

Fourth Issue

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ECOSAI CIRCULAR

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Foreword

During the past year, ECOSAI has witnessed and conducted different activities in the fields of training and exchange of technical knowledge and experience. We have fortunately been blessed with the close support of most of the member SAIs and have, as result, earned a most productive outcome. Our endeavors during 2003 have all been aimed at gaining maximum benefit from modern governmental auditing.



The eighth ECOSAI BoG meeting was successfully held in Tehran in June 2003 and Supreme Audit Institutions such as Pakistan, Turkey, Kyrgyz Republic, Azerbaijan and the Turkish Muslim Community of Northern Cyprus attended the meeting. Fortunately, the esteemed members of the BoG showed their full support and managed to decide on very important and fundamental issues which will most assuredly affect the future of this noble organization.

It was decided that in order to extend Audit Knowledge and experience, an independent Web site for ECOSAI should be established, and also in order to encouraging non active members to participate in the activities of the Organization, membership fee overdue of some of the member SAIs will be waived off. These are only some of the positive decisions made by the BoG members.

The Supreme Audit Court of Iran had the pleasure of holding the third ECOSAI Training Committee meeting together and simultaneously with the 8th Bog meeting. This meeting also turned out highly successful and the Training Committee members managed to make vital changes in the training system applied, and its future plans. The ECOSAI Training Committee presented various recommendations on the ways of implementing the Committee decisions and the ways of determining strategic and challenging training topics. These were received well by most of the BoG members. With the intention of encouraging the non active members to follow common interests and to participate in the activities of the Organization, the Minutes of the 8th Bog and Training Committee meeting of ECOSAI are presented in this issue.

Besides the two Minutes mentioned above, we are also proud to present a brief and illustrated report on the third International Seminar held in Tehran.

The SAIs of Pakistan, Iran, Turkey and Kyrgyz Republic presented their country papers on "Good Governance" and "Audit of Fraud and Corruption" which were highly appreciated by the participants and exceedingly valuable in terms of technical knowledge. Therefore, in order to share this rich source of Audit knowledge and experience, a brief review of the papers are provided in this issue. For further study of the country papers you will be able to find the full text of the papers on the SAC website at: www.dmk.ir

I ardently hope that we will succeed in providing better transparency and Accountability for our Nations by continuing and extending our efforts in the context of technical development and progress.

Seyed Kazem Mirvalad

President of the Supreme Audit Court of Iran and ECOSAI



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Minutes of the Eighth ECOSAI Governing Board meeting held in June 2003 in Tehran

The Eighth ECOSAI BoG meeting was held on 09th of June 2003 in Tehran, Islamic Republic of Iran. The following members attended the meeting as Heads of delegations.

- Mr. Seyed Kazem Mirvalad, President of the Supreme Audit Court of Iran and Chairman of ECOSAI.
- Mr. Mohammad Yunis Khan, Auditor General of Pakistan and General Secretariat of ECOSAI.
- Mr. Mehmet Damar, President of the Turkish Court of Accounts.
- Mr. Abbas Allahverdiev, Deputy of the Chairman of the Chamber of Accounts of Azerbaijan.
- Mr. Alybek Madeliev, Auditor of the Accounts Chamber.
- Mr. Soner Vehbi, President of the Court of Audit of Muslim Community of Northern Cyprus attended the meeting as an observer.

Complete list of participants is included.

1. Opening of the meeting

The meeting started with a recitation from the holy Quran. Thereafter the President of the Supreme Audit Court of the Islamic Republic of Iran and ECOSAI, Mr. Seyed Kazem Mirvalad , formally inaugurated the meeting and welcomed the delegates. He said that he was hopeful about the meeting being productive and useful as well as being a positive step towards improving performance of ECOSAI and resolving its problems. The Speech was followed by adoption of the Agenda.

2. Discussion of the Agenda points

a) Activity Report by the Secretary General

The Auditor General of Pakistan and Secretary General of ECOSAI presented the Activity Report. He mentioned that although ECOSAI had made progress, it still had a long way to go. He spelled out the need to activate the non- active members. He was of the opinion that ECOSAI should continue as an autonomous entity and may not become a subgroup of ASOSAI or INTOSAI. This matter needs to be considered carefully by all members of ECOSAI.

b) Presentation and approval of the annual accounts for the year ended 31.12.02

Mr. Mohammed Mohsin Khan, Deputy Auditor General, SAI of Pakistan, while presenting the accounts of ECOSAI for the financial year ending on 31.12.03 stated that ECOSAI's auditors viz. Azerbaijan Republic and Kyrgyz Republic had certified accounts covering a period from 1.1.99 to 1.4.03 whereas the accounts presented in the meeting needed to be certified on the basis of financial year ending 31.12.03. Since the Audit could not be conducted in Pakistan at the ECOSAI Secretariat, such issues could not be clarified with the auditors period. The auditors had given an unqualified certificate however they needed to visit Pakistan for audit relating to the period referred to above. The need to conduct audit in Pakistan for the 2002 accounts was also supported by the Azerbaijan and Kyrgyz Republics.

The Auditor-General of Pakistan (AGP) proposed that Iran and Turkey should serve as auditors by rotation. The proposal was supported by all the members.

Decision: It was agreed that:

- i) *The auditors from Azerbaijan and Kyrgyz Republics shall visit Pakistan to audit the accounts for the financial year ending on 31.12.03. Their expenses shall be borne by the ECOSAI Secretariat out of the funds of the organization*
 - ii) *Starting with 2003, Turkey and Iran shall serve as auditors of ECOSAI by rotation*
- c) Reviewing the membership dues and action taken in this regard.

The Auditor-General of Pakistan mentioned the amounts due against the members and the amount deposited so far by the five members. President TCA informed that they are trying to locate the details of the remittance reported as not received in Pakistan in ECOSAI's accounts. A discussion followed on the need to activate the non-active members. President Court of Audit of the Islamic Republic of Iran mentioned that Kazakhstan and Afghanistan have shown keen interest to become active members. The President proposed that in order to encourage the non-active members the Board may consider waiving off the outstanding dues against all non-active members including Afghanistan.

Decision: To encourage the non-active members to participate, all past dues will be exempted.

- d) Presentation and approval of the Training Committee Report.

Mr. Arif Mansur, Deputy Auditor General, SAI of Pakistan, presented the report of the Training Committee that also met on the 9th of June 2003 which was discussed at some length.

Decision: While adopting the Report of the Training Committee, it was decided that the Calendar of courses of the ECOSAI would be revised and a new Calendar drawn up by the Secretariat taking into account the changes made by the SAIs of Iran, Pakistan and Turkey on the basis of the recommendations of the Training Committee made in their Report. The Revised Calendar will be presented in the next meeting of the BoG of the ECOSAI for approval.

e) Report on the Publication of the ECOSAI Circular by SAI of Turkey.

The President of the TCA highlighted the salient features of the ECOSAI Circular printed by it. The Auditor General of Pakistan, while complementing Turkey, for issuing the latest Circular, proposed that his SAI being the ECOSAI Secretariat is ready to publish the Circular at its expense. Issues including lack of contribution by member countries were also discussed. ECOSAI President emphasized on the need to convert PERMIT, a journal being published by the SAI of Pakistan, into an ECOSAI journal. The Auditor General of Pakistan stated that ECOSAI journal should not be country specific.

Decision: ECOSAI journal will be published by Iran in 2003. Beyond 2003, the matter will be considered in the next BoG.

f) Report of the SAI of Turkey on the latest developments in the establishment of ECOSAI website.

SAI of Turkey reported that it has set up a website of ECOSAI within the website of the Turkish SAI. The website is in English. President ECOSAI observed that the website needs to be an independent site for which cost estimates may be developed by the Secretariat.

Decision: Cost of developing an independent website for ECOSAI should be worked out by the Secretariat and the matter brought up before the Board.

g) Report of the Interim Audit Committee on audit of ECOSAI accounts to be presented by SAIs of Azerbaijan and Kyrgyz Republic

As the topic of this item was already discussed under item 4 it was decided that the decision taken under item 4 of the Agenda may be implemented.

h) Selection of the new ECOSAI President.

President of ECOSAI was of the view that as per Article 6.1 a) selection of the President is linked to the venue of the session of the Assembly. As the Assembly Session could not be held despite efforts by him as well as the Secretary General the head of SAI of Iran will continue as the President till such time as the Assembly meets next time. The Auditor-General of Pakistan proposed that he was willing to host the next BOG meeting in Islamabad and effort can be made to hold an extra-ordinary session of the Assembly. In case Turkey wanted to hold this meeting the SAI of Pakistan is willing to withdraw in their favour. Discussions ensued and the President of the TCA suggested that both the meetings (extra-ordinary meeting and the Ordinary meeting) can be held in Turkey.

Decision: The next meeting of the BoG and an extra-ordinary session of the Assembly will be held in Pakistan in late 2003. Venue of the next meeting shall be decided in that meeting.

i) Other matters

a) The important issue that was taken up under the heading other matters related to the request of the TRNC to be given full membership of ECOSAI. The issue was discussed in considerable detail keeping in view the provisions of Articles 1, 4, 5 &12. The president of the TRNC SAI stated that ECOSAI remained seized with the Turkish Cypriot request until it could be considered in the next BoG. The President and the Secretary General expressed the view that they would like to accommodate their Turkish Cypriot brothers but were constrained due to provision of the Charter. Head of Turkish SAI made a strong plea for according full membership to TRNC on the grounds that ECOSAI was a non-political organization and a technical forum.

Decision: It was decided that ECOSAI would not form a committee to discuss the issue, but necessary information would be collected by the SAIs and will be processed by the secretariat for consideration in the next BoG meeting.

b) SAI of Pakistan, while presenting the proposed Budget for the years 2003, 2004 and 2005, pointed out that activities need to be planned in order to estimate any expenditure to be incurred.

c) Regarding the printing of Directory of ECOSAI members, SAI of Pakistan pointed out that as soon as the new Turkish law was approved and the required material from other members became available the Directory would be published.

Decision: It was agreed that the Directory should be published after the required information was available for inclusion in the Directory.

The meeting ended with thanks to the Chair.

Mr. Seyed Kazem Mirvalad, President of the Supreme Audit Court of Iran and Chairman of ECOSAI.

Mr. Mohammad Yunis Khan, Auditor General of Pakistan and General Secretariat of ECOSAI

Mr. Mehmet Damar, President of the Turkish Court of Accounts.

Mr. Abbas Allahverdiev, Deputy of the Chairman of the Chamber of Accounts of Azerbaijan.

Mr. Alybek Madeliev, Auditor of the Accounts Chamber



List of Participants in the Eighth International Seminar and Third Tra
Members of the 8th ECOSAI Board of Governors posing for a group photo



Heads of SAIs Iran, Pakistan and Turkey shaking hands on the success of the session

	Country	Name	Post
1	Iran	Mr. Seyed Kazem Mirvalad	President of the Supreme Audit Court of Iran and ECOSAI
		Mr. Manouchehr Sarmadi	Directorate for Technical and Auditing Affairs of Ministries Government Institutions and Foundations
		Mr. Mohammad Hashem Rahbari	Directorate for Technical and Auditing Affairs of Companies
		Mr. Ali Mohammad Ghasemi	Director General of Administrative and logistic Affairs
		Mr. Beitullah Jafari	Director General of Public Relations and International Affairs
		Mr. Ahmad Maghsoudpisheh	Director General for Training and Improvement of Human Resources
2	Pakistan	Mr. Mohammad Yunis Khan	Auditor General of the office of the Auditor General of Pakistan and Secretary General of ECOSAI
		Mr Mohammad Mohsin Khan	Deputy Auditor General
		Mr. Arif Mansur	Director General
3	Turkey	Mr. Mehmet Damar	President of TCA
		Mr. Sıleyman Topallar	Member of the Court
		Mr. Cevad Gürer	Head of International Relations
		Mr. Kemal Özsemerci	Senior Auditor
4	Azerbaijan	Mr. Allahverdiyev Abbas	Deputy of the Chairman of the Chamber of Accounts
		Mr. Hasanov Jafar	Auditor
5	Kyrgyz Republic	Mr. Alybek Madeliev	Auditor
6	Turkish Muslim Community of Northern Cyprus	Mr. Soner Vehbi	President of the Court of Audit
		Mr. A. Erdengiz	Advisor

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Minutes of the Third ECOSAI Training Committee meeting held in June 2003 in Tehran.

The 3rd Meeting of the Training Committee was held in Tehran on 9th June 2003. The meeting started with recitation from the Holy Quran.

The meeting was attended by delegates from Pakistan and Iran. The delegate from Turkey could not attend the meeting due to his other commitments in the Meeting of the BoG and ECOSAI Assembly.

Mr Maghsood Pisheh from Iran presented the Report on the Course on Internal Controls organized by the SAI of Iran from 18th to 31st January 2003 at Tehran. The course was attended by 24 participants from member SAIs. Mr. Arif Mansur from Pakistan presented the position on the holding of different courses by the SAIs of Iran, Turkey and Pakistan under the funding provided by the Islamic Development Bank.

The Committee then discussed the progress achieved during the past two years and then took up for discussion suggestions for the Training Plan for the next three years.

The Committee observed that the international environment poses new challenges for the SAIs. Member countries are increasingly participating in international agreements and contracts. This has necessitated that SAIs should develop expertise in auditing international contracts. The SAI of Pakistan proposed that it will utilize the services of its ASOSAI trained specialists to suggest a course design that will be shared with the SAIs of Iran and Turkey for suggesting further improvements and changes. The agreed course design will be considered for funding and identifying suitable expertise in member countries to conduct the course.

The SAI of Turkey is planning to hold a training course titled “Budget Procedure in Turkish Public Finance” in October 2003. The Committee suggested that a perspective on general principles of Budgeting may also be included in the course design so that the benefits from the course are enhanced.

The Committee observed that although the Islamic Development Bank has been very generous to extend cooperation, ECOSAI needs to diversify its sources of funding so that a boost can be given to the training activities. The Committee recommended that the member SAIs could organize courses by sharing the costs in which the coordination could be provided by the Secretariat with the involvement of the SAIs of Iran and Turkey.

The Committee recommended that the planned duration of the Course on Performance Management Auditing on the ECOSAI calendar of Courses should be reduced to two weeks.

The Committee discussed that for professional development of the auditors of the Member SAIs, special attention should be paid to the adoption of INTOSAI Auditing Standards and Code of Ethics and circulation of these among the staff for guidance after translation in local languages. The SAIs should also organize courses in this regard.

The Calendar of Courses of the ECOSAI proposes courses on "Construction Project Audit" and "Audit of Construction Expenditure". Recognizing the importance of organizing courses on Audit of Construction Projects, the Committee observed that there is a need to diversify the range of courses and topics for other relevant courses may be suggested by the SAI of Turkey.

The approved Calendar proposes to hold four courses on Performance Auditing to be organized by the SAI of Pakistan. The Committee proposes that courses on Financial Auditing substitute two of these courses.

The Committee recommended that Courses on "Environmental Auditing" should be included in the Calendar of ECOSAI Courses.

The training interventions and sharing of experience should also focus on Audit Mandate, HRM and financial independence of SAIs.

The Committee considered that for giving a boost to the training efforts in an organized manner a comprehensive Training Needs Analysis (TNA) be conducted by a team of three specialist nominated by the SAIs of Iran, Pakistan and Turkey, the SAIs picking up the cost of their nominated specialist. The TNA will be formed on the basis of the following activities:

- Developing a comprehensive training plan
- Using specialists and subject experts available with the SAIs of Iran, Pakistan and Turkey to support professional development through short term training interventions.
- Further refining of the training needs and negotiation with potential donors.
- Diversify training interventions like using correspondence and Internet based courses, sharing experiences and conducting joint research projects
- Establish close cooperation with the training initiatives of INTOSAI and ASOSAI like IDI.
- To identify specialists that different member SAIs can utilize.
- While conducting the TNA and developing the training plan particular attention should be given to the SAIs of Central Asian Republics



Maghsood Pisheh SAI of Iran



Cevad Gurer SAI of Turkey



Arif Mansur SAI of Pakistan

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Report on the Third International Seminar of ECOSAI

On the 09 June 2003 and following the Third ECOSAI Training Committee and the eighth Board of Governors meeting, the Third International Seminar of ECOSAI was held in Tehran in the Institute for Political and International Studies (IPIS). Mr. Beitullah Jafari, Director General of the Public Relations & Int'l Affairs Office of the SAC formally inaugurated the Seminar by addressing an opening speech and welcoming the participants and guests. He described in brief, the history of the ECOSAI Seminars and the topics covered in the past and emphasized on the importance of such gatherings in exchanging audit knowledge and experience between the members of the Audit community.



Group photo taken of the participants at the Third International Seminar

Following the opening speech, the representatives of the SAIs of Iran, Pakistan, Turkey, and Kyrgyz Republic were requested to present their country papers on "Prevention and Detection of Fraud and Corruption" and "Good Governance". (List of presenters is given below in the order of their presentation).

All members showed their appreciation of the valuable papers read out, and the session ended with the closing speech of Mr. Seyed Kazem Mirvalad, President of the Supreme Audit Court of Iran.

List of papers presented at the Third ECOSAI International Seminar

No.	Country	Topic	Presenter
1	Iran	Prevention and Detection of Fraud and Corruption	Mr. Fathollah Rahimi
2	Turkey	Prevention and Detection of Fraud and Corruption	Mr. Cevad Gurer
3	Kyrgyz Republic	Prevention and Detection of Fraud and Corruption	Mr. Alybek Madeliev
4	Iran	Good Governance	Mr. Hamed Momeni
5	Pakistan	Good Governance	Mr. Arif Mansur

Mr. Seyed Kazem Mirvalad personally conducting the ECOSAI International Seminar



Mr. Cevad Gurer, Director General of the International Affairs Office of the TCA presenting the Country paper of the Turkish SAI



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Brief review of the country papers presented at the International Seminar on: Prevention and detection of Fraud and Corruption Good governance

1) Country paper contributed by the SAI of Pakistan Good governance

The three most distinguishing characteristics of good governance are: openness, integrity and accountability. Openness is what demystifies administration and has three distinct dimensions: disclosure, scrutiny and assurance. Disclosure makes it incumbent on the administrator or the manager to state openly how he will discharge his public responsibility and then report transparently on the outcomes. Scrutiny empowers the administered rather than the administrator and has the effect of inverting the power equation between the rulers and the ruled. Failure to satisfy in a scrutiny can result in the withdrawal of power or cancellation of stewardship. Assurance requires that the systems and the reported results should justify not only whatever decisions were taken , policies made or resources consumed, but should also make arrangements for meeting the information needs of those to whom the assurance is to be provided.

The three aspects of disclosure, scrutiny and assurance that give good governance its distinctive features are intricately interlinked.

There are many different perceptions about governance. Certain interpretations emphasize access of citizens to basic public services and equitable distribution of opportunities. The Commission on Human Rights identified transparency, responsibility, accountability, participation and responsiveness to the needs of the people as the key attributes of good governance.

2) Country paper prepared by the SAI of Iran

Good governance

Characteristics of good governance (regulatory bodies) are as follows:

A-Guardian council: Is an independent body which its main responsibility is to safeguard the Islamic ordinances and constitution by examining the compatibility of the legislation passed by the Parliament with them.

B-The Executive power: **1- Audit organization:** Must inform the general assembly of any violation or non-observance of law in the affairs of public enterprise.**2-Planning and Management organization:** The most important duties of this regulatory body are preparing plans, the country's annual general budget, 5 year economic, social and cultural development plans, and presenting them to the Parliament and also preparing long term plans and presenting them to the Economy council. Monitoring performance of programs and their annual progress and report it to the cabinet.**3- Ministry of Economic Affairs and Finance:** From duties of this Ministry are continual monitoring prior to payment of expenditures of ministries, government institutions and public enterprises from the viewpoint that they comply with financial rules and regulations, and examining and ensuring of correctness and accuracy of financial activities by comptrollers dispatched to these agencies, and also responsibility of preparing, compiling and presenting financial accounts.

C- The judiciary is responsible to protect the rights of individuals and society, implement justice and supervise the proper enforcement of laws. Two regulatory bodies operating under its supervision are: 1- Court of Administrative justice 2- National General Inspectorate.

D- The legislative power: "principle of accountability to public" is more evident in this power. The Parliament has the ways and means of exercising control and demanding explanations which are as follows: **1- The committee of Article 90 of the Constitution:** Members of this committee are required to investigate complaints of individuals and organizations concerning the work of the three branches of the government. **2- According to article 76 of the constitution,** the Parliament has the right to investigate and examine all the affairs of the country. **3- The Articles 88 and 89 of the Constitution** are provided for representatives to pose questions to ministers on subjects relating to their duties. **4- The Supreme Audit court** is indeed constitutional inspector of the system and acts like a watchdog for people, s representatives and with

its potential capabilities has a central role in good governance and has necessary requirements for desired relationship between a Supreme Audit Institution and regulatory arrangements. These requirements are: **a.** Independence : The SAC is directly under supervision of the Parliament and in organizational, administrative and financial affairs is independent from Judiciary and Executive powers, which must be accountable for their managerial and financial performance against the SAC as constitutional inspector of the system. **b.** Existence of structure and legal powers: This court in performing its responsibilities can investigate and scrutinize all financial affairs related to the country, and all the authorities, the three powers as well as their related organizations and offices and all the persons and organizations which in any manner, whatsoever benefit from the state budget shall be directly accountable against it. **c.** Presenting efficient public services: The SAC with performing its duties in a proper and accurate manner can help government in attaining political, social, cultural, and particularly economic development. **d.** Reporting and disseminating information: The SAC, after examining and analyzing financial statements and reports, must prepare annually the Budget Liquidation Report and present it together with its own comments and recommendations to the Parliament. This report must be made available to the public.

3) Country paper prepared by the SAI of Kyrgyzstan

Prevention and detection of fraud and corruption

The Latin for "corruption" is "corruptio" which means "rotten", "morally bad" and "dishonest ". So if a government official accepts money to do things that he ought not to do, we say that he is corrupt.

In our opinion, the most hazardous effects of corruption are the social ones. The society is getting used to corruption as an ethically acceptable form of "recovery of social justice" and no longer treats it as social evil. The situation is particularly serious with fiscal and law protective administrations which being underpaid have a free hand in making decisions due to inexplicitly outlined and vague by-law provisions. The Law shall formulate principal types of corruption violations, provide for preventive measures and specify punishments for official corruption.

To prevent corrupt practices among tax and customs officials it is necessary to primarily revise and amend Tax and Customs Codes of the Kyrgyz Republic. The

procedure of completing customs documents (forms) being as complicated as it now the client has to contact customs officers at the tiers which are also a source of corruption .This can be affected through transparent state budget revenue and expenditure accounting. Also the legislation shall be revised to provide for more punitive sanctions for inefficient and non-targeted disposal of budget facilities.

For state administrations to be more competent and corruption immune their labor allowance shall be revised and social securities and medical housing privileges be provided for. Low wages are the main cause of corruption at intermediate and low tiers of state administration. One of the instruments to fight corruption practices in the sphere of rendering services to the population and organizations shall be personnel rotation since it is in this way that the establishing confidential relations between a state officer and consumer of his services can be interrupted.

4) Country paper prepared by the SAI of Turkey

Detection of fraud and corruption

Corruption is simply defined as" the abuse of public power for personal gain or for benefit of a group to which one owes allegiance". Corruption results in: none or slow development of national economy and damage to the public good.

Fraud refers to international misrepresentation of financial information by one or more individual among the management, employees or third parties.

The extent of corruption depends on: the amount of monopoly power and discretionary power that an official exercises, accountability, transparency and openness in government operations, poorly defined ethical standards, weak administrative and financial systems and ineffective control systems.

Successful strategies to prevent corruption should simultaneously: reduce the monopoly power of an official by market oriented reforms, likewise reduce discretionary power by administrative reforms, enhance accountability through effective internal and external audit bodies, establish ethical standards by preparing code of ethics and promote transparency and openness.

The main motivations for fraud and corruption are economic and ethical. Economic motivation generally includes underpaid public servants. Ethical/ moral motivation

varies a great deal but it is closely associated with the education of the individual and the environmental factors.

One of the keys to success in detecting fraud is the auditor's ability to spot unusual transactions or events relating to: timing, place, frequency, job responsibility and relationship, quantity and explanation.

Measures to prevent fraud and corruption:

1. Medium term measures
 - a. Securing transparency in public financial management
 - b. Improved internal and external audit bodies
 - c. Creation of an anti fraud and corruption institution
 - d. Review by the public administration of the processes that might involve possibility of corruption
 - e. Betterment of remuneration and fairness in pay
2. Long term measures
 - a. Strengthening of civil consciousness
 - b. Contribution by the academia
 - c. Increasing effectiveness of Non-Governmental Organizations (NGO)

The institutional strengthening involves one or more of the eight following institutions or pillars: political will, administrative reforms, watchdog agencies (SAIs, etc.), parliament, public awareness, the judiciary, the media and private sector.

5) Country paper prepared by the SAI of Iran

The role of the SAIs in prevention, reduction and cleanup of financial and economic corruption

Reviewing the formation process of financial corruptions in different countries, we will understand in cases that governments haven't taken enough care of issuing and granting certificates, licenses and approvals to people and organizations, they ground the formation of financial corruption. Normally the more honesty and rectitude exists in the government organizations, the more trust and spirit of cooperation will be among people in the society. Consequently, the absence of this matter will not only

result in collusion , bribery and corruption in the governmental transactions but in encouragement and facilitation of corruption incidence out mismanagement, centralism , omission of or debilitation in supervising system and enough control as well. The perpetual development of a country is closely tied with the functionality of its democratic processes and one should minimize the economic regulations by the process of audit controls. This would be the effective way to decrease despotic misconducts and prevent the inter-organizational abuses.

Corruption:

1. Administrative corruption: Each and every sort of action, aforethought or certain, made against the laws and regulations that is considered direct or indirect misuse of one's position, organizational condition or documents available for him/her which would be done for the purpose of receiving a fund, property, benefit or privilege and alike to the benefit of certain individuals.
2. Financial and economic corruption : Each and every sort of action , aforethought or certain , made by misusing one's position , organizational conditions, and governmental or public resources that would be done for the purpose of receiving an illegal fund, benefit, privilege or approval and alike to the benefit of certain individuals.

In our country, providing the public welfare and development is of the government duties. The supervising systems are of national dispensation estate and would perform specific duties. The Management and Planning organization is the principal organ for drafting the budget bill, development laws and by laws, supervising instructions of civil plans and is responsible for initial cost controls. The Ministry of Economic Affairs will assist the government by continues financial supervisions. SAI, which is a supervising institution within government companies and public estates and institutions, by sound auditing and announcing the defect points and probable breaches, assists system in reducing and cleanup of economic corruptions. The Ministry of information would assist all the system, specifically by interaction with SAI and GIO, using the necessary information coverage in delicate points and also trade bottle necks. The authorities of SAI are selected by the parliament and then they shall supervise the budget execution and regulatory report to the Parliament.

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Report on the Second ECOSAI Training course on "Internal Controls" held in Tehran, Iran on 18th – 31st, Jan, 2003

Technical Development and progress obligate organizations to logically coordinate a motivated coordination with the consequent changes. This may only be achieved and organized with effective training in order to successfully realize the organizational objectives and activities. Since employee training is a continuous and fundamental process, therefore trained and improved human resources is considered as a precious source for gaining management and organizational objectives. The Efficiency of organizations directly relates to skilled human resources and well-ordered training courses. Today, directors and heads of public and non public organizations and even capitalists consider training, as a critical factor for the beneficability, durability and permanence of their management and we must not forget that training is the key to knowledge and power.

According to the ECOSAI approval, SAC of Iran hosted the second regional training course, on "Internal Controls".

This two week training course was held from 18th – 31st January 2003 in Tehran with the eager participation of elected experts and auditors of Pakistan (four participants), Turkey (four participants), Tajikistan (two participants), and Iran (fourteen participants). Despite the co ordinations made, Uzbek participants did not take part in the course. The training course was inaugurated by Mr. Seyed Kazem Mirvald's speech, the President of the SAC of Iran and was followed by the welcome speech of Mr. Ahmad Maghsoodpisheh, Director General of Center for Training and Improvement of Human Resources. Mr Maghsood pisheh, Host of the training course, while welcoming the participants hoped that the course would turn out a success.

The subjects and topics that were presented in English for participants were as follow:

No.	Name and Surname of trainer	Topic
1	Mr.Ghafour Paknahad	Lecture on the Supreme Audit Court of Iran (Position, role, functions and responsibilities)
2	Dr. Ali Reza'eeian	Management Control Systems
3	Dr. Reza Shabahang	Comprehensive Auditing
4	Mr. Mansoor Shams Ahmadi	Internal Controls
5	Mr. Mostafa Alimadad	Analytical Auditing
6	Prof. Fazlollah Akbari	Workshop on position, role, functions and responsibilities of Auditing Organization
7	Mr.Mohammad Shams and Mr.Mahmood Ayanzadeh	Class discussion on Audit of Public Companies
8	Mr. Seyed Ebrahim Raeesi(President of the General Inspection	Introduction to position, functions and role of the General Inspection

	Organization)	Organization
9	Mr. Abbas Arbab Soleimani	Risk Analysis and Internal Controls System
10	Dr. Kambiz Forghandoost Haghghi	The role of Information Technology in Internal Controls
11	Ms. Shirin Moshir Fatemi	Audit Worksheets
12	Mr. Abbas Mohseni	Role of Non governmental entities in relation with the government duties
13	Mr. Mohammad Saberi	Internal Controls and Financial and Auditing rules and regulations
14	Mr. Majid Rostami and Mr. Reza Sarrafi	Class discussion on the relationship between SAIs of member countries with their Parliament
15	Mr. Reza Vahidzadeh and Mr. Buik Mardani	Class discussion on comparison of Mandates of ECO members
16	Mr. Seyed Lotfollah Atabaki	Financial Supervision in Islam
17	Dr. Seyed Mohammad Mirmohammadi(Member of the Parliament and Member of the Commission of Plan, Budget and Audit	Behavioral aspects of Internal Controls' procedure

According to the predicted plans, the participants visited different historical, cultural and economical centers, which were very well received.

In order to have a course more efficient and effective, updated training and training materials were administered, which gained the general approval of the participants. In order to evaluate and deliberate the advantages and drawbacks of the course, a questionnaire was distributed among non-Iranian participants, which were completed and collected and consequently analyzed. After the course, in a special ceremony, a training certificate was granted to the participants by the directorate for technical and audit affairs of Ministries and governmental Institutions of the Supreme Audit Court of Iran.

We find it a necessity to express our appreciation for the eager cooperation of ECOSAI members and the managing authorities. directors and staff of the training



Group photo taken of the participants of the 2nd ECOSAI Training Course on Internal Controls

7

Third ECOSAI Course on FINANCIAL SYSTEM AUDIT WORKSHOP in Ankara

6-17 October 2003

- The third ECOSAI course on “Financial System Audit Workshop” was held by the Turkish Court of Accounts (TCA), with the financial assistance of the Islamic Development Bank, in Ankara on 6-17 October 2003.
- Keeping in view the importance of the event, the two-week Workshop inaugurated by the president of the TCA, Mr. Mehmet Damar on 6 October, Monday and continued with imparting knowledge on subjects as:
 - Budget Right,
 - Budget Principles,
 - Budget Finance,
 - Auditing Budget Practices,
 - Public Debt,
 - The Cost of Public Debt,
 - Auditing Public Debt,
 - Quasi Fiscal Transactions,
 - Fiscal Risks and,
 - Auditing Fiscal Risks.
- The delivery of the programme was based on “Experimental Learning Model”, which enables participants to demonstrate their Professional knowledge and skills.
- The Workshop ended on 17 October Friday with a summary and an evaluation of the Workshop. The event, which also included a social programme both in Ankara and Istanbul, was attended by 14 Colleagues from SAIs of Azerbaijan, Afghanistan, Iran, and Pakistan. Four of the TCA Auditors also participated in the workshop.



Group photo taken of the participants of the 3rd ECOSAI Training Course on Financial System Audit Workshop held in Ankara, Turkey

8

A Resume of SAI Pakistan's Training Activities

The Audit and Accounts Training Institute (AATI) Lahore is the premier institution in Pakistan for providing training in the fields of Government Accounting and Auditing. Its present setup comprises the main Institute at Lahore and four regional training Institutes in Karachi, Quetta, Islamabad and Peshawar. The Institute is headed and managed by a Director General, and has a professionally qualified faculty of about 40 members. The Institute holds several long term and short-term courses for in house training of officers and staff of the Department of Auditor General of Pakistan. The Institute is also conducting the training sessions on New Accounting Model (NAM) and SAP-R3, in collaboration with Project for Improvement of Financial Reporting and Auditing (PIFRA). The Institute trained 2353 officers/ officials by conducting 155 courses during the year 2002-2003. The Institute is planning to run as many as 99 courses during 2003 – 04, in which about 1275 officials will be trained.

The Audit & Accounts Training Institute has designed some of its programs for international participants from other Supreme Audit Institutions. The Institute holds courses in different disciplines in the field of Auditing, Accounting, Management, and Information Technology etc. A significant number of personnel from Bangladesh, China India, Nepal, Turkey and Central Asian Republics of Azerbaijan, Tajikistan, Kazakhstan and Kyrgyzstan have participated in our training programs.

The SAI of Pakistan is holding an ASOSAI sponsored Workshop on “Performance Audit of Revenue Agency” from 8 – 19 December, 2003 at Lahore, Pakistan. Participants from 35 Asian countries are expected to attend the workshop. The Workshop covers the basic concepts of performance auditing, audit procedures and techniques in planning, execution and reporting phases in the audit process, and its application in performance audit of a Revenue Agency.

The SAI of Pakistan will also be holding the 54th Intensive Training Program (ITP) in Performance Auditing at the AATI from Feb 10 – March 13, 2004. This international



A training session at the Audit & Accounts Training Institute, Lahore - Pakistan



program is offered to the nominees of ECOSAI and ASOSAI and some other countries. The Program is meant to impart training in concepts and methodology of performance audit of public sector development projects and programs.

International Relations.

SAI Pakistan remained actively involved in the activities of different multilateral organizations. During the 9th ASOSAI Assembly held from 20 – 26 October, 2003 at Manila, Philippines, SAI of Pakistan was re-elected to one of the five seats of the Governing Board of ASOSAI for another three year term, by securing the highest number of votes, i.e. 29 out of 33. SAI Pakistan is hosting the 9th Governing Board meeting and Extra Ordinary Session of the ECOSAI assembly in Islamabad from 26 – 28 January, 2004, and is looking forward to active participation from all the member states.

As part of SAI Pakistan's efforts to enhance bilateral cooperation among the SAIs, the Auditor General of Pakistan visited the National Audit Office of China along with a two-member delegation comprising Mr. Reehan Malik and Mr. Tahir Sajjad, Directors General from September 1-7, 2003. Mr. Asif Ali, Comptroller and Auditor General of Bangladesh visited Pakistan along with Mr. Abdul Kalam Azad, Assistant Comptroller and Auditor General, from 10–13 September, 2003. Mr. Asif Ali visited the training establishments of SAI Pakistan, and expressed keen interest in current and future reforms of the SAI of Pakistan.

The 8th Sino-Pak Joint Seminar is being held in Beijing, China from November 24-30, 2003. A five-member delegation of SAI Pakistan will participate in the seminar. During the seminar, the SAI of Pakistan will contribute four papers on the following themes:

- Challenges of IT Audit in Centralized Accounting Environment.
- Audit of Budget Implementation in an IT based set-up.
- Performance Audit of Public Sector Enterprises.
- Performance Audit of Devolved Financial Authority at the Local Government level.



Mr. Teofisto T. Guingona Jr., Vice President of Philippines greeting Mr. Muhammad Yunis Khan, Auditor-General of Pakistan during the ASOSAI Congress.

9

The General Information on the Chamber of Accounts of the Republic of Azerbaijan

The Chamber of Accounts is created by Milli Mejlis (Parliament) on the basis of article 92 of the Constitution of the Republic of Azerbaijan and since December 7, 2001 started its activity.

The Chamber of Accounts consists of the Chairman, the Deputy Chairman, 7 auditors being Members of the Chamber of Accounts and appointed by Milli Mejlis (Parliament) of the Republic of Azerbaijan. The term of office of Members of the Chamber of Accounts is 7 years.

Realization of functions and powers of the Chamber of Accounts, maintenance of its activity is assigned to the Staff of the Chamber of Accounts. The Chairman of the Chamber of Accounts carries out the management of the Staff of the Chamber of Accounts.

The Members of the Chamber of Accounts



**Namig N. Nasrullayev,
Chairman**



**Abbas M. Allahverdiyev,
Deputy Chairman**

The Auditors of the Chamber of Accounts



Nazim I. Hasanov



Jafar I. Hasanov



Vagif M. Hassanov



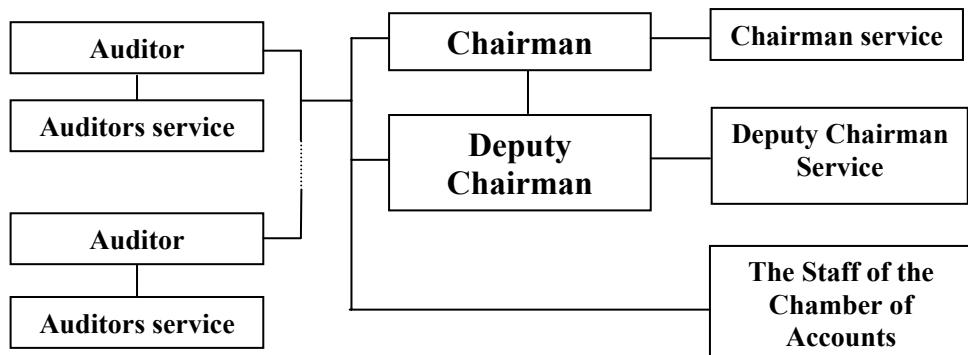
Adil M. Magarramov

Assignment three other auditors is expected by Milli Mejlis in 2004.

The Chairman, the Deputy Chairman and the Auditors of the Chamber of Accounts may neither be arrested and called for criminal liability, nor the court-based administrative punishment measures, the investigation and the personal search may be applied to them during their term of office, unless the Milli Mejlis gives its consent...

The independence of professional activities of the Chairman, the Deputy Chairman and the auditors of the Chamber of Accounts should be guaranteed by the State.

The Structure of the Chamber of Accounts of the Republic of Azerbaijan

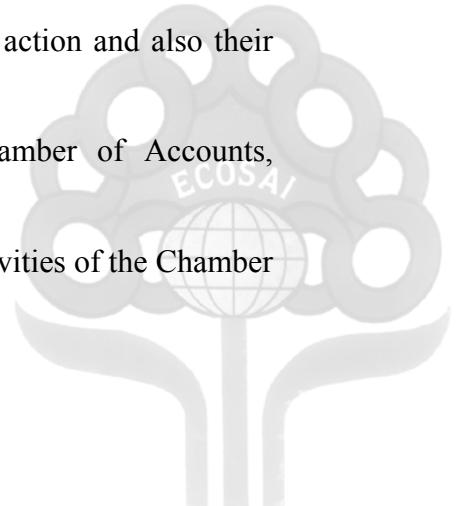


The Sessions of the Chamber of Accounts

Sessions of the Chamber of Accounts are held with a minimum of 5 members.

At Sessions the following are considered and affirmed:

- Plan of work of the Chamber of Accounts;
- The conclusions, reports and offers of the Chamber of Accounts and also internal normative and methodical documents;
- Programs of the organization and realization of control action and also their results;
- The information and data about activity of the Chamber of Accounts, represented to Milli Mejlis and mass media;
- Other questions included in sphere of authorities and activities of the Chamber of Accounts.



The Chairman of the Chamber of Accounts of the Republic of Azerbaijan

Namig N. Nasrullayev

Born on February 2, 1945 in the employee family in Baku, Azerbaijan.

In 1967 graduated the Power Engineering Faculty of the Azerbaijan Institute of Petroleum and Chemistry.

In 1970 graduated the Faculty of Applied Mathematics of the Moscow State University named after M.Lomonosov.

He has PH.D in Theory of Control.

Mr. Nasrullayev are published about 40 scientific works, has 15 authorship certificates.

Up 1968 to 1982 was engaged in research work in scientific institutes of the Academy of Sciences of the USSR and the Academy of Sciences of the Republic of Azerbaijan.

Up 1982 to 1987 was the Deputy Director on Scientific Questions of Institute of Cybernetics, the Director of Special Design Bureau "Cybernetics" of Academy of Sciences of Republic of Azerbaijan.

In 1987 N.Nasrullayev was appointed to the the post of General Director of Azerbaijan Scientific and Industrial Factory "ULDUZ" of the Ministry of Production of the Means of Communications of the USSR, specialized in the sphere of communication and information technologies.

In 1995 he was appointed the First Deputy Minister of Economy, and in 1996-2001 he was the Minister of Economy of the Republic of Azerbaijan.

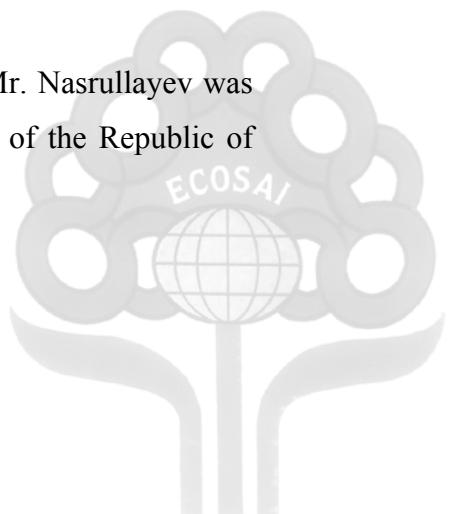
In 1997-2001 was the General Commissioner of the Azerbaijan Section of a "EKSPON-2000" Worlds Exhibition.

Worked in the system of the state government, worked out many directions of social and economic development of the country, designed and made prognosis of the economic processes.

In 2001, 12 June, by the decision of Parliament of Azerbaijan, Mr. Nasrullayev was appointed to the post of the Chairman of Chamber of Accounts of the Republic of Azerbaijan.

Was awarded with government awards.

He is married, and has two children.



The International activity of the Chamber of Accounts

The Chamber of Accounts of the Republic of Azerbaijan is member of INTOSAI, EUROSACI, ASOSACI, ECOSACI and of some other international organization of the supreme financial control.

The special attention is given to establishment and development of mutual relations with Supreme Audit Institutions of other countries. So in October 2002 was signed the agreement on cooperation between the Chamber of Accounts of the Republic of Azerbaijan and the Accounts Chamber of the Russian Federation which, in particular assumes cooperation in realization of parallel control actions, for an exchange of the appropriate directory materials, to professional training, improvement of professional skills of the staff, etc.

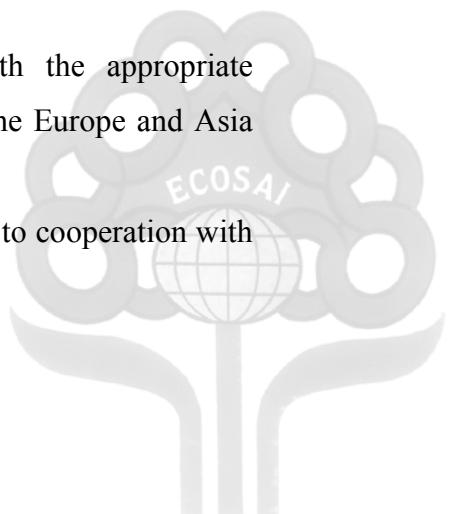
In development of specified Agreement May 30, 2003 in Baku joint session of members of the Chamber of Accounts of the Republic of Azerbaijan and members of Board of the Chamber of Accounts of the Russian Federation was held. At session the constructive exchange of opinions on the actual problems connected to the organization of audit of efficiency of using of public funds, formation of uniform system of the state financial control in both countries, creation of uniform system of preparation and retraining of experts in the state financial control was held. The special attention at session was given questions of realization of jointly - parallel control actions in the areas representing interest and called to provide the further stimulation of economic partnership of both countries.

In January 2003 the similar Agreement on cooperation between the Chamber of Accounts of the Republic of Azerbaijan and the Control Chamber of Georgia was signed.

Professional connections are adjusted with National Audit Office of the Great Britain (NAO), the State Control Chamber of Estonia, and the Control-Accounts Chamber of Moscow.

The opportunity of long-term cooperation is considered with the appropriate organization of Turkey, Pakistan, Japan and Israel, of some of the Europe and Asia countries.

The Chamber of Accounts of the Republic of Azerbaijan is ready to cooperation with all appropriate bodies of the foreign states



10

News in Brief

9th ASOSAI Congress held in Manila – Philippines

The 9th ASOSAI Congress was successfully held in Manila Philippines on 20-26 Oct. 2003. Many of the ECOSAI members participated in this regional gathering including SAIs of Azerbaijan, Iran, Kazakhstan, Pakistan, and Turkey. Some of the ECOSAI members were also candidates for the election of the Board of Governors and Audit Committee membership. It is with honour that we hereby acknowledge the membership of SAI Pakistan as member of the BoG and the membership of SAI Turkey as the member of the Audit Committee.

On Sunday 26th of Oct 2003 the SAI of Pakistan kindly hosted a complimentary lunch and the SAIs of Iran Turkey and Uzbekistan attended with the intention of discussing the future and the long term objectives of ECOSAI. This meeting had pleasing results.



Mr. Seyed Kazem Mirvalad President of the SAC and Mr. Mohammad Yunis Khan holding talks on ECOSAI issues over lunch hosted by the SAI of Pakistan

IDI – WGEA Workshop on Environmental Auditing held in Antalya – Turkey in Oct.2003

The IDI – WGEA Workshop on Environmental Auditing was successfully hosted by the SAI turkey, esteemed BoG member of ECOSAI on 3-14 Nov. 2003. Many of the participants were ECOSAI members and showed the usual determination in exchanging and developing Audit skills.



Audit Planning/ Risk Assessment Workshop in Turkey

The Turkish Court of Accounts (TCA), in cooperation with the European Court of Auditors (ECA) and SIGMA, held a workshop on “Audit Planning/ Risk Assessment” in Antalya from 24-26 September 2003. Delegations from SAIs of Central and Eastern European Countries, Cyprus, Malta, Turkey, Denmark, Portugal, United Kingdom and from ECA and SIGMA participated in the Workshop. Mr. Colm Dunne of Epsilon Consulting Firm, Ireland, who made a presentation of the IFAC Standards and future developments in the area of Risk Assessment, also attended the Workshop.

The goal of the Workshop was to facilitate the exchange of knowledge and practical experiences of current practices and standards for Risk Assessments in the planning phase so as to encourage the application of better methods and procedures in that area.

The issues addressed during the workshop included:

- The concept of risk, risk for the institution, the audit risk model and the EU Implementing Guidelines,
- The relation between risk management and risk assessment,
- Presentation of the IFAC Standards and future developments in the area of Risk Assessment,

Country presentations dealt with the “Risk Assessment in the Audit Office” and Group exercises on the issue also took place in the Workshop.

The workshop Programme ended with a half day excursion in Antalya region on 26 September 2003.

FO/International



Prepared by:

Public Relation & Int'l Affairs Office of the Supreme Audit
Court of Iran
99,Shahid Golabi St., Karimkhan Zand Ave., Tehran,
15946,Iran
--Tel: ++98-21 890 11 61
Fax: ++98-21 890 04 04 & ++98-21 890 11 61
E-mail: pria@dmk.ir and irisac@majlis.ir

ECOSAI Secretariat:

Office of the Auditor General of Pakistan
Constitution Ave.
Islamabad 44000
Pakistan
Fax :++(92 51)922 40 85
++ (92 51)922 52 43
Tel: ++ (92 51)922 40 80
++ (92 51)920 83 26
e-mail: saipak@isbcomsats.net.pk





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SUPREME AUDIT INSTITUTIONS