization's overall approach and/or operational policies with those of another organization either in public or private sectors, nationally or internationally, having the same functions or carrying out similar activities. More specifically, these may include comparisons of different organizational structures, strategies such as procurement or human resources etc., operational policies, or different approaches to manage a particular problem or delivering services etc. The primary objective of such comparative analysis is to learn from others' experience and ideas, with a view to identifying important lessons or good practices.

Performance Benchmarking

Performance Benchmarking can be done by using quantitative indicators to compare performance of a Public Sector Organization, Project or Program with a similar organization or activity. A range of measures and indicators can be used to compare performance of organizations, such as productivity levels, per unit cost, efficiency, quality or extent of resource utilization. Performance Benchmarking can be used as a tool of Performance Audit to promote accountability or to identify means to improve performance of the organization being audited. To summarize, Performance Benchmarking can be used to highlight important differences in performance, examining why they exist, and spurring poor performers to meet the standards of the best.

Process Benchmarking

Process Benchmarking involves the systemic analysis and comparison of an Organization's processes and procedures with another similar organization. The comparison may include aspects such as management systems, operational procedures, administrative processes etc. Unlike Performance Benchmarking which relies on comparison of quantitative indicators, Process Benchmarking usually involves comparison of both quantitative as well as qualitative indicators. Process Benchmarking can be done either externally, by comparing one organization with another similar organization, or internally, by comparing processes and procedures of different operational units or sub-offices of the same organization with each other.

While Performance Benchmarking gives an idea about where an organization is in relation to others, it usually cannot identify the reasons of performance deficiency, if any, or how the performance may be improved. Process Benchmarking has the tools to evaluate the performance gaps revealed by the quantitative performance data. Through a comparison of organizations' systems, processes and procedures in some detail, involving both quantitative and qualitative data, Process Benchmarking can assist in identifying where they differ, to explore the reasons for these differences, and to consider the implications in terms of outcomes, cost incurred, revenue collected and overall performance.

Process Benchmarking is time consuming and expensive exercise. However, in certain conditions, and when used appropriately, it can add significant value to Performance Audits, as it has the potential for highlighting how processes can be improved. There are seven basic steps involved in Process Benchmarking; Prepare plan in terms of what is to be benchmarked, consult the organization being audited, map key functions and processes, identify Benchmarking partners,

collect and analyze data and information, determine the performance gap and develop recommendations for improving performance.

Conclusion

Benchmarking is a powerful tool that, when applied properly, provides an Organization with invaluable insights to support the achievement of its objectives. Benchmarking can assume different forms in different situations, however, it typically involves identifying relevant and reliable comparable organizations, and collecting information in a systemic manner to make appropriate, meaningful comparisons. A typical Benchmarking methodology consists of five phases: plan, collect, analyze, adapt and review. Benchmarking is a managerial tool, which can be used effectively in Performance Auditing, to diagnose Performance deficiencies, identify their causes and suggest measures for improving Performance.

However, like other Performance Audit tools and techniques, a Benchmarking exercise should be under-taken after carefully considering various aspects, such as the value that it will add to the Performance Audit Report, the costs involved, and availability of sufficient resources with the Audit team. In view of resource constraint, it is important to determine the scope of Benchmarking exercise very carefully. Large multi-organizational or multi-departmental studies should be avoided. Performance Audit benchmarking studies should preferably focus on few selected areas of a single department within the Organization. Lastly and most importantly, Benchmarking should be under-taken after active consultation, agreement and commitment of the Organization being audited, as well as the Comparison Organization(s). This is critical not only for the smooth conduct of Benchmarking exercise which largely depends upon management's inputs and feedback, but will also ensure the requisite buy-in and commitment required to accept Audit findings and implement

recommendations based on, inter-alia, the Benchmarking exercise as part of the Performance Audit.

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Remote Auditing

Mr. Muhammad Raza Shah
Director General, SAI Pakistan



Background

Supreme Audit Institutions (SAIs) are mandated to conduct various types of auditing activities in their respective jurisdictions. At present, the restrictions and challenges posed by COVID-19 pandemic have affected the audit work of SAIs around the world. In order to overcome these challenges and ensure smooth auditorial functions during the pandemic, the SAIs strongly need to align their audit work with the changing scenario and accelerate the movement of the auditing work toward using remote techniques to perform audit activities in a timely manner.

In the current COVID-19 scenario with travel and quarantine restrictions, a workable solution for conducting audit appears to be 'Remote Audit'. This phenomenon is supported by literature and is being practiced by some auditing firms. National Audit Office Australia (ANAO) has highlighted the importance of remote auditing in a recent BKP seminar. Similarly, SAI Tajikistan has referred to the concept of remote audit work as is evident from the Article published in ECOSAI Circular 2020 (Autumn issue). The INTOSAI Supervisory Committee on Emerging Issues has also recommended to INTOSAI Governing Board to foster further advancements in the area of remote auditing by SAIs in the wake of COVID-19 pandemic.

Remote Auditing

A remote audit in essence is the same as an on-site audit, difference being that the auditors engage via

technology in a remote audit. This is to say that a remote audit is an electronic audit that uses technology to review and evaluate compliance of entities. In a remote audit the documents and records are reviewed, interviews with relevant auditee staff are conducted and findings are evaluated by using a range of technology platforms such as Webex, Zoom, MS Teams, Goto Webinar, WhatsApp, Skype or Facetime etc.

Benefits of Remote Audit

Some of the important benefits of remote auditing are listed as under:

- Meeting the deadlines as per fixed schedule and time lines of the Audit Reports
- Reduced travel-time
- Traveling expenses are decreased through reduced travel of the audit team (s)
- Provides flexibility in terms of engagement of audit teams from different locations and stations

Information Security During the Remote Audit

The security and confidentiality of electronic or electronically-transmitted information is particularly important when auditing remotely. The same rules of confidentiality apply to remote audits as when audits are carried out face-to-face.

The audit teams are required to discard all information collected during both the planning and execution of the remote audit once it has been completed (except where information is classified as working papers and records). During the remote audit, no unauthorized recording (voice and /or video) shall be allowed. All reviewed information (voice and /or video) shall be used as evidence to support audit findings and conclusions only.

Challenges of Remote Auditing

Remote auditing may not be a complete solution for all challenges the COVID-19 has created for SAIs/auditors. Some important challenges and risks associated with remote audit are listed as under:

- Identification and assessment of risk in a remote audit poses a challenge to the auditors as entities may have implemented new systems and adopted innovative business processes in the wake of the pandemic. Moreover, the new processes may also have impacted the overall control environment of the entity
- Issues related to accuracy, completeness, relevance, and reliability of evidence and auditable record remains a question throughout the remote audit
- There is a possibility that auditors may miss to discover fraud, malpractice, or simple mismanagement when they are auditing an entity remotely instead of a face-to-face engagement. There is every chance that the auditor is unable to obtain the lower risk findings. This may affect the audit findings related to smaller entities, where ERE etc. comprises the major expenditure

The opportunity to present fabricated documents and to omit relevant information is increased. This may call for additional planning, some

additional/different audit procedures, or a follow-up once the barriers to a traditional audit are lifted

- Information Technology (IT), connectivity and relates technical issues
- Information security, cyber-attacks and hacking
- Staffing issues and change management
- Managing audit team interactions in a virtual environment i.e. lack of experience of auditors may hamper the process
- Communication issues and validation of audit findings as each observation is required to be discussed with the management before finalizing the report
- Quality management and control requirements and allied issues

Conclusion

Organizational readiness and the tone set at the top is a key to successful remote auditing. Moreover, creating awareness among the auditors through formal and informal means including focused trainings on remote auditing is a prerequisite for effective rollout of the new concept.

A remote audit is a dynamic process that evolves as it unfolds. It is auditor-led and guided and requires constant adjustments as the audit progresses. It is also important for SAIs to realize from outset, the underlying limitations of remote auditing and the risk of audit objectives being compromised. It is therefore imperative that future onsite work (traditional in-person audit) may be required based on the findings of the remote audit once the barriers to a physical site visits are removed (e.g., travel bans etc. are lifted).

DECISION MAKING: THE UNCONSCIOUS INCOMPETENCE?

Mr. Aamir Fayyaz

Additional Directing Staff,

National School of Public Policy, Lahore



Once upon a time there was a king who had an accounting background. One evening, while taking his usual stroll alongside the main canal of the metropolis, he unusually wondered as to how much milk it would take to replace the canal water. On the basis of his rough calculations, which he made there and then, he concluded that if each household in the metropolis contributed just ten litres of milk, the canal would be brimming with it. Decision was taken right away and orders to that effect were issued making participation mandatory so that the project gains the necessary ownership of the city dwellers. The canal was got cleaned for the milk to flow seamlessly. The next day, however, to the bewilderment of all and sundry, but to the great annoyance of the king, the canal stood empty and muddy. There was not a drop of milk in it! What happened? Public auditors undertook the forensic audit and after a lot of brain teasing, and more than a sample-based audit, they concluded, with close to absolute assurance that the household 'A' did not bring in its share assuming, quite logically, that the rest of the households in the city would bring their share of milk and hence nobody would ever know that it (the household-A) did not contribute anything. The rest of the households, concluded auditors, this time with reasonable assurance, proved equally wise and this in (sanity) prevailed across the population!

Decision making in the public sector is fraught with risks as decisions may be taken with a perceived level of personal and intuitional competence which in reality, when viewed and

reviewed by others, questioned and argued, may not be in existence or lacking to a considerable extent. As in the above example, there is always a possibility that decisions, despite having far-reaching impact, would have been made 'there and then', without even a semblance of homework, analysis and/or evidence. The problem is compounded when, at times, such decision-making by managers is dubbed and hyped as 'heroic' while they are extolled for being 'movers and shakers' and 'doers.' There are arguments in favour of taking a (wrong) decision rather than not taking it at all or procrastinating it to some future time, if possible, in a given scenario and thus robbing the organization of time and the benefits that could well have accrued had the decision been taken at the appropriate time. A stitch in time saves nine, goes the saying. This decision-making approach has strong appeal to the modern sensibilities that may well deride the living Hamlets. It is argued that, in this age of information technology and artificial intelligence, if the intention is to take a decision and not just pass the buck hither and thither, necessary data and information can be made available comparatively in a more convenient fashion. However, it is also a reality that haste may well make waste and many a time, albeit with the benefit of hindsight, wrong decisions come to haunt the organizations as much as the decision(s) they preferred not to take or decisions they took to not take some particular decision, effectively adopting the policy of 'wait and see' by allowing the things take their own course. In fact, decision making, at individual or organization level, can best be described in the

beautiful lines of the great poet, T.S. Eliot who noted that, “What might have been is an abstraction; Remaining a perpetual possibility; Only in a world of speculation. What might have been and what has been; Point to one end, which is always present.”

Decision making in the public sector has its own dynamics; rather it is said, at times with a lot of exaggeration mingled with a degree of cynicism, that it lacks the dynamism that is so characteristic of the corporate sector. One big fallacy here is to assume the existence of the desired level of competence which is a prerequisite to take a decision or to perform some task. There is a visible tendency to assume that everything is either already understood or has just been made crystal clear and is now fully understood after a couple of hours' brain-storming. Therefore, the decisions made will (have to) be logical, rational and in the best interest of the organization while in fact these may not be if touched and evaluated on the touchstones of two variables-consciousness and competence.

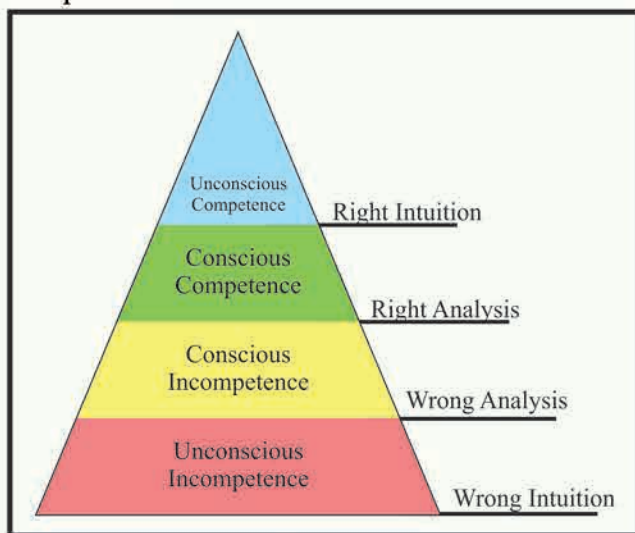


Figure-1

Auditors for instance, in all audit settings, and in all audit types, are encouraged to use their professional judgement-take decisions. Auditing

guidelines repeatedly proclaim that these do not replace the use of professional judgment by the auditors. However, are the auditors actually employing professional judgement when faced with a situation like, for instance, the conflicting audit evidence or are they just employing wrong intuition and considering it as professional judgement not knowing that it is unconscious incompetence that is mis(leading) and mis(guiding) them? Who is going to evaluate this? It is quite complex as there are in fact several steps involved in achieving the desired level of competence as have been explained through Figure-I. This is quite relevant especially in organizations with vague responsibilities, unstructured job descriptions and a subjective personalized performance evaluation system. Consider for instance 'the unconscious incompetent' manager in the public sector. All of a sudden, he/she has been made the head of a procurement committee on account of his/her being in the service for quite some time, little realizing that he/she has no direct exposure in the procurement and may well be totally unaware, if not completely ignorant of the niceties and the complexities involved. The situation may add worrisome dimensions if the procurement is of some technical and specialized nature. Decisions however will be taken as there is no other option and resultantly the 'unconscious incompetence' or even the 'conscious incompetence' will lead to 'wrong intuition' (e.g. assuming that the procurement has achieved the necessary value for money) and 'wrong analysis' (e.g. performing or designing a defective bid evaluation system) and the end result would be anything but an efficient, economic and effective procurement. Conscious competence leads to unconscious competence and right analysis then is transformed to right intuition. However, it comes with a lot of concerted hard work in the right direction. Malcolm Gladwell, the best-selling author, in his book, *The Outliers*

¹https://en.wikipedia.org/wiki/Four_stages_of_competence#/media/File:Competence_Hierarchy_adapted_from_Noel_Burch_by_Igor_Kokcharov.svg; also see, <https://www.gordontraining.com/free-workplace-articles/learning-a-new-skill-is-easier-said-than-done/> (accessed on 30.06.2021)

²Malcolm Gladwell, 'Outliers: The Story of Success'; See Chapter 2, "The 10,000 Hour Rule" (*italics own*)

(2008) considered that, “the idea that excellence at performing a complex task requires a critical minimum level of practice surfaces again and again in studies of expertise. In fact, researchers have settled on what they believe is the magic number for true expertise: ten thousand hours”. Unlike what may be generally understood and believed, taking decisions that are based upon conscious competence and sound analysis may not come naturally to the managers and assuming that

it will come as flying comes to the birds, may prove to be a recipe for decision disasters. Individual-specific trainings and structured on-job mentorship would need to be designed and scrupulously monitored to help an individual manager move up the ladder so that he/she is able to at least achieve the 'conscious competence' level which then will provide the basis for sound analysis to the ultimate benefit of the organization and its stakeholders.

A Critical Review of Fraud Discourse – a Case Study of Pakistan

Mr. Attique ur Rahman
Deputy Director, SAI Pakistan



Abstract

Corruption is a form of fraud. Fraud is deception intended to achieve monetary or personal gains. The threat of fraud is increasing exponentially with an estimated loss of GBP 3.2 trillion in the previous year alone. Similarly, public sector corruption has been one of the major issues in Pakistan. The previous premier of Pakistan was ousted on charges of corruption and the incumbent premier's primary manifesto was eradication of corruption. Therefore, this study preferred to take a very topical and an issue of national and global worth. To control fraud a significant thrust of the fraud-related research has been the development of frameworks to prevent fraud. The dominant discourse in this regard is the so-called "fraud triangle" that got entrenched in the professional auditing standards across globe. Contrary to the dominant notion of the fraud triangle, there is a limited study to understand and deter fraud. This study also takes the less trodden path but also takes the fraud triangle (opportunity, pressure and rationalization) as a unit of analysis to explore its validity in the context of corruption in Pakistan's public sector. The study collects primary data from researcher's observation and interviews of civil servants of Pakistan, and secondary data from case studies of corruption highlighted by media and investigated by Pakistan's prime accountability agency, National Accountability Bureau (NAB). The data triangulation reveals that corruption in Pakistan's public sector is motivated by opportunity only while pressure and rationalization elements of the fraud triangle get

irrelevant overtime. Moreover, the study unfolds that the corruption was committed through collusion, and collusion is beyond the scope of the fraud triangle which is a unidirectional and individualistic model. Similarly, the fraud triangle does not take into consideration historical, socio-political and cultural aspect while dealing with fraud. This study contradicts the dominant view about the validity of the fraud triangle in dealing corruption cases in Pakistan's public sector. The study raises question marks about the validity and generalizability of the fraud triangle. The critical approach of the study shows that how multifaceted, interrelated, and complex nature of fraud is, which makes the fraud triangle unlikely to be presented as a valid model in context of corruption in Pakistan's public sector. The author believes that a holistic cross-disciplinary research to understand and deter the complex phenomenon of fraud in general and corruption in specific is the need of the hour.

1. Introduction

Corruption is a form of fraud, most common and one of the costliest occupational fraud around the globe (ACFE, Report to the Nations, 2018). Fraud is a form of deception intended to achieve monetary or personal gains (Action Fraud, 2018). The threat of fraud is increasing exponentially especially in the complex businesses run with digitalized processes. The financial cost of fraud has been estimated GBP 3.2 trillion globally by the Centre of Counter Fraud Studies, University of Portsmouth, UK (Gee and Button, 2018). Among

various categories of fraud that an organisation could be threatened with, corruption falling under the occupational fraud category (ACFE's Fraud Tree, see fig 2) is the largest and most prevalent one (ACFE, 2018). The occupational fraud is a form of fraud that is committed against an organization from within by its own employees who were entrusted to take care of its assets and resources. The occupational fraud caused a financial loss of over USD 7 Trillion in 125 countries between 2016 and 2017. While, corruption in the public sector caused a financial loss of GBP 40.4 Billion in the UK alone in a single year of 2017 (Gee and Button, 2018).

Corruption is a global phenomenon. In South Asia comprising Pakistan, India and Bangladesh corruption is a leading occupational fraud across the globe i.e., 62% followed by non-cash, billing,

expense reimbursement etc. While sub-saharan Africa, United States, Western Europe are also victims of corruption as a most common occupational fraud weighing at 49%, 30% and 36% respectively (ACFE; Report to the Nation, 2018). Nevertheless, Corruption is the biggest occupational fraud in Pakistan, than anywhere in the world as shown in the Fig 1. Among total corruption cases, 50% of them were committed in the government and public administration. (ACFE; Report to the Nation, 2018). The former Prime Minister of Pakistan, Mr Sharif was ousted from his office on charges of corruption. While the incumbent Premier, Mr Imran Khan's political manifesto and then his maiden speech to the nation focused on measures to eradicate corruption (DAWN, 2018). Therefore, this topical issue garners profound importance to get the attention of the current study.

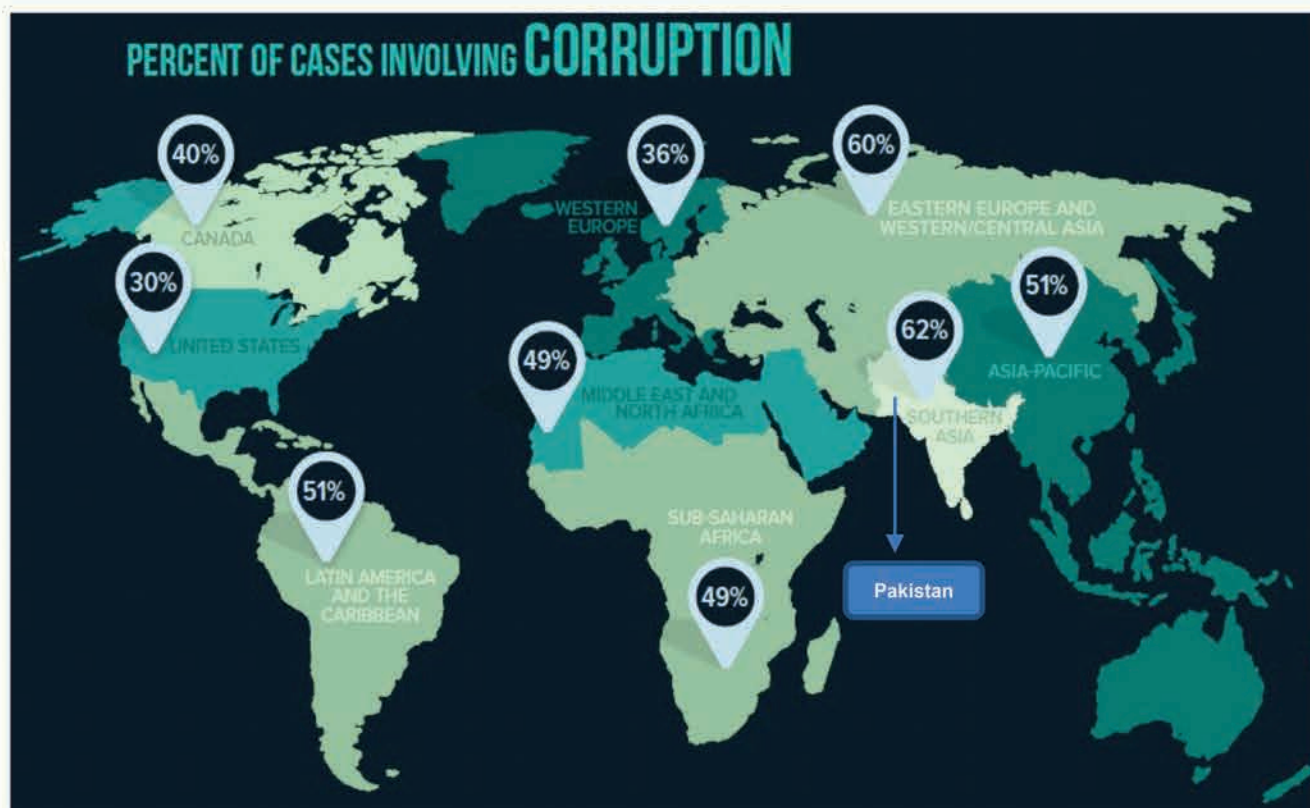


Fig.1: Percent of cases involving corruption (Source: ACFE; Report to the Nations, 2018)

2. Development of Frameworks to Prevent Fraud

A significant thrust of the fraud-related research has been the development of frameworks to prevent fraud. The dominant discourse in this regard is the so-called “fraud triangle” which is entrenched in the professional auditing standards across globe (IAASB, 2009; PCAOB, 2005), the USA (AICPA) (2002), SAS No. 99; Australia (ASA, 240) and International Auditing Standards (ISA 240). Similarly, Smith and Crumbly (2009) found in their comprehensive review that fraud triangle is most taught framework in the fraud examination and forensic accounting courses in the United States, the United Kingdom, Hong Kong and Lebanon.

Contrary to the dominant notion of the fraud triangle, (Morales et al., (2014) studied the genealogy of the fraud triangle and illuminated that the fraud triangle is usually credited to the study of Donald Cressey, an American sociologist, but it has been transitioned from Cressey's original work. The term 'fraud triangle' was coined decades after Cressey's work on embezzlement by Joseph Wells, an agent of Federal Bureau of Investigation, and member of Certified Public Accountant (CPA) who later founded the ACFE. The fraud triangle represents fraud as an 'individual act' for personal enrichment and demands effective internal controls and monitoring of individuals in an organization. “The fraud triangle Fraud is thus constituted as a problem at the confluence of the individual and the organization; it is certainly not represented as a social, political, or historical problem” (Morales et al., 2014, p.178). Similarly, Free (2015) in his work of “looking through the fraud triangle” expressed his concerns on the over-simplified and individualized nature of fraud triangle:

Recent research in accounting has made important strides in understanding the individual drivers of fraudulent behavior. However, the fraud field is at

risk of becoming seduced by over-simplified, individual-oriented models that, by definition, are unable to capture the complex notion of fraud in practice. In short, the complex and varied nature of fraud means that much work remains to be done to paint a more complete canvas (Free, 2015).

There is burgeoning number of scholarly concerns refuting the overly ambitious claim about the fraud triangle as the sole basis of fraud investigation and prevention, and as the valid model for dealing with fraud (Morales et al., 2014; Power, 2013). As Morales et al. (2014) illustrated that the applicability of the fraud triangle is an apolitical and a base to deal fraud. Nevertheless, Donegan and Ganon (2008) appreciated scholars to raise questions about its relevance and extent of its influence where it may not be applicable

3. Literature Review

The review dilates the precursors of the fraud triangle (opportunity, pressure, rationalization) and a brief over view of other fraud theories. This section will conclude with the critique on the fraud triangle.

3.1. Fraud Triangle

Wolfe and Hermanson (2004) explain that Sutherland's White-Collar Crimes theory (1940) and Cressey's Fraud Triangle theory (1950) reflect Auguste Comte and Emile Durkheim's (1893) rationality of positive thinking. To understand the essential components of a crime, Wolfe and Hermanson (2004) appreciate the concept of Durkheim (1893) wherein the later argues to identify characteristics identical in various crimes encompassing a variety of social conditions. They further dilate the findings to understanding wider perspective leading to explore rational explanation of social dealings and may help to establish fundamental principles determining the objective reality of social facts (Durkheim, 1894). To reveal objective reality, Sutherland (1940) proposed that

perpetrators of white-collar crimes have some common traits including elements of respectability and high social status in a society (Free, 2015). In its continuation, (Free, 2015) adds that Cressey (1950) identified three fundamentals i.e., opportunity, pressure, and rationalization as precursors for a respectable and high-class person to get motivated to commit a fraud. The presence of

all three precursors will stimulate a person to perpetrate a fraud. If any of the components is missing, fraud will not be committed (Cressey, 1953). Cressey's finding was later termed as Fraud Triangle by Wells the founder of ACFE (Krancher et al. 2011). To get clear understanding of the fraud triangle, analysis of each leg of the triangle will facilitate to unfold the framework.

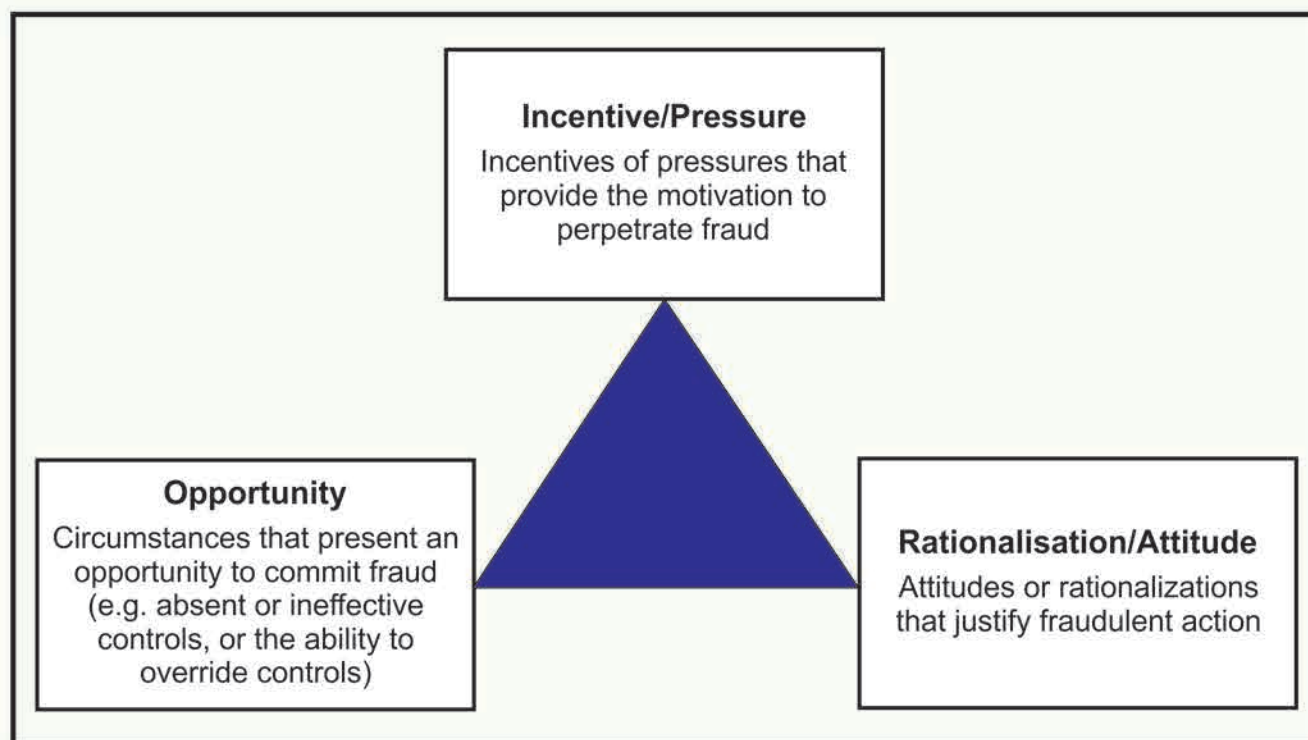


Fig 1. Fraud Triangle (Source: Wells, 2011)

a). Pressure to Commit Fraud

Dorminey et al., (2012), in their acclaimed work of "the evaluation of fraud theory", explain that Cressey (1953) theorized that individuals commit fraud due to non-shareable financial pressure, a pressure which an individual does not intend to share with others. The individual's inability to navigate the financial burden motivates to transgress the law to resolve the issue. The literature on 'pressure to commit fraud' can be classified into financial pressures and non-financial pressures (AIC and PwC, 2003). The non-financial pressure can be further classified into (i) work-related pressure (Hilton, 2009); (ii)

pressure associated with gambling and drug addiction (Kelly and Hartley, 2010; Sakurai and Smith, 2003); and (iii) pressure associated with individuals who aspire to live luxurious lifestyles (Neu et al., 2013; Rezaee, 2005). The financial success, if one considers the huge accumulation of wealth through personal achievement, creates strong pressure to accomplish wealth 'by any means necessary' including fraud (Choo and Tan, 2007, p. 209).

While the work related to non-financial pressures that persuade employees to commit fraud include employees' dissatisfaction and perceived inequalities at the workplace (AIC and PWC,

2003). Similarly, Bartlett et al., (2004) reported that employees' dissatisfaction and perceived inequalities in the workplace are one of the main indicators in predicting fraud in an organization. Moreover, it has also been reported that discriminatory treatment in promotion and remuneration, and lack of appreciations as part of the reasons for employees to commit fraud (Baucus, 1994). These workers put aside the respect for the organization they work for and usually consider fraud as an act of revenge against the organization (Dellaportas, 2013; Baucus, 1994). Also, some vices including gambling and drugs is another category of pressures that stimulates fraud (Dellaportas, 2013, p.30). The convenient access to gambling such as online, poker, casinos, lotto style games and gambling machines have exponentially increased the gambling industry. Such opportunities motivate individuals to steal money to satisfy their gambling habits (ACFE, 2012). The majority of offender plow back their earning on gambling again (Hing, 2002; Sakurai and Smith, 2003). Their desire to live like their more affluent counterparts creates more pressure (Dellaportas, 2013; Neu et al., 2013).

The type of pressure varies as per one's individual circumstances (Duffield and Grbosky, 2001; Morales et al., 2014; Peterson and Gibson, 2003). Many offenders have "egocentric motivation and a desire to possess more than one can afford, colloquially referred to as 'keeping up with the Jones'" (Dellaportas, 2013, p. 31). The egocentric motivation serves as an incentive to the offender and "it is seen in those people with very aggressive behavior and desire to achieve higher functional authority in the corporation" (Rezaee, 2005, p.283). Offenders of this kind are highly ambitious to gain power and control and they indulge in high-risk behavior that could lead them to commit fraud (Dellaportas, 2013, p.31).

b). Opportunity to Commit Fraud

Lokanan (2015) explains that the opportunity to

perpetrate fraud is another component of Cressey's (1953) fraud triangle. "A perceived opportunity to commit a fraudulent act arises when someone in a position of trust violates that trust to address a non-sharable financial pressure" (Cressey, 1953, p.30). In the accounting literature, the perceived opportunity to commit fraud has been discussed within the framework of weak internal controls which, according to KPMG (2010), is a most important factor attributable to fraud. "Such an opportunity arises when an individual has the technical skills and knowledge of assets, people, information, and computer systems that enable him or her not only to commit the fraud but to conceal it" (Coenen, 2008, p.12). In fact, the opportunity to perpetrate fraud increases as an organization's control system weakens, its governance turns less effective, and monitoring functions deteriorate (Power, 2013; Neu et al., 2013). The opportunity leg of fraud triangle is also explained in the criminology literature (Benson and Simpson, 2009).

Colvin et al., (2002, p.31) argued that coercion and social support are prerequisites for engaging in criminal behavior, and individuals devoid of social support from legitimate sources tend to engage in seeking social support from illegal sources. Individuals who lack social support learn to "manipulate others in efforts to gain social support and in the process develop an intermediately intense, calculative social bond, will be more likely to approach a criminal opportunity with a calculating spirit" (Colvin et al., (2002, p.31). Moreover, Donegan and Ganon (2008) carried forward the work of Colvin et al. (2002) and examined the opportunity from the background of sub-cultural deviance. They concluded that opportunity to perpetrate fraud depends upon a sub- culture that either appreciates or inhibits fraudulent behavior.

c). Rationalization of Fraud

Morales (2014) discussed and evaluated 'Rationalization' of the fraud triangle. It is a

justification mechanism adopted by offenders to suppress any feeling of guilt arising from their transgression (Dellaportas, 2013, p.32). It is pacifying instrument by which an employee determines that his/her fraudulent conduct is 'okay' in his/her mind. Individuals with low moral values, rationalization process may come easy for them, and those with high moral standards may have to persuade themselves that a fraud tolerable by making 'excuses' in their minds (Coenen, 2008, p. 12). The literature of social psychology and criminology provide an extensive study which help to understand rationalization. Lokanan (2015) adds that the criminologists Sykes and Matza (1957) presented neutralization theory, wherein they argued that offenders usually use "the techniques of neutralization" to justify their acts. The neutralization techniques are usually used to defend the individual from his/her internal values surrounding the guilt of offense (Stout, 2007).

3.2. Summary of Theories Around the Fraud Triangle

After Cressey's work many theories budded out from it, majority of them explained a phenomenon described by Cressey. The fraud triangle was further explained by so many researchers to present it as a modern fraud (Choo and Tan, 2007; Wolfe and Hermanson, 2004). Morales et al. (2013) contend that the present debate on the elements of the fraud triangle is structured around the discourse that assumes dishonest individuals perpetrate fraud because of their weak moral values and advise organizations to establish credible control structures to prevent their

employees to commit fraud or at least detect frauds timely (p.184). The Fraud Scale Model, introduced by Albrecht et al. (1984) suggested that the probability of fraud incidence can be predicted by assessing the "relative forces of pressure, opportunity and personal integrity".

Rezaee (2002) provided another model referred to as the "3-C" model consists of three elements essential to commit corporate fraud: "Conditions", "Corporate structure", and "Choice". Wolfe and Hermanson (2004) suggested a fourth element, "capability", to the fraud triangle and transformed it into the "Fraud Diamond". Some preferred to associate the fraud triangle with criminology, psychology, and sociology. Choo and Tan (2007) explained the fraud triangle in the context of corporate fraud and associated it with American Dream Theory (ADT) of crime, presented by Messner and Rosenfeld's (1994).

Contrarily, Ramamoorti et al., (2009) theorized the "Bad Apple, Bad Bushel, or Bad Crop Syndrome, the ABCs of fraud" to comprehend the occurrence of fraud from various perspectives including individuals, groups and macro level fraud. Besides, Krancher et al. (2010) presented Money, Ideology, Coercion, and Ego/Entitlement (MICE) Model wherein they modified the pressure leg of the fraud triangle and provided an extended set of fraud motivation beyond non-shareable financial pressure to perpetrate fraud. There have been many theories one after the other mostly budding out from the fraud triangle as illustrated in the Fig 2.

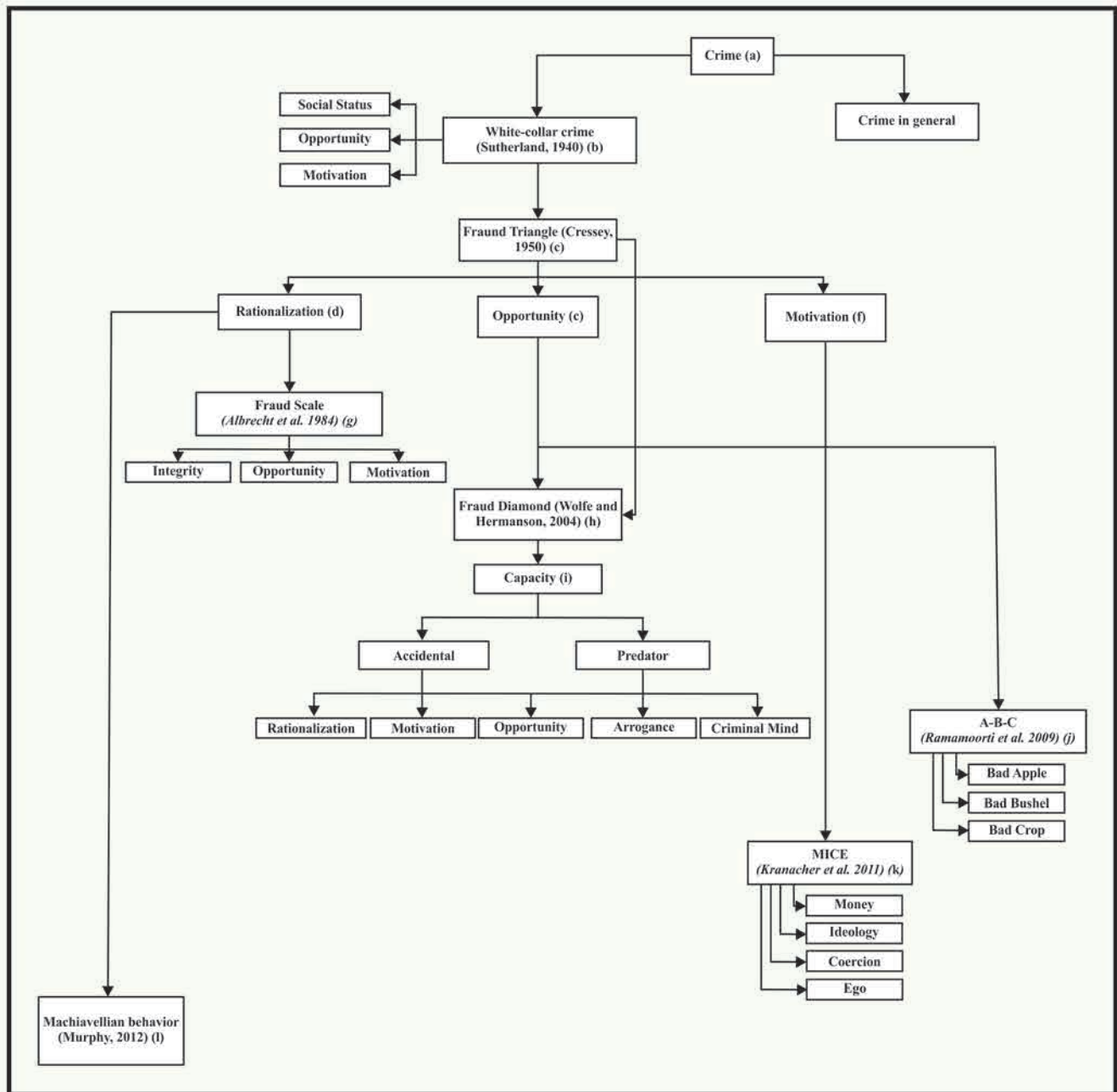


Fig. 2. Literature map: Evolution of Fraud (Maragno and Borba, 2017)

In short, theoretical models addressing behavioral aspects of a fraud perpetrator originated in 1940-50's with pioneer work of Sutherland on white collar crime (1944) and later on by the work of his doctoral student Cressey (1953) which was converted into fraud triangle (Morales et al., 2014).

3.3. Critique on the Fraud Triangle:

Just a few researchers looked beyond the fraud triangle to understand fraud in its multi-variety and

complexity. While tracing the genealogy of the fraud triangle, Morales et al., (2014) contends that nevertheless Joseph Wells, the founder of the ACFE presented fraud both as an act of personal enrichment and as a general problem that demands effective internal controls and monitoring of the individuals in an organization. But the fraud triangle represents intentional conversion orchestrated to legitimize fraud profession including ACFE and other allied bodies. He put it as:

In other words, the triangle provides fraud

specialists with an investigative template that individualizes fraud, holds organizations responsible for controlling it, and renders futile any systemic questioning. Fraud is thus constituted as a problem at the confluence of the individual and the organization; it is certainly not represented as a social, political, or historical problem (Morales et al., 2014, p.178)

To move beyond the individualized focus of fraud research dominated by fraud triangle some other theories were presented wherein collusive fraud is tried to be addressed (Ramamoorti, 2008) as discussed in the proceeding section. Moreover, Free (2015) in his work of “looking through the fraud triangle” expressed his concern on the “over-simplified and individualized nature of fraud triangle is unable to capture the complex notion of fraud in practice”.

Similarly, Power (2012) in his acclaimed work of 'the apparatus of the fraud risk' emphasizes to understand fraud and allied fraud risks in wider heterogeneous context which could be beyond the cognizance of the board that sets the 'appetite' to manage fraud risk. He advises to be vigilant to collusive practices whether inside or outside parties or the mixed of the two that breach the security systems. His apparatus of the fraud risk has been perceived to consider fraud beyond the fraud triangle as it has inherent limitation of being an individualized nature of the model. He further added that:

Even where organizations act in collusion, such as in cases of price fixing, these three subjects which give rise to fraud risk and misconduct – employee, leader, organization – are essentially internal. They may be distinguished from frauds conducted by outside agents, known or unknown, against the organization itself. In this case the risk subjects are other rogue groups, organizations and states utilizing hacking and other methods to breach security systems (Power, 2012).

Furthermore, Morales et. al. (2014) discussed “the genealogy of the fraud triangle” and traced its conception and progression along with highlighting its shortcomings. The term 'ideology' may be taken as a representation of “complex ways in which meaning is mobilized for the maintenance of relations and domination” (Thompson, 1990, p.8). Thompson (1990) explained the construction of the concept of ideology that it draws our attention to the ways in which meaning is mobilized to extend a benefit to dominant individuals and groups (p.73). The construction and propagation of fraud discourse by professional associations serve their own self-interests (Miller et al., 2008):

[the] analysis of fraud and wrongdoing involves the shaping of definitions and constructions of reality and what is seen as immoral, wrong or illegal. It is closely linked to the global spread of ideology and discourses that define some practices as fraudulent, others as immoral, others as tradition, and yet others as innovative (Cooper et al., 2013, p.446).

From the perspective of ideology creation, the prevailing fraud prevention framework (the Fraud Triangle) is an ideology that expresses the interests of ideology creators (ACFE, in this case) in explaining, detecting and preventing fraud (Cooper et al. 2013; Donegan and Ganon, 2008; Morales et al., 2014). However, Morales et al. (2014) illustrated that what fraud discourse is, what its motivation is and what its control measures are, can be unraveled with critical examination to the text that produces it (Miller et al., 2008; Tupper, 2008).

For example, Morales et al., (2014) built his argument through Foucaultian literature and examined the conception of the fraud triangle. They argued that the promoters of the fraud triangle tacitly frame the problem in such a way as to enforce their preferred solution on 'the problem'. They explained that fraud can be controlled by better surveillance of the individuals. In this way,

the job of accountants and auditors is made essential and valuable. Consequently, it strengthens the argument that the ACFE applies the fraud triangle because it validates its very survival. Lokanan (2015) concluded that “[ACFE’s] chosen solution(s) actually specify or constitute the very problem that needs to be addressed”. In this regard, Morales et al. (2014) provided some interesting but provocative insights which lead to questioning the reliability of the fraud triangle.

Although the fraud triangle theory is mainly anchored in Cressey’s (1953) work, it also draws upon other much-acclaimed work in criminology (Wells, 1997) to understand and analyze its elements. Discourses are (ab)used to attain and maintain dominance. Discourses are taken in the form of explicit support to endorse a position while blocking alternatives in toto (Fairclough, 1992, 1995a; Van Dijk, 1993). The fraud triangle discourse gets legitimation and dissemination through various public and private means, hence, a ‘specific perspective’ propagates which confines options to change (Lokanan, 2015). The researcher will refer to this section in chapters of discussion and findings. Fraud, as a research area falls between various disciplines including criminology, psychology and business.

In the areas of auditing and forensic accounting, conventional fraud research has tended to focus on individual patterns of fraudulent activity. Although the commentary surrounding the major framework in the field of auditing practice, the so-called fraud triangle, is primarily focused on solo offending and the psychology of the individual fraud perpetrator (Morales et al. 2013). But the co-offenders may be “individuals within an organization, individuals across organizations, or multiple organizations, and often span multiple jurisdictions—local, state, federal, and international” (Dormminey et al., 2012). Although the educational material and standards available

generally indicates the perception of collusion but show limitations in detecting fraud involving collusion. For instance, International Auditing Standard (ISA) 240 refers as “Collusion may cause the auditor to believe that audit evidence is persuasive when it is, in fact, false” (paragraph 6). Likewise, Australian Auditing Standard (ASA) 240 states “...auditing procedures may be ineffective for detecting an intentional misstatement that is concealed through collusion among client personnel within the entity and third parties or among management or employees of the client entity” (paragraph 12). The co-offending phenomenon has attracted little attention of researchers especially from accounting and forensic auditing professionals (Lokanan and Sharma, 2018).

Michael Power concludes his work of “Apparatus of Fraud risk” as:

“...the grammar of fraud risk management is essentially individualistic,”. Power (2012).

4. Discussion and Results—Revisiting the Fraud Triangle:

Data triangulation from multiple sources of primary and secondary data reveals some interesting facts about corruption in context of Pakistan’s public sector. It also unfolds the relevancy of the fraud triangle in this specific context. Opportunity

The data sources, analyses and results have been compiled from the Dissertation titled, Looking beyond the Fraud Triangle: a case study of corruption in Pakistan’s Public Sector of M.Sc Forensic Audit & Accounting of the author. The dissertation was submitted to the University of South Wales, UK in 2018. According to the data presented through multiple sources in the i.e., case studies, observation and interviews, the common precursor of committing fraud has been

'opportunity' in all instances. As the respondents expressed the public-sector official from civil service act as 'sahulatkar' (facilitators) to commit corruption by colluding with politicians and/or private parties. The facilitators have 'opportunity' to exploit their positions entrusted to them by their public offices. Some officers, as expressed by the respondents try to cling to the lucrative positions that possess enormous opportunity (authority) to commit financial crime. The opportunity played a pivotal part in committing corruption. For example, as described in case study 2 "the accused misused his senior management position towards causing illegal financial benefits to 7 other co-accused through imprudent loaning from DFI" and case study 3, "the accused misused his official

position as public servant and extended loaning facility through undue favors to persons and financial ventures of his choice". This authority provided them 'opportunity' to commit fraud by involving several employees, private parties and politicians as explained in case studies. Such positions impregnate huge legal financial benefits, facilities and perks.

To sum up, the study reveals that as long as the fraud triangle is concerned in context of understanding, detecting and deterring fraud in context of Pakistan's public-sector corruption, the pressure and rationalization components are least important to be present to commit corruption. The findings are in also line with the conclusion drawn by Dorminey et al. (2012) who concluded that

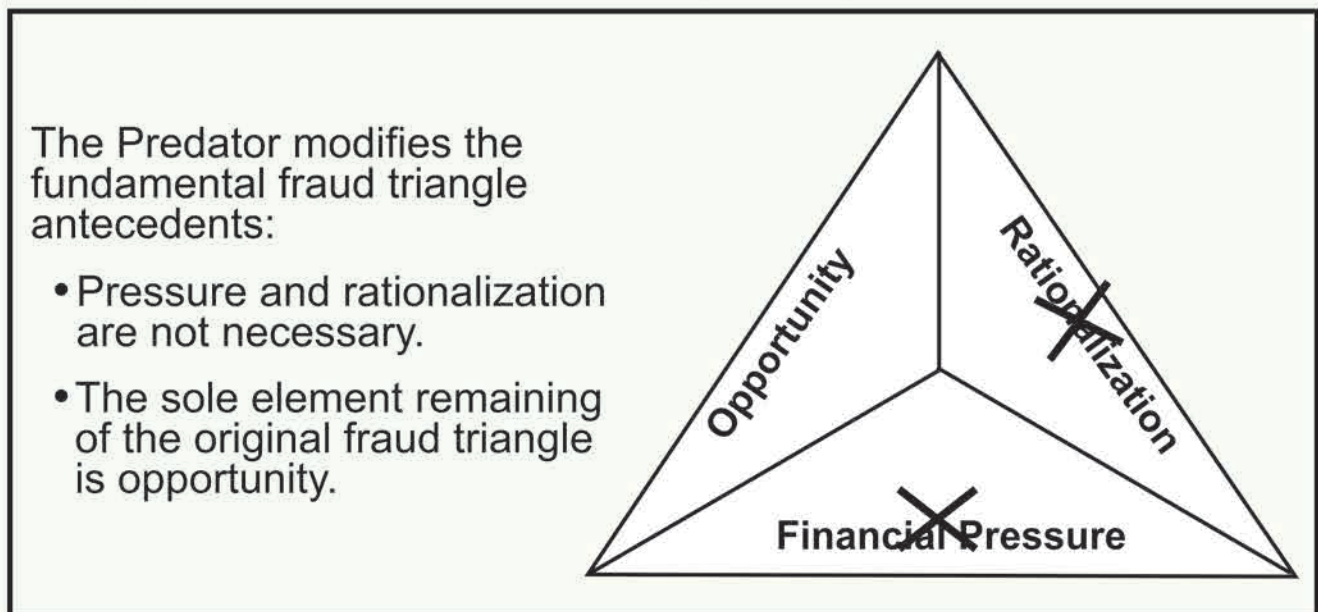


Fig.3 Impact of Fraudster (predator) on the fraud triangle
Source: American Accounting Association, Dorminey et al. (2012)

pressure and rationalization "play little or no role as a predator needs only opportunity". As elaborated in the literature review, there is paucity of research contrary to the discourse of fraud triangle. But recently, Lokanan and Sharma (2018) who conducted their study on "A Fraud

Triangle Analysis of the Libor Fraud" also highlighted occupational fraud through collusion in the perspective of an organizational culture and showed the presence of an element of the fraud triangle, 'opportunity' which led to committing occupational fraud.

Conclusion:

As discussed in detail in literature review (critique on the fraud triangle), the fraud triangle is an individualized model devoid of addressing complex, intricate and sophisticated fraud schemes like collusion. The findings of the study reveal that corruption was committed through collusion in Pakistan's public sector. The group dynamic of collusion in this study also corresponds to the findings of Free and Murphy (2015) who concluded that "group norms of loyalty, trust and distrust, and even antagonism

toward other parties can cement a group together..... this clearly imposes a renewed challenge on managers and audit firms to sharpen their fraud risk diagnostic tools". The critical approach of the study shows fraud a multi-faceted, interrelated, and complex problem, which makes the fraud triangle unlikely to be presented as a valid model in context of corruption in Pakistan's public sector. The author advocates a holistic cross-disciplinary research to understand, identify and prevent fraud in general and corruption in specific in the context of public sector of Pakistan.

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Ayşegül BORAN

*Principal Auditor
Turkish Court of Accounts*



TCA Audit in relation to SDG 11 and SDG 13¹

I. Importance of Supreme Audit Institutions in the Achievement of Sustainable Development Goals

Supreme Audit Institutions (SAIs) are entities that play significant roles in the use of public funds in an economic, efficient and effective manner through their independent audit mandates and high-value audit reports. In today's world, SAIs take part in the assessment of public policies and programs including the management of environmental assets through their oversight functions that go beyond the audit of public budget and accounts.

In the United Nations (UN) Sustainable Development Summit held in 2015, the UN Member States adopted the resolution titled “Transforming our World: the 2030 Agenda for Sustainable Development”, and within the scope of this Agenda, 17 Sustainable Development Goals (SDGs) and 169 targets were identified. With the 2030 Agenda, the UN Member States committed “to strive for a better future for everyone” and “not to leave anyone behind”.

As one of key institutions that need to be effective, accountable and inclusive to achieve SDGs, SAIs can support the implementation of the 2030 Agenda to a considerable extent. SAIs can assess the efforts of governments to implement SDGs and also guide them to use the financial resources

allocated in an economic, effective and efficient manner.

Acknowledging the importance of achieving sustainable development goals in creating a difference in the lives of citizens, the International Organization of Supreme Audit Institutions (INTOSAI) included SDGs into its 2017-2022 Strategic Plan as cross-cutting priority 2 and invited member SAIs to contribute to the monitoring and reviewing of SDGs.

INTOSAI emphasized that SAIs play a supportive and strengthening role in the national, regional and global efforts aimed at implementing SDGs as well as monitoring and reviewing the progress made.

INTOSAI Development Initiative (IDI) launched the “Auditing SDGs” initiative to support SAIs to conduct high quality audits on SDGs. As part of this initiative, many SAIs throughout the world have conducted performance audits on preparedness for the implementation of SDGs.

In addition to these works by INTOSAI and IDI, the INTOSAI Working Group on Environmental Audit (WGEA) included selected SDGs in its 2020-2022 Work Plan on the grounds that some SDGs are directly related to the environment. WGEA continues cooperative audit activities among member SAIs of the working group by adopting a thematic approach in relation to the achievement of environment-related goals.

¹ Ayşegül Boran, Principal Auditor, Turkish Court of Accounts

II. SDG 11 on Sustainable Cities and Life and SDG 13 on Combating Climate Change with respect to the Assessment of Flood Risk Management

In today's world, more than half of the total population live in cities and it is estimated that this rate will be two thirds in the near future, and thus, in the 21st century, significantly changing our ways of constructing settlement areas and managing them is one of the main conditions of achieving sustainable development. Providing safe and accessible housing, creating public green areas and improving urban planning and management to make it participatory and inclusive are the most important elements of rendering cities sustainable.

For a sustainable world for all, the reality of climate change should be taken into consideration. Sudden weather changes like heavy rainfall, drought, melting glaciers and rapidly rising sea levels that affect cities, nature and living creatures, i.e., the whole life, in all countries are having increasingly more dramatic and intense consequences. There is a steady and significant increase in the number of natural disasters resulting from floods and storms, which are also affected by the climate change to a considerable extent.

Among 17 SDGs adopted by the UN in its resolution titled "Transforming our World: the 2030 Agenda for Sustainable Development", SDG 11 is about "Sustainable Cities and Life". Under this SDG, the UN has determined significantly increasing the number of cities that adopt and implement policies and plans taking disaster resilience into consideration and developing and implementing holistic disaster risk management at all levels as targets.

In connection with this goal, SDG 13 is related to

the goal of combating the Climate Change. By adopting SDG 13, countries have committed themselves to strengthen resilience and adaptive capacity to climate-related hazards and natural disasters by giving weight to risk mitigation activities, as well.

Calculation of flood risk with priority in the planning of settlement areas is inevitable for the management of risks and increasing resilience to floods, which have had more devastating impacts in recent years. Achieving the targets of SDG 11 and SDG 13 requires the planning and management of public activities with a risk-based approach to reduce the damages of floods.

III. TCA Audit for the Management of Flood Risks

Nowadays disasters have diversified and have more devastating consequences, and this requires national authorities to focus more on risk and damage reduction activities. Risk management involves determining the threats before the incident leading to the disaster occurs, identifying potential damages and taking the measures that will reduce risks.

"Flood Risk Management" audit of the TCA has focused on the risk reduction activities carried out to prevent floods that occur as a natural event from turning into disasters and to minimise potential damages.

The purpose of this audit is to assess the effectiveness of risk reduction activities related to floods. The audit aimed at contributing to an accurate planning for the management of flood risks at the basin scale, increasing the effectiveness of flood risk reduction activities by eliminating the problems in the organizational structure with the legal background to be provided and contributing to works aimed at preventing loss of life and property due to floods.

The audit work was conducted on the basis of the following two main questions:

- Is the planning and organizational structure related to flood risk reduction adequate?
- Are the measures related to flood risk reduction being implemented?

The report consists of three parts:

- The introduction part includes information on the topic, elements of audit, audit methodology, question sets used in conducting the audit and an overview of audit results. In the part providing information on the topic, general information is given on flood as a disaster and explanations are made in relation to the management of flood risks at the basin scale. Also, the organizational structure created for flood risk management is provided.
- In the first part, effectiveness of the plans made for the management of flood risks at the basin scale as well as the organizational structure is assessed on the basis of the principles adopted in the EU Flood Directive.
- In the second part, the implementation of the measures determined in the legislation for flood risk reduction is examined. In this scope,

effectiveness of the control processes envisaged for taking flood risks into consideration in the construction plans and projects to be prepared and preventing interventions that increase flood risks in the stream beds is assessed, as well.

At the end of the audit, the main findings shared with the relevant public authorities are as follows:

- Flood management plans are the main documents for a basin-scaled flood management, but the level of relevant and responsible entities to consider and implement these plans as primary documents is low. Furthermore, the cooperation and contributions of responsible/relevant entities in the preparation process of these plans is limited. Thus, the current organizational structure and working system are not adequate for the effective management of flood risks at the basin scale.
- There are cases where flood risks are not adequately taken into consideration in the physical planning of settlement areas. For instance, stream beds are covered in ways that will increase flood risks. Since the sanctions envisaged in the legislation are not implemented, there are unauthorized buildings increasing flood risks over stream beds. Also, there are cases where flood risk is not adequately taken into consideration in the project designing of art works to be constructed over stream beds.

Necip BILGIN

Principal Auditor

Turkish Court of Accounts



Audit of SDG Implementation

Sustainable Development Goals (SDGs), which were adopted by the UN Member States in 2015, assigned new responsibilities to Supreme Audit Institutions (SAIs). The Resolution 70/1 adopted by the UN General Assembly emphasized the importance attached to the monitoring of the achievement of these goals by countries. Also, countries expressed their commitments for the establishment of monitoring and follow-up systems. With these commitments, the responsibility of SAIs in this regard has become evident. Based on these commitments, INTOSAI stressed on the relevant responsibilities of SAIs both in the Abu Dhabi Declaration published in 2016 and the Moscow Declaration published in 2019. In these declarations, INTOSAI has reflected on how the SAIs can contribute to the achievement of the 2030 Agenda and SDGs.

The primary element included in the INTOSAI approach related to the 2030 Agenda is naturally the audit method. The main objective of the SAIs is to ensure accountability and transparency through audits, and thus, their primary mode of contribution to the 2030 Agenda is audit. The audits to be conducted are expected to contribute to the functioning of the monitoring mechanism mentioned in the UN Resolution.

Audits to be carried out in the framework of the 2030 Agenda have two parts. One of them is the assessment on the preparation works of countries with respect to the SDG Agenda. It is beyond doubt that the SDG Agenda requires certain preparation processes for signatory parties. Therefore, SAIs need to assess these preparation works through their audits. Within the framework

of the audit model developed by INTOSAI, many SAIs conducted and reported performance audits to measure the efficiency of the preparation processes in their countries. Also, INTOSAI created a database (SDG Atlas) where all audit works can be found, and the reports sent by the countries were published.

The Turkish Court of Accounts (TCA) published the report of the subject matter audit titled “Assessment of the Preparation Processes for the Achievement of Sustainable Development Goals”. In the audit, the preparation process for the achievement of SDGs was assessed, the preparation and infrastructure works conducted in our country for the implementation of SDGs since 2015 and the current situation were reviewed systematically and efficiency of the implementation processes was assessed. The overall aim was to inform all stakeholders including the parliament to ensure that necessary measures are taken for a successful implementation and to raise awareness about the importance of SDGs.

Implementation Audits

The second part of the audits conducted for the SDG Agenda is implementation audits.

Implementation audit is the audit conducted on the implementation of a series of policies contributing to the achievement of a national target connected with one SDG or several SDGs. In this respect, implementation audits aim to reach a conclusion on the progress made towards a target accepted at the national level. Also, adequacy of the current national targets in comparison to the global targets and to what extent the national target can be

achieved on the basis of the current situation might be subject to audit.

There are certain elements that distinguish the SDG implementation audit from other performance audits. These elements stem from the basic principles of SDGs. Accordingly, the implementation audits to be conducted by the SAIs should embody the principles of 'leave no one behind' and 'multi-stakeholder participation' in conformity with the basic principles of SDGs. Audits should reach a conclusion on the consistency and scope of integration in the implementation of policies. Also, the Whole of Government approach should be adopted throughout the audit.

As in the case of audits on the preparation processes, INTOSAI also conducted works for developing a manual for the implementation audits and as a result, INTOSAI Sustainable Development Audit Methodology (ISAM) was developed. ISAM is an audit manual containing explanations about all stages and principles of the issue as a sustainable development audit model. Also, while preparing the manual, INTOSAI attempted to develop a flexible model by taking the differences of different types of SAIs like mandate, capacity and size into account.

In the first part of ISAM which consists of six parts, the SDG implementation audit understanding and main concepts of the manual are explained. In the other parts, guidance is provided on the selection of subjects in the SDG implementation audit, audit design, audit execution and reporting.

Implementation Audit of the TCA

Following the determination of the approach concerning the 2030 Agenda, the TCA initiated works on the issue. As a first step, the audit on the preparation works of the government for the 2030 Agenda was completed. The audit report on the completed audit was prepared and published in Turkish and in English.

As the second step, the implementation audit started. During the selection of the audit subject, 17 SDGs and 169 targets were reviewed, and the related national targets were determined. Based on this, the audit team presented proposals for different subjects by taking the auditability and materiality criteria into consideration. Out of these proposals, the TCA Presidency made the selection, and accordingly, national targets related to renewable energy became the subject of the audit.

As mentioned above, the SDG implementation audits should be audits on the national targets consistent with the SDGs. The global target related to the renewable energy targets is "Target 7.2: increase substantially the share of renewable energy in the global energy mix" while the national target that is connected with this global target and has become the subject of this audit is "increasing the share of renewable energy sources in electricity generation".

The INTOSAI ISAM was used in the determination of the audit question and development of the audit methodology. This manual contains detailed information on all of the elements that the above-mentioned SDG implementation audits should include.

Accordingly, the audit question was set as "Are the policies adopted and actions taken by the government for the achievement of the national targets that are connected with the SDG related to increasing the share of renewable energy sources in the generation of electric power being implemented in an effective manner and in accordance with the sustainable development principles?"

Following the audit question, an audit matrix was developed and the audit plan was prepared in accordance with ISAM and ISSAIs. This audit is still ongoing, and we are planning to complete it as soon as possible and share its results with the international audit community, as well.



ECOSAI



ECOSAI Secretariat
Office of the Auditor General Pakistan, Constitutional Avenue, Islamabad. 44000, Pakistan
www.ecosai.com.pk