

AUTUMN ISSUE



ECOSAI

CIRCULAR 2021





ECOSAI is regional forum of Supreme Audit Institutions encompassing countries from Europe, Caucuses 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)

ECOSAI Governing Board Members

- 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.

Terms of use and disclaimer

The ECOSAI Circular presents information that was compiled and collected by the ECOSAI Secretariat at the Department of the Auditor General of Pakistan.

Terms of use and disclaimer Opinions and beliefs expressed are those of individual contributors and do not necessarily reflect the views and/or policies of the organization. The editor invites submission of articles, special reports, and news items, which should be sent to ECOSAI Secretariat at saipak@comsats.net.pk

The Circular is distributed to ECOSAI members / observers and other interested parties at no cost. It is available electronically at www.ecosai.org.pk/www.agp.gov.pk

Material in the Circular is not copyright for members of ECOSAI. Articles can be copied freely for distribution within SAIs, reproduced in internal magazine and can be used in training courses.

Editorial Team

Ahmar Ellahi

Director General (HRM) Wing, Department of the Auditor General of Pakistan

Muhammad Luqman

Director General to Auditor General of Pakistan, Department of the Auditor General of Pakistan

Syed Imran Baqir

Director International Relations & Coordination (IR&C) Wing / Authorized Representative of Secretary General ECOSAI, Department 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



MEMBERS



Afghanistan



Azerbaijan



Iran



Kazakhstan



Kyrgyzstan



Pakistan



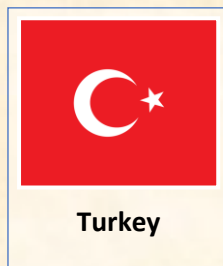
Tajikistan



**Turkish Republic of
Northern Cyprus**



Turkmenistan



Turkey



Uzbekistan

OBSERVERS



Kuwait



Qatar



Palestine



Belarus



CONTENTS

- Message of the Secretary General ECOSAIi
- **NEWS FROM THE SAIs**
- SAI Afghanistan 1
- SAI Azerbaijan 2
- SAI Iran 3
- SAI Pakistan 5
- SAI Palestine 7
- **ARTICLES FROM THE SAIs**
- Measures Taken Regarding COVID-19 Pandemic in the Republic of Azerbaijan..... 17
- Impact Of Managerial Ability on Audit Fees with an Emphasis on Financial Distress.....19
- Organized Corruption in Public Organizations.....20
- Legalistic AI Approach in Analyzing the Factors Affecting Tax Adjustment of Legal Entities in the Tax Judicial System.....22
- Audit of Increasing Government Accountability on Environmental Issues.....24
- Audit of COVID-19 Expenditure – SAI Pakistan Experience....26
- Strategizing Audit Impact: Getting Recommendations Implemented.....32
- Reforming Public Sector Payment Mechanism.....37
- Strategizing the Forensic Auditing in the Public Sector of Pakistan.....40
- The Accounts Chamber of The Republic of Tajikistan.....42
- TCA’S Assessment Methodology of Strategic Management, Internal Control and Enterprise Risk Management.....44





MESSAGE OF THE SECRETARY GENERAL ECOSAI



It gives me immense pleasure to present Autumn Issue of ECOSAI Circular 2021. The essence of the Journal is to share professional experience, exchange of information and best practices which enriches the member SAIs.

To operate in the increasingly dynamic and interconnected world member SAIs are required to be professional, inclusive and resilient in order to deliver value and benefits to their governments and citizens. Professional and Capacity Development of the SAIs is the prerequisite in contributing effectively to accountability of the public sector and promoting good governance. Through this forum we may explore best practices to become an effective, accountable and inclusive institution to provide effective public financial management and good governance.

I express my sincere gratitude to all the authors who have generously made this edition of ECOSAI Circular possible. The main mission of this journal is serving as a vehicle for cooperation and communication between members SAIs.

I sincerely hope that all member SAIs would continue to share their knowledge and audit experiences in the emerging and challenging auditing fields. The enthusiasm exhibited in contributing professionally to the circular would make it a primary knowledge sharing platform.

MUHAMMAD AJMAL GONDAL
AUDITOR GENERAL OF PAKISTAN



NEWS FROM SAIs

Auditor General of Afghanistan Biography



Mawlawi Qudratullah Jamal
Auditor General
Supreme Audit Office Afghanistan

Mawlawi Qudratullah Jamal son of Mula Jamaluddin was born in 1973 in Gardiz district, Paktia Province.

Mr. Jamal completed his primary studies up to grade 12 and has bachelor degree in Islamic studies.

Mawlawi Qudratullah Jamal son of Mullah Jamaluddin, was born in 1973 in Gardiz, Paktia province. He completed his primary education up to the twelfth grade, and later completed his higher education and obtained bachelor degree in Islamic studies (Sharia & Law).

Mawlawi Qudratullah Jamal has served as the Minister of Information and Culture of the Islamic Emirate of Afghanistan for two years, he has also been member of the leadership of the Cultural Commission of the Islamic Emirate of Afghanistan for four years and also served as the Deputy of the Commissions for Public work and Rural Development.

He has spent much of his life as a politician; academic and cultural figures. During the holy Jihad, he has been an active Mujahid of the Islamic Emirate of Afghanistan and fought for the freedom and prosperity of his people and country.

Recently with the victory of the Islamic Emirate of Afghanistan, based on the decree number (14) dated (19-04-1443 Lunar-Hijri) of the Amir - ul - Momenin, Mawlawi Jamal has been appointed as the Auditor General of Afghanistan.

Mawlawi Qudratullah Jamal is fluent in Arabic and Urdu and speaks official languages; Dari and Pashtu.



THE CHAMBER OF ACCOUNTS OF THE REPUBLIC OF AZERBAIJAN HOSTED
 THE 25TH ECOSAI GOVERNING BOARD AND THE 20TH ECOSAI TRAINING COMMITTEE MEETINGS


The Chamber of Accounts of the Republic of Azerbaijan hosted the 25th ECOSAI Governing Board and the 20th ECOSAI Training Committee Meetings on December 6, 2021 in Baku.

SAI Pakistan as ECOSAI Secretariat presented Training Committee report, and the participants discussed the issues related with the publication of the ECOSAI newsletter, Memorandums of Understandings signed between members SAIs, ECOSAI training activities during the Training Committee Meeting.

During TCM participants discussed the importance of e-learning system and online platform for member SAIs as well as posting of news items on ECOSAI website and agreed on the future collaboration in this field. Following the Training Committee Meeting, the 25th ECOSAI Governing Board Meeting was held with the participation of member SAIs. Mr.Vugar Gulmammadov, the Chairman of the Chamber of Accounts of the Republic of Azerbaijan in his speech especially noted the role of the ECOSAI Training Committee for the capacity development of member SAIs, mentioned the cooperation relations between member SAIs and meeting held among the SAIs of Uzbekistan, Turkey and Azerbaijan, as well as relevant negotiations and discussions that are underway with the Turkish and Pakistani SAIs on the renewal of Memorandums of Understanding.

The participants of the meeting discussed the annual performance of ECOSAI, the report of the 20th ECOSAI Training Committee Meeting, the trainings and the proposals of the participants to further strengthen the activities of the organization.

It should be noted that the Chamber of Accounts has been a member of ECOSAI since September 2002 and has repeatedly been a member of the Governing Board, as well as the Audit Committee.



SAI IRAN HOSTED THE ECOSAI FIRST INTERNATIONAL TRAINING COURSE ON IT AUDIT IN 2022

SAI Iran hosted an online five-day International Training Course on IT Audit from 17 to 21 January 2022. The course was attended by the unprecedented number of 100 participants from all full and observer members of ECOSAI as well as some participants from ASOSAI, covering some latest important theoretical and practical themes in the realm of IT audit.

At the opening ceremony of this course, Dr. Mehrdad Bazrpash, President of SAI Iran, expressed his satisfaction on hosting of Tehran as the first course in the ECOSAI Training Plan in the new year and added that strengthening specialized meetings in order to booster thematic and regional treaties can aid countries in managing domestic crises and cause more resilience to international pressures to save the world from the unilateralism of some countries.



NEWS FROM SAI IRAN



Having expressed that the ECOSAI members are civilized nations with a brilliant historical background, Dr. Bazrpash considered the coexistence of these countries in various issues and organizations as a motive to establish one of the most important international treaties in near future. Furthermore, he called for more efforts on the part of ECOSAI members to become more effective in ASOSAI and INTOSAI organizations.

In the end, Dr. Bazarpash announced the readiness of SAI Iran to form a working group focusing on information technology auditing in line with INTOSAI policies and added that Iran places great emphasis on strengthening the role of information technology in audits, and the choice of the slogan "Technological and People-Based SAI" shows this importance.

During this international event, Mr. K. R. Sriram, Deputy Auditor General of SAI India as the Chair of INTOSAI WGITA and Mr. Rassul Rakhimov, Representative of SAI Kazakhstan as the Chair of ECOSAI gave speeches and some major and outstanding Iranian lecturers and instructors in the scope of IT audit elaborated the most recent and practical techniques and methodologies of IT audit. Besides, representatives of SAIs of Turkey, Palestine, Azerbaijan and Turkmenistan presented their concerned papers in the realm of IT audit.

NEWS

VIRTUAL SIGNING CEREMONY OF MEMORANDUM OF UNDERSTANDING BETWEEN NATIONAL AUDIT DEPARTMENT OF MALAYSIA AND OFFICE OF AUDITOR GENERAL OF PAKISTAN ON APRIL 13, 2022.

Mr. Muhammad Ajmal Gondal, Auditor General of Pakistan and Datuk Seri Nik Azman Nik Abdul Majid, Auditor General of Malaysia signed MoU in a virtual signing ceremony on Wednesday, April 13, 2022. The MoU covers areas of cooperation in the public sector auditing. The heads of the two SAIs agreed to benefit from each other experiences and this MoU will further strengthen the ties between countries.



HOSTING OF 5TH MEETING OF HEADS OF SUPREME AUDIT INSTITUTIONS OF SHANGHAI COOPERATION ORGANIZATION ON 31 MARCH, 2022 IN ISLAMABAD PAKISTAN

The Department of the Auditor General of Pakistan/ Supreme Audit Institution of Pakistan hosted 5th Meeting of Heads of Supreme Audit Institutions (SAIs) of Shanghai Cooperation Organization (SCO) virtually on 31st March 2022 in Islamabad, Pakistan. The Heads of Supreme Audit Institutions and Senior level officers of SCO member countries i.e., China, Russia, India, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan participated in the event. Shanghai Cooperation Organization (SCO) has eight countries which enjoy the status of the SCO full members: India, Kazakhstan, China, Kyrgyzstan, Russia, Pakistan, Tajikistan and Uzbekistan.



SAP QUALITY AWARD FOR CUSTOMER SUCCESS MIDDLE EAST AND NORTH AFRICA 2021

The Auditor General of Pakistan has been selected as the Grand Winner of the SAP Quality Awards for Customer Success in the Rapid Time to Value On-Premise category in MENA. The trophy will be handed over to the O/o the Auditor General of Pakistan at the earliest suitable opportunity in line with published Covid-19 precautions.

SAP QUALITY AWARDS
Celebrating excellence
in SAP implementation



Auditor General of Pakistan
Government of Pakistan

GRAND WINNER
Customer Success in MENA Region




SAP
Grand Winner
SAP Quality Awards
for Customer Success
Middle East and
North Africa
2021

NEWS FROM PALESTINE

EU SUPPORTS EXTERNAL AUDIT CAPACITY BUILDING OF PALESTINE



Supreme audit institutions of Palestine and Poland announced their twinning project during a press conference in Ramallah. SAACB president Counselor Eyad Tayyem, president of Poland's NIK Mr. Marian Banaś, the Advisor to the Prime Minister for Planning and Aid Coordination at PM's Office Dr. Estephan Salameh, the Head of Cooperation of the EUD Mr Gerhard Krause, the Poland's project manager Mr. Grzegorz Haber, officials, representatives of government/civil entities and representatives of donors were present at the conference.

Counselor Tayyem in his speech extended appreciation to Mr. Banaś –who was present through a recorded video message- and EU representative, the biggest supporter to SAACB by evident and tangible support to professional and institutional capacity of SAACB, in the form of two-phase project at 5.5 million EUR from 2010-2017. Counselor Tayyem added that the EU-financed twinning project, for which the official kick-off ceremony was held, focused on significant matters such as financial audit capacity building, tax and customs audit and huge data audit and use.

Mr. Marian Banaś said: 'the well-trained and professional auditors can describe the financial and economic conditions of the state, and also capable of assessing action of authorities that have been entrusted by nation with joint resources management, and proposing remedial measures if violations were disclosed. We intend to share our experience and ways of international audit standards application into daily practice with our Palestinian counterparts. I think that this goal is going to make a difference to the Palestinian general financial governance in order to serve the Palestinian people'.

Mr. Gerhard Krause stated that they are bringing the best European and international practices in this field to enhance and empower the Palestinian institutions' development, as this is one aspect of the two-states solution support.

Dr. Estephan Salameh reiterated the importance of Palestine's cooperation with EU in different fields, especially the twinning projects. He called the Palestinian institutions upon applying for such projects through council of ministers for maximum benefit. The overall goal of this project is improving the accountability and public funds management in Palestine, by enhancing the external audit capacity in line with international standards. The project also intends more specifically to improve the financial and compliance audit capacity to perform tax and customs audit, and to improve the huge data audit. The project cost is estimated at 1.5 million EUR, carried out between 2021-2023 with the EU, being the sole financial contributor.

Other goals include enhancing the financial and administrative audit capacity, and supporting SAACB in becoming an independent, efficient and effective external audit institution in line with INTOSAI standards.

NEWS FROM PALESTINE

COUNSELOR TAYYEM RECEIVES CONSOLIDATED FINANCIAL STATEMENTS 2018-2019



SAACB president Counselor Eyad Tayyem received on July 4, 2021 the consolidated financial statements of 2018-2019 from Ministry of Finance, for audit and opinion expression purposes.

MoF officials included the accountant general Mr. Ahmad Sabbah and acting manager of accounts Mr. Ahmad Thumainat.

Counselor Tayyem praised MoF for taking SAACB recommendations into account, which will be reflected in quality of financial statements.

COUNSELOR TAYYEM RECEIVES CONSOLIDATED FINANCIAL STATEMENTS 2018-2019



08.07.2021 – Upon meeting the deputy Salfeet governor Mr. Mahmoud Saleh, SAACB president Counselor Eyad Tayyem received the 2020 annual report of the Solidarity Fund Charity, which documents interventions and achievements of the Fund for the benefit of the lowest income groups in Salfeet District.

Counselor Tayyem spoke highly of the idea behind the Fund, stating that it should be mainstreamed in all districts while taking governance into account.

The two also discussed general issues in Salfeet District.



MR. PRESIDENT RECEIVES SAACB ANNUAL REPORT

Ramallah, 15.07.2021 – Mr. President of Palestine Mahmoud Abbas received the 2020 annual report of SAACB from Counselor Eyad Tayyem and deputy Mrs. Amal Faraj.

Counselor Tayyem talked about key findings in the report, which indicates that action of public entities and the public funds management have been audited. Total reports audited reached 115, where SAACB was able to overcome difficulties of COVID-19 pandemic.

Counselor Tayyem indicated that SAACB has processed applications received from Mr. President Office, the government and official entities, and made reports thereto duly, besides processing complaints that SAACB receives.

Mr. President spoke highly of the significant work that SAACB does to follow up public entities, public funds management and transparency to serve the Palestinian citizens. He also emphasized full support to SAACB action and independence, stating that reports and recommendations should be observed.

PRAISED THE SIGNIFICANT AUDITS PERFORMED: DR. ISHTAYYEH RECEIVES SAACB ANNUAL REPORT



Ramallah, 15.07.2021 – Mr. Prime Minister Dr. Mohammad Ishtayyeh received in his Ramallah office the 2020 annual report of SAACB from Counselor Eyad Tayyem, deputy Mrs. Amal Faraj and director general Mr. Jaffal Jaffal.

Counselor Tayyem described the main talking points of the report (115 audit reports, 174 complaints), the majority of which has been processed and the rest is being followed up, besides finishing the complaints referred from previous years. Counselor Tayyem clarified that what the report brings up the most is the actual and tangible progress in corruption fighting-related issues. Mr. prime minister praised SAACB effort in audited entities to ensure sound financial and administrative performance therein and serve citizens. He also emphasized full support to SAACB action and recommendations.



SAACB STAFF AT FINANCIAL STATEMENTS TRAINING COURSE

02.08.2021 – A number of SAACB staff members participated in a training course about making and auditing the financial statements. The course –part of SAACB training plan- was held with the European Union support, and in cooperation with Palestine Public Finance Institute.

The course was part of a series of training courses that will be held by SAACB in cooperation with PPFi, as part of the World Bank-financed ‘public finance system improving and reforming in Palestine’ project.

SAACB CONCLUDES A REPORT-WRITING WORKSHOP



Ramallah, 26.08.2021 – SAACB concluded two workshops, part of communication workshops to develop audit output, in cooperation with the Swedish National Audit Office (trainer was Mr. Jonas Ablad).

The first workshop included staff from different audit department and the public relations team, while the second included audit managers, quality assurance team and the review committee.

These workshops started off the fact that simple language is one of readable audit reports requirements, where the use increases communication probabilities with wider audience, and at the same time helps key stakeholders find information in audit reports and other texts released by SAACB.

This mission aimed at providing SAACB staff with the simple language tools, and training them on how to use in writing audit reports with executive summaries, press releases and social media posts.

They also intended to develop internal communication processes between audit departments on one hand and PR unit on the other hand, in order to publish the audit findings in way that fulfills needs of external stakeholders, besides how to develop website content to serve audits and the public with all its different groups.

SAACB at ASOSAI Congress

07.09.2021 - Counselor Eyad Tayyem was remotely present at the 15th Congress of ASOSAI, set in Thailand, in order to elect the executive board and the audit committee. Saudi Arabia, Turkey, Russia, Philippines, Pakistan, Malaysia and South Korea were elected as executive board members, whereas Azerbaijan and Kazakhstan were elected to the audit committee. The Congress discussed the financial report, enforcement of 2016-2021 strategic plan, the new 2022-2027 plan draft, capacity building actions, ASOSAI cooperation with regional organizations and INTOSAI, ASOSAI grant to member SAIs affected by COVID-19 pandemic and the new website and logo.



NEWS FROM PALESTINE

SAACB PRESENTS AT ASOSAI CONGRESS



08.09.2021 – SAACB had a presentation about ‘audit of emergency financing for COVID-19’ and ‘SAACB experience of auditing the support and assistance program to workers affected by COVID-19 pandemic’, delivered by PR manager Lana Assi. The presentation took place via Zoom during the 15th Congress of ASOSAI in Thailand.

SAACB CONCLUDES QUALITY AUDIT MANAGEMENT & QUALITY SYSTEM WORKSHOP



19.09.2021 – The workshop was part of main financial audit component, one of the EU-financed twinning project components between SAACB and NIK of Poland, where there was linking between theoretical cases and practical experience of both SAIs. These workshops are organized as per the approved project plan.

WORLD BANK VISITS SAACB

29.09.2021 - Counselor Eyad Tayyem met a delegation from the World Bank, which included the economy sector officer in WB Palestine Mr. Sebastian Saiz, the governance expert Mrs. Riham Hussein and the financial management expert Mr. Mohammad Jabr. The meeting intended to review action progress and achievements made by SAACB upon the audit of financial statements, besides discussing SAACB needs that WB could provide as part of the public funds management improvement project, which helps improve staff capacity.



NEWS FROM PALESTINE

COUNSELOR TAYYEM MEETS POLISH PARLIAMENT GROUP, DISCUSSES PALESTINIAN INSTITUTIONS WORK



Warsaw, 06.10.2021 - SAACB Counselor Eyad Tayyem explained how the Palestinian institutions operate under Israeli occupation in front of the Polish-Palestinian parliamentary group. The meeting took place at Poland's parliament offices, Warsaw on Tuesday 05.10.2021 in presence of the State of Palestine embassy's advisor Mr. Asem Kurdi. The delegation met the parliamentary group and its heads Eva Kouci and Matchi Konichni.

Counselor Tayyem stated: 'we are persistent to have transparency and accountability in our work to build the state institutions and Palestinian people'. The group members explained processes and laws and regulate accountability and performance control in Poland to the Palestinian delegation, and emphasized the supporting position to the Palestinian people and two-state solution with political negotiations. Kouci said that parliamentary group is having joint communications in consultation with Palestine embassy through Polish institutions in question, in order to provide medical aid in the form of Coronavirus vaccinations, and as part of continuous development support from Poland to the Palestinian people.

SAACB delegation was visiting Poland at the invitation of SAI of Poland and Central Accounting office of Poland.

COUNSELOR TAYYEM VISITS POLAND, SIGNS COOPERATION AGREEMENT WITH COUNTERPART

Warsaw, 09.10.2021 – SAACB Counselor Eyad Tayyem signed an agreement with Polish counterpart Mr. Marian Banaś to enhance joint cooperation and exchange audit experience. Palestine ambassador to Poland Mr. Mahmoud Khalifa was present at signature ceremony.

The agreement was signed at Polish SAI offices as conclusion to a five-day visit of SAACB delegation, headed by Counselor Tayyem. The Palestinian delegation were shown how the Polish SAI works and laws that govern action. Counselor Tayyem stated that the cooperation between the two SAIs is on for almost a year, where a twinning project, financed by European Union, is carried out in the Palestine and Poland. The project intends to exchange experience between the two SAIs as per INTOSAI standards, and is expected to end 2023. The Palestinian delegation visited the Polish parliament and met the parliamentary Polish-Palestinian friendship group. The group delivered a presentation about the parliament's role to enhance transparency and enact regulating laws, besides enhancing the mutual Polish-Palestinian relations. The delegation has also been to a regional Polish SAI office in Kharkov, where they saw how it works financial audit and tax audits areas. They have a meeting with city mayor and discussed importance of audits to improve performance of institutions, and importance of implementing recommendations of audit reports by audited entities. The delegation visited the grievances board of Poland, and saw how it operates in human rights field.

NEWS FROM PALESTINE

SHARAKA PROGRAM CONCLUDED



28.10.2021 – the regional 'Sharaka' program, lasted over 5 years and SAACB took part in, has concluded. The conclusion came during a remote conference held October 27-28, 2021 where Counselor Eyad Tayyem, deputy Mrs. Amal Faraj and SAI heads from Tunisia, Morocco, Algeria, Jordan, Iraq and Sudan were present.

Launched 2016, the program was in cooperation with Court of Accounts of Holland, financed by the Dutch department of state and had several countries, one of them was Palestine. The program included a variety of fields to help auditors of SAIs learn how to apply audit theories in practice, as well as reviewing the United Nations Sustainable Development Goals. The project also helped enhancing good governance in the participating states. Counselor Tayyem started his speech by saying that Sharaka has opened new audit horizons and helped addressing SDGs in a way that serves the Arab societies, extending appreciation to the Dutch CoA for the well management of the program, and to Dutch department of state for supporting the program.

He also talked about the relations development with stakeholders to increase audit reporting impact, reports publishing online and encouragement of stakeholders to enforce recommendations of SAACB. He pointed out that SAACB implanted the annual plan during 2020, set before the state of emergency that struck the entire world, where SAACB faced significant challenges upon management of audits due to closures, but it was keen to carry out the plan remotely after having audit requirements from audited entities. Counselor Tayyem reassured that SAACB is attempting to have a fully-fledged professional relationship with stakeholders, down to a high understanding of audit and SAACB role importance, pointing out that SAACB has been releasing reports associated with services that provided by government entities, besides enforcement of recommendations. A follow up program is now being developed with the same participating state, plus other states, where the Dutch departments of state will finance that program. SDG 11 on sustainable local cities and communities will be audited.

COUNSELOR TAYYEM MEETS A US CONSULATE DELEGATION

18.11.2021 – Counselor Eyad Tayyem met at his Ramallah office a delegation from the Palestinian affairs unit at the US general consulate, Jerusalem. It included the economic analyst Mr. Elyas Khayyo and economic assistant Mr. Jan Bernd. Counselor Tayyem described how SAACB operates to enhance transparency and integrity in institutions of the State of Palestine and audited entities, and talked about the need to enforce audit recommendations by audited entities.

He also mentioned the need to close the time gap between setting financial statements by Ministry of Finance on one hand and auditing them by SAACB on the other hand, with Ministry of Finance's response to recommendations on financial statements, which will be reflected on their quality. Counselor Tayyem reiterated the importance of cooperation between SAACB and Anti-Corruption Commission in order to enhance principles of integrity and transparency.

NEWS FROM PALESTINE

SAACB, SNAO HOLD STEERING COMMITTEE MEETING



23.11.2021 - Counselor Eyad Tayyem discussed at the steering committee meeting of the Swedish National Audit Office project, which is being held at SAACB, the fields of performance audit development, communication, management, quality assurance/control and strategic audit planning. The remote meeting discussed activities of the project, which ran under the name 'institutional development cooperation between SNAO and SAACB of Palestine'.

Counselor Tayyem initiated the meeting by extending appreciation to SNAO auditor general Mrs. Helena Lindberg, project manager at SNAO Mr. Kameran Khudur, SNAO acting deputy auditor general Mr. Dag Levin Sparr and the Swedish experts for their support to SAACB teams in fields mentioned above. He also expressed happiness for findings that have been achieved so far, which were positively reflected on the project's evaluation report set by Ernest & Young Co., and Mrs. Lindberg praised the SAACB effort in the progress to all of the project components, which helped enriching the experience and professional development of SAACB staff.

SAACB AT INTOSAI INTERNATIONAL SUMMIT

01.12.2021 – SAACB was present, via Zoom, at the international summit meeting of INTOSAI members about impact of SAIs, where more than 120 representatives from around the world have been there to present their experience in the influencing and findings follow up fields.

The auditor general advisor Mr. Shehadeh Alawneh represented SAACB at this global meeting, who presented a worksheet about SAACB follow up to recommendations of its audit reports and action findings, and explained importance and benefits of following up audit recommendations.





ARTICLES FROM SAIs

MEASURES TAKEN REGARDING COVID-19 PANDEMIC IN THE REPUBLIC OF AZERBAIJAN



Mr. Jafar Hasanov,
Member of the Board



Ph.D. Narmina Isayeva,
Consultant of
the Department of
International Activities,
Training and
Methodology

The expansion of a new type of corona virus infection spreading in the world from the beginning of 2020 has led to a sharp increase in the number of cases of this disease in our country. This necessitated the expansion and strengthening of appropriate preventive measures to prevent the disease. Based on the above-mentioned measures, with the application of a special quarantine regime in the country, work regimes in trade, tourism, catering, etc. were formed at intervals covering a certain period based on special rules, and social isolation of the population was carried out.

So, elimination of possible impacts on the stability of the economy during the corona virus (Covid-19) pandemic, protection of the social welfare of the population and ensuring the sustainability of economic development were identified as the main criteria in the development of special rules for the organization of economic activities.

In this regard, the government made relevant decisions in order to ensure the growth rate of economic development in the country and financial sustainability of economic entities, to implement various supportive measures for socially vulnerable groups, as well as to ensure compensation for lost incomes of persons working in various sectors of the economy during lockdown.

According to this decision, one of the measures envisaged to support the protection of the social welfare of the population is the "provision of a lump sum payment to persons registered as unemployed." Thus, in accordance with the Government Resolution "On approval of the terms and conditions of the lump sum payment to the unemployed registered in connection with the introduction of a special quarantine regime during the coronavirus (COVID-19) pandemic" the lump sum payment covered the period from April to August and December in 2020, and the number of persons provided with the lump sum payment in the areas where the special quarantine regime was applied, covered 2,348,766 people.

Additionally, one of the measures taken to support employment in accordance with the government's decision is the organization of "paid public works." Due to this, there was a decrease in the number of unemployed.

Also, one of the measures aimed at supporting the socially vulnerable population during the pandemic was the state funding of education expenses for the semester. Thus, in 2020, education expenses of a total of 20,800 students from socially vulnerable families studying in higher, secondary and vocational education institutions for the second semester of the 2019/2020 academic year and the first semester of the 2020/2021 academic year were paid from the state budget. Thus, the number of students who benefited from the program for only one semester was 10,491, of which 4,900 benefited in the second semester of the 2019/2020 academic year, and 5,591 in the first semester of the 2020/2021 academic year. The number of students who participated in the program in both semesters was 10,309.

Maintaining the stability of economic growth and supporting entrepreneurship were also key objectives identified during the quarantine period. Thus, in order to prevent the reduction of the number of jobs in economic areas activities of which have been temporarily suspended with the application of a special quarantine regime, relevant funds have been allocated from the 2020 state budget to finance the expenses to be paid to the employees working there for the same period. The mentioned funds were in full allocated to finance the payments made in the form of salaries to the persons working in the economic areas, activities of which were temporarily suspended.

In order to increase business participants portfolio, access to investments and financial resources of private sector businesses, to support the development of a favorable environment, as well as to maintain the stability of the current situation during the coronavirus (COVID-19) pandemic, the charter of the Entrepreneurship Development Fund has been amended, and Guarantee and subsidy mechanisms have been added to its activities and thus, mechanisms have been introduced to provide state guarantees for new loans to entrepreneurs and to subsidize interest on these loans, as well as to finance part of the loan interest of entrepreneurs with existing credit debt by the state.

One of the areas affected during the pandemic was passenger transportation. The introduction of a special quarantine regime and thus the social isolation of the population, as well as the restriction of access to the territory of the country, has resulted in a weakening of the financial sustainability of entities engaged in passenger transportation.

For this reason, the "Support Program for Vital Passenger Transport Activities" was adopted. The main purpose of the program is to provide financial assistance to entities in this field.



Mr. Voria Ahmadi

Auditor

*Supreme Audit Court
of the Islamic Republic of Iran*

IMPACT OF MANAGERIAL ABILITY ON AUDIT FEES WITH AN EMPHASIS ON FINANCIAL DISTRESS

High managerial ability has favorable effects on corporate policies and financial reporting outcomes. One of the factors that can ensure the growing life of organizations is the existence of a powerful and efficient management system. Higher managerial ability can lead to more efficient management of the company's day-to-day operations, especially in critical periods of operations where managerial decisions can have a significant impact on the company's performance. Therefore, the purpose of this study is to investigate the impact of financial distress on the relationship between managerial ability and audit fees in 102 companies listed on the Tehran Stock Exchange in the period 2014 to 2018. Multiple regression techniques with panel data methods were used to test the hypotheses. The present research is applied in terms of the nature of the post-event method, and sample selection has been done systematically. The results of the first research hypothesis showed that managerial ability has a negative and significant effect on audit fees. The research results also showed that financial distress has a positive and significant effect on the relationship between managerial ability and audit fees.

ORGANIZED CORRUPTION IN PUBLIC ORGANIZATIONS

Corruption is a complication of public power and a sign of bad governance that undermines the rule of law and disrupts the political stability, social unity, and economic growth of a country. Corruption is not a crime in all UN member states. Corruption undermines the legitimacy of the political system. It makes the provision of public services and their quality limited and is very costly for the economic growth and investment of the country because it increases the cost of public and private business. Corruption overshadows the business environment and leaves it with high uncertainty and diverts the legal and lawful framework that businesses must rely on and weakens the process of globalization.

In a globalized world, corruption is an organizational problem and a structural threat. Corruption is not only a danger but in practice, is the threat of failure and legitimacy of any system. Completely corrupt communities cannot be free, secure, democratic, and equal. These are the criteria of creativity and a high standard of living and are essential for the engine of economic growth and success. If the people and the society cannot trust the legitimacy of the government, the moral infrastructure of the country will be destroyed gradually.

One of the most important factors that can help reduce corruption is the requirements of democracy, the rule of law and civil rights, and the freedom of the press as the fourth pillar of democracy. Corruption in any country weakens the government and the moral infrastructure of the society and destroys the institutional foundation on which a country's political stability, social cohesion, and economic growth depend.

Corruption is one of the harms of political culture. Government corruption leads to the corruption of the people and it is difficult to fight it. This type of corruption reduces the legitimacy of the political system in general. Nepotism, selling positions, and connecting public and private environments are clear examples of corruption in the government in developing countries.



Mr. Shamsuddin Nikmanesh

Assistant Professor of Payame Noor University, Iran

Mr. Seyed Mohammad Mohammadi

Technical Expert

Supreme Audit Court of the Islamic Republic of Iran

Mr. Meysam Aqeli

Lecturer of Islamic Azad University, Iran

Studies show that how corruption is related to the relationship between government, politics, the economy, and society. Corruption is the result of the nature of the government, which has a monopoly on legitimate power. The government has the authority to regulate markets and society, define institutions and rules of the game, and provide financial benefits. For this reason, market players and citizens are very interested in influencing and using this power. Economic achievement binds trade to the government and thus creates economic and political corruption. The nature of the government, as a power structure that combines political and administrative actors, means that administrative corruption cannot be separated from sources of power.

Therefore, in order to fight corruption and improve environmental health, the corrupting infrastructure must be reformed in each country and the fight against corruption must be comprehensive and far from selective measures in fight against corruption. The most important fact in developing countries is that the fight against corrupt rulers should not be postponed until after their rule period and corrupt managers should not purposefully be appointed to keep them in a safe corner and away from accountability. In order to avoid corruption in developing countries, the pillars of governance should avoid partisan appointments, nepotism, and noviceism, and increase the participation of elites in governing the country, and welcome criticism, accountability, and transparency.

LEGALISTIC AI APPROACH IN ANALYZING THE FACTORS AFFECTING TAX ADJUSTMENT OF LEGAL ENTITIES IN THE TAX JUDICIAL SYSTEM (CASE STUDY OF SOUTH KHORASAN TAX AFFAIRS)



Mr. Masoud Nikandish

Head of Auditing Team

Supreme Audit Court

1. INTRODUCTION

The tax collection process in Iran generally begins with the unit finding and the process of reviewing, determining and determining the tax, and finally enters the tax litigation process with the payment or in case of a material objection to the relevant tax, which in the end leads to tax collection. The process of tax litigation and litigation as one of the most important elements of any tax system and part of the recognized rights of taxpayers and at the same time it is necessary to protect the rights of the tax authority (Mousavi & Ebrahimi, 2019).

Timely collection of taxes in Iran is one of the main challenges of the tax system. There are various reasons for the delay in collecting taxes, and without a doubt, the slow speed of the process of resolving tax disputes is one of the main reasons for such delays. (Yavari & Idrisian, 2019).

One of the most important problems of the Iranian tax system is the high volume of cases referred to judicial authorities. From an economic point of view, on the other hand, a major part of the votes issued by tax dispute resolution boards results in adjusting taxpayers' tax revenues (Mousavi & Ebrahimi, 2019).

However, using concepts such as tax avoidance, tax evasion, tax compliance, tax risk, withholding tax disputes, and definitive tax and tax litigation, similar studies can be obtained, which are summarized as follows:

1. Contradiction of accounting standards with tax laws and regulations(X1);
2. Non-compliance with accounting principles and standards(X2);
3. Failure to comply with the quorum of express costs(X3);
4. Lack of connection between the declared expenses(X4);
5. Lack of evidence regarding the costs of expression(X5);
6. Non-observance of the regulations for writing legal offices(X6);
7. Concealment of revenues by taxpayers(X7).

2. MATERIALS AND METHODS

In this study, the factors affecting the adjustment of the diagnostic tax of legal entities in the tax litigation system have been studied through the legal-oriented artificial intelligence approach in order to reduce the tax dispute and timely collection of taxes. In the present study, valid and related Latin and Persian articles and dissertations have been used to explain the theory and literature of the research. Then, the research data has been collected through the databases available in the Tax Affairs Organization of Iran, the headquarters of the comprehensive tax plan and referring to the tax files of taxpayers.

The statistical population of this study includes those legal entities in South Khorasan province that have submitted their performance tax return in one of the years 2012 to 2016 and its tax has been finalized by the end of 2019 in one of the tax dispute resolution authorities. Screening method was used to select the sample.

3. CONCLUSION

In general, the research findings show that there is no significant relationship between tax differences due to "lack of connection between the issue of declared expenses" and "concealment of revenues by taxpayers" and adjustment of diagnostic taxes in the tax litigation system. But there is a significant relationship for other variables. Accordingly, tax disputes arising from the above two factors by taxpayers in the tax litigation system will not to a large extent cause the adjustment of the tax assessment and is often done with the aim of tax evasion by taxpayers.

Also, the research findings show that tax differences are due to the variables of "non-compliance with the rules of writing of legal offices", "lack of evidence regarding reporting costs", "inconsistency of accounting standards with tax laws and regulations", "non-compliance with principles and accounting standards" and "non-compliance with the quorum of declared costs", more than other variables, cause the adjustment of diagnostic taxes in the tax court system.

Accordingly, the filing of tax disputes due to "non-compliance with the rules of writing of legal offices" and "lack of evidence regarding the costs of expression" by taxpayers in the tax procedure to a large extent will lead to adjustment of diagnostic tax.

Therefore, in order to optimally address the tax issue and early certainty and timely receipt, it is recommended that the tax administration first conduct the necessary research and investigations, and if it is not possible to extract tax evidence from the books and documents, by visiting the workplace or Production and, if necessary, to third parties and conduct sufficient research to determine the appropriate counterpart or evidence, and then according to the status and subject of the activity of the counterpart or the evidence and their number with sufficient justification in tax assessment and even possible to avoid tax assessment implicitly.

In this regard, tax processes should be redesigned in such a way that the proceedings are based on accurate and transparent information and lead to a reduction in revenues of the tax court system. This can be achieved through the transparency and simplification of tax laws, the promotion of tax culture, the design of a comprehensive tax information network and the provision of strong enforcement guarantees.

In addition, the research findings show that the tax disputes caused by "inconsistencies in accounting standards and tax rules and regulations" in the tax litigation system by taxpayers can to some extent lead to the adjustment of diagnostic taxes.

AUDIT OF INCREASING GOVERNMENT ACCOUNTABILITY ON ENVIRONMENTAL ISSUES

Introduction

General consensus is achieved on the issue that private sector by itself is incapable of protecting the environment from the negative environmental consequences of economic activities. Therefore, the government on behalf of its people is basically considered the main responsible body for protecting the environment as a kind of public asset. In the fourth chapter of the Constitution of Islamic Republic of Iran, entitled "Economy and Financial affairs", through the two articles 45 – 50, the legislative directly deals with this issue

Executive Bodies and Accountability to SAC of Iran

The role of SAC of Iran in increasing governmental accountability in the field of environment:

- **Preparation and Compilation of Upstream Legal Documents**

Before 2015 environmental auditing had no place in the country's upstream documents.

- **Pathology of Environmental laws and Regulations and also Comments on environmental bills.**

Establishing transparent and unambiguous laws in the field of environment is one of the components of good governance and paving the way for accountability and responsibility.

- **Determining Environmental Audit Reports and Distributing Audit Reports to Stakeholders;**

By conducting its continuous audits, especially environmental audits, SAC plays a significant role in creating accountability and trust between the government and citizens regarding the development of the country's policies, including environmental policies.

- **Establishment of a Committee on Environmental Audit and Sustainable Development in SAC**

Environmental audit is highly regarded with the aim of ensuring the adaptation and implementation of appropriate and sufficient processes and policies to achieve sustainable development, as well as to increase the government's accountability for its decisions and measurements on environmental issues.



Mr. Seyed Abbas Mirnajafi

Principal Auditor



Ms. Mahtab Assari

Technical Expert

- **Compilation of Books, Articles, and Instructions**

In order to increase systematization and transparency in SAC mechanisms and to raise awareness of the auditees, SAC has translated and localized many of INTOSAI standards, including the standard (ISSAI 20) Principles of Transparency and Accountability; (ISSAI 5110) Essential Elements of Environmental Audits, etc. and uploaded them on its website.

- **Holding Environmental Audit Courses in Executive Bodies**

With the aim of increasing the level of awareness in the executive bodies as well as their familiarity with environmental duties and also auditing approaches, SAC- after assessment of their educational needs and according to environmental problems revealed in different regions of the country – holds training courses to prevent violations and make them accountable.

Conclusion

By preparing reports and presenting them to its stakeholders, SAC creates a free flow of information and a transparent atmosphere. This transparency is primarily preventing misuse of the rules by pathology and eliminating ambiguous spaces, and in the second step, the preventive measures of SAC help to institutionalize environmental laws, regulations and standards and stop the occurrence of environmental violations.

AUDIT OF COVID-19 EXPENDITURE – SAI PAKISTAN EXPERIENCE

Muhammad Raza Shah
(Director General) SAI Pakistan



INTRODUCTION

The outbreak of COVID-19 pandemic and its persistent waves disturbed the political, social, economic and financial structures of the whole world. The global crisis caused by COVID-19 increased the role and responsibilities of the national governments and they were compelled to respond to the pandemic by taking a wide range of emergency measures and initiatives involving key policy interventions and huge spending to control the pandemic. During time of emergencies there is a risk of weak internal controls and possibility of bypassing of rules and regulations, which increase the responsibility of the Supreme Audit Institution (SAI) to properly audit the expenditure incurred by the entities dealing with emergency.

Spending during emergency situations poses extra challenges to the public sector auditing around the world including increased reliance on digital mediums for auditing due to social distance and lockdown requirements. Experience from previous disaster audits also indicate the extraordinary risk which emanates from such rapid emergency expenditure responses due to hasty procurements and mismanagement etc. at a time when governmental agencies are comparatively less vigilant and preventive internal controls are relaxed.

Like all other countries, in Pakistan also the COVID-19 challenged the country's economy ever since the identification of first case in February 2020. The pandemic led to urgent actions on part of the government as well as huge spending by the concerned agencies on purchase of emergency medical equipment / supplies and establishment of isolation and quarantine centers etc. This in turn necessitated the need for a comprehensive audit of the governmental operations to ensure transparency and accountability.

The Department of the Auditor General of Pakistan (DAGP) being Supreme Audit Institution of the country responded to this challenge on a timely basis and decided to carry out audit of COVID expenditure at federal and provincial government levels. The objective of the audit activity was to ensure accountability and transparency in spending related to COVID-19, besides assisting the government in effective decision making during the pandemic.

RISK ASSESSMENT

During Covid-19 pandemic the public finance management systems were put to test. Experience shows that these circumstances create opportunities for bypassing of rules, procedures and at times the standards of ethics, which could seriously weaken the effectiveness of governmental initiatives. The Auditor General of Pakistan undertook a comprehensive, multifaceted and risk-based audit of the organizations involved in managing relief activities and implementation of assistance packages.

Extensive desk audit was carried out before execution of field audit activity. The staff from all tiers participated to execute the assignments. Risk based audit approach was used to identify the shortcomings in the process of relief efforts while taking into account the peculiar circumstances. The specific risks identified by DAGP in respect of audit of COVID-19 spending are detailed as under:

- By-passing the requirements of the applicable accounting standards in the light of the circumstances (emergency procedures, large volumes of public expenditure during or after the emergency).
- Weakening of internal control systems and routines, such as approval procedures.
- Audit trail not properly maintained.
- Material misstatement due to uncertainty and unpredictability.
- Non-existent assets and payments to non-available workers.
- Weak banking systems and controls.
- Lack of proper budgeting, oversight and accounting of epidemic-related funding provided by international development agencies aid.
- Gaps and/or duplications in funding between executive units engaged in similar activities.
- Non-reconciliation of funds.
- Non-reporting and distribution of in-kind donation such as masks and ventilators.
- Weak warehouse management.
- Issues in Distribution of relief items.
- Unnecessary procurement without proper need assessment.

OBJECTIVES OF AUDIT

Broadly, the audit objective included:

- To examine the process of procurement and contract management and comment upon its administration and adequacy.
- To ascertain whether public funds and material goods, procured or received as donations were utilized for their intended purposes and in accordance with applicable public financial management rules and regulations.
- To check the availability of funds, efficient expenditure on purchase of related items, storage of procured items, distribution of the procured items and their availability to the front-line departments and organizations in a timely and efficient manner.

SCOPE OF AUDIT

The following areas were highlighted for undertaking the audit activity:

- Auditing procurement processes in view of economy and efficiency.
- Contract management.
- Auditing disbursement of cash to vulnerable families and daily wage workers in view of transparency and timelines.
- Auditing level of preparedness of organizations involved in disaster management and issues pertaining to storage, distribution and monitoring of electro medical equipment and medicine.
- Auditing of provision of subsidy to the vulnerable segments of the society in view of timeliness and effectiveness.
- Funds and Grants Management
- Stores and warehouse Management

AUDIT METHODOLOGY

A well thought out and comprehensive methodology was evolved to conduct the audit of COVID-19 spending. The salient features of the methodology adopted are as under:

- Application of desk audit techniques which included examining of data related to COVID-19 obtained from different sources along with policies and rules followed by entities.
- Desk review of systems, procedures, environment of entities to identify the high risk areas for detailed scrutiny.

- Development of comprehensive audit questions on different aspects on the basis of identified risks and red flags identified/ audit check-list developed based on international and local experiences in emergency response.
- Tracking of funds on the basis of different aspects of government intervention such as prevention, curative, relief and rehabilitation.
- Conducting Audit by using mixed techniques of regulatory, compliance and performance audit methodology.
- Coordination with different departments, Accountant General Offices and Field Audit Offices during the course of audit for collecting relevant data.
- Keeping in view the restricted movement of the audit teams across the entities to collect data due to COVID-19 threat, it was decided to obtain the data through SAP system besides, obtaining vouchers from concerned Accountant General Offices and District Accounts Offices to smoothly carry out the audit.

TERMS OF REFERENCE (TORs)

Before carrying out the audit of COVID-19 spending, an exercise was carried out to frame pertinent questions and ToRs for the audit activity detailed as under:

- To analyze the organizational objectives, policies, strategies and operational framework with respect to COVID-19 pandemic.
- To assess the demand generation and criteria set for making projections to purchase emergency medical supplies and equipment.
- To check the issues related to need assessment by the procuring agencies.
- What was approved / ratified by Economic Coordination Committee (ECC) and Cabinet for COVID-19 emergency response?
- What was released by Finance Division and to whom?
- Details of the expenditure incurred on medical supplies/equipment and their distribution.
- To check whether the equipment procured and donations (local & foreign) received in kind like ventilators, masks, PPEs, sanitizer, medical store etc. are properly recorded and distributed to the end user in accordance with need assessment criteria. Further, the detail, regarding present existence/ availability, utilization and performance of equipment distributed, may also be obtained and assessed. The audit teams will test check on a sample basis the distribution of the selected items to the end user entity.
- To assess that quarantine facilities built or upgraded have been done with due regard to propriety in emergency situation
- To detect violations of internal controls and misuse of public resources, if any.
- Expenditure was incurred with due regard to the law, economy and efficiency, and were supported by sufficient appropriate documentary evidence?

- Whether the goods and services procured were done in accordance with the rules and regulations?
- Whether the fixed assets procured, donated or inherited were in existence and properly managed?
- The PPEs and other related materials have been distributed in the prescribed manner at quarantine centers and hospitals.
- Comparison of similar items procurements by different agencies.
- To check the composition of technical procurement committees to ascertain the quality of procurement.
- To ascertain the capacity of entities regarding storage of perishable and non-perishable items. Further, proper stock taking and inventory maintenance may also be checked.
- To evaluate the criteria for transfer of funds/ medical equipment's to different public sector health institutions and provincial governments.
- Assess the policies and plans for inter-agency coordination.
- To look for the accounting procedures and SOPs for incurring expenditure related to Covid-19.
- To assess the contingency plan actions and its implementation for the workforce to work remotely without compromising on the quality and scope of work.
- To examine accounting procedures and reconciliation of funds with Accountant General's and DAO's concerned.

IDENTIFICATION OF STAKEHOLDERS

The department also properly identified relevant stakeholders directly or indirectly involved in Government efforts in dealing with Covid-19 pandemic. The same was important so as to take a broader perspective of the audit activity and include all relevant agencies in the exercise. The following stakeholders were identified:

- b. Citizens of Pakistan
- c. Ministry of Finance, Revenue and Economic Affairs
- d. Ministry of National Health Services, Regulations and Coordination
- e. Ministry of Defense
- f. Ministry of Energy
- g. Ministry of Commerce and Textile
- h. Ministry of Climate Change
- i. Benazir Income Support Program

- j. Utility Stores Corporation
- k. Auditor General of Pakistan
- l. Federal Board of Revenue
- m. Donor Agencies
- n. Banks
- o. Provincial Disaster Management Authorities
- p. Provincial Health Departments
- q. Districts Administration as District Disaster Management Authorities

FIELD AUDIT ACTIVITY

Planning for the Covid-19 audit commenced in April 2020. Initially some time was spent to understand various initiatives being undertaken and the funds allocated in order to determine the scope of the audit.

Fieldwork started in July 2020. Audit teams met numerous challenges as a result of the limitations created by lockdowns. While observing Government instructions during lock downs, auditee organizations were working with minimal strength due to Covid-19, thereby affecting the flow of information and record between auditees and auditors. Many of the officials were also on the frontline of the fight against the virus, and got infected by Covid-19 which made it difficult for them to support and provide information to audit authorities. Access to documents, systems and officials was limited, which made it difficult to gather information and collect evidence.

Despite these challenges, DAGP was able to examine the controls, transactions, payments and procurement processes in the auditee organizations. The effective desk audit, use of ACL and use of smart phones helped audit teams to collect evidences in a timely manner. The INTOSAI Development Initiative (IDI) guidelines (Covid-19 implications for SAI strategic management), along with matrix (3i COVID-19 Response Actions) proved very helpful.

REPORTING OF AUDIT FINDINGS

The DAGP prepared one consolidated report on the expenditure incurred by the federal government and similar reports were compiled in respect of all provincial governments. The reports were submitted to the concerned quarters and were laid before the respective forums and subsequently taken up for discussion in the Public Accounts Committee.

STRATEGIZING AUDIT IMPACT: GETTING RECOMMENDATIONS IMPLEMENTED



Aamir Fayyaz, Directing Staff, National School of Public Policy, Lahore

Governance, service delivery, accountability and audit are integrated and intertwined concepts. Governance requires effective service delivery and is impacted by the accountability and audit regimes which are expected to serve as push factors for good governance and seamless service delivery. Audit in the public sector serves as a specific accountability tool that follows up on the utilization of public money on periodic basis. It is part and parcel of the budgetary cycle. Audit reports are meant to give assurance to the stakeholders that budgetary resources have been spent as intended. These also highlight specific cases where the actual conditions fell short of applicable criteria affecting the governance and service delivery, directly or indirectly. Audits are expected to be standardized, efficient and effective. An effective audit, from the audit practitioners view point or internal stakeholders, is usually the one that has achieved its general as well as specific objectives. Audit objectives are a function of audit types and vary depending upon the type of audit undertaken. In the public sector, financial, compliance and performance are the arch audit types.¹These are well established audit brands with marked characteristics, clear and specific objectives, although the occasional over-lapping cannot be ruled out, rather is always expected. These specific audit types, with their specific objectives, may well be of little significance to the external stakeholders. At best, these may be of secondary import to them as their primary interest lies in what happens 'after audit' and 'consequent upon audit'. This may be in sharp contrast with audit focusing on what was found 'during audit'. For instance, audit may say that 'during audit, in Year-A, excess payment of public money was observed which needs to be recovered and systems put in place to avoid its recurrence in future'. This seems fair enough but the stakeholders may like to know as to what happened afterwards and whether the over-spent public money actually found a place back in the exchequer or not and what systems were established by those responsible to avoid its recurrence in future. Is this assurance being provided to them? The problem is aggravated when similar observations find room in the audit reports of Year-B and Year-C and so on. The stakeholders may assume that perhaps audit was ineffective as the client did not listen to it otherwise there cannot be any plausible explanation of the repetition of the previous issues. This however may not be a valid conclusion and audit, on its part, may point out the lack of whip force or the non-existence of a punitive regime that could possibly compel the client pay heed to audit. The truth is what happens 'after audit' depends

¹INTOSAI Development Initiative, *Reimagining SAI Audit Impact A reflection paper*, <https://idi.no/elibrary/relevant-sais/fai/1439-idi-reimagining-sai-audit-impact/file>(accessed 22.2.2022)

upon many factors and is not the exclusive domain of audit. Several factors come into play to ensure that the excess payment pointed out by audit is reversed and systems actually built or

existing ones strengthened to avoid it in future. These factors may include the management's attitude towards audit (e.g. the seriousness with which the client management takes audit findings and recommendations, their overall positive or negative view of audit as a corrective tool and a collaborative partner), the disincentives to the client organization if audit is not heard (e.g. the linkage of future budgetary provisions to the correction of errors and implementation of recommendations), and above all, the overall demand for transparency and accountability in the system. Having said that, it is imperative that audit, as a state institution with responsibilities towards state and society, makes an attempt to go beyond the technical labyrinths of the types of audits and instead focuses on the outcome, results and impact of audit services. This would make sense. Consider. An agriculture research organization may innovate hundreds of different seed varieties and place these at the disposal of farmers, but it will be of little value to the farmers if these do not lead to better yield and usher in prosperity for them. Audit rightly focuses on inputs (e.g., nature and type of audit selected, human-financial-time and logistics deployed, the qualitative checks involved in the audit process) as well as on outputs (e.g., number of initial and final reports produced). However, the spotlight ought to be on actual outcomes, results and impact. This change in focus would entail introspection pondering over some basic questions. Why audit? Why perform audit of X? Why audit of X every year? What is the broader level of utility for the state and the society for audit of X? Why do we have various types of audits? Is audit impact a function of particular audit type? Is some audit type (e.g.

performance audit) better than or more effective or always more effective than other types (e.g., compliance audit)? How can audit deliver on its implicit and explicit promises? Where do we have equilibrium in the demand and supply of audit products? What was wrong in the entity before audit and how did audit make a difference? Was this change noticeable and lasting? How to judge and evaluate the difference? What is it that the stakeholders have actually gained from audit of X? Would they have been better off had there been no audit? These are some deceptively simple questions that we need to understand, discuss, deliberate and possibly answer. Asking the right questions has its own merits irrespective of the possibility of arriving at the right answers or any answers at all for that matter.

It is expected of SAIs to demonstrate their relevance to the stakeholders on an on-going basis. They are required to evaluate the changes resulting from their audit activities.²This is called audit impact and is of three kinds: (a) conceptual impact which indicates the changes in learning processes, mentality and behavior of the auditee or society (b) strategic impact i.e. the use of

²INTOSAI, *INTOSAI-P 12- The Value and Benefits of SAIs – making a difference to the lives of citizens, 2019* https://www.intosai.org/fileadmin/downloads/documents/open_access/INT_P_11_to_P_99/INTOSAI_P_12/INTOSAI_P_12_en_2019.pdf (accessed 22.2.2022)

audit reports by stakeholders in political or public debates and (c) instrumental impact which is the direct impact that results through the implementation of audit recommendations.³ Let us elaborate on the last one. In all audits, firstly, some errors and/or irregularities or deviations from the prescribed path are pointed out, and secondly, a number of general and specific recommendations are offered not only to correct the current deviation but also to provide guidelines for the future. In view of the former, we may assess the monetary audit impact by estimating the savings or additional revenues on the audited organization or on society.⁴ One convenient method, albeit somewhat primitive, to do this involves drawing a comparison between what monetary resources audit got from the exchequer (audit budget or cost) and what it paid back to it (benefits from audit). This is done on the premise that had audit not been conducted, these monetary resources, which belonged to the public exchequer in the first place could possibly never have found a place back there. This is audit impact that these are finally in the exchequer. This method may be called 'Hard Cash Recovery Method' (HCRM) and it compares audit budget with the hard cash deposited in the exchequer as the direct result of audit or 'at the instance of audit' as goes the jargon in Pakistan. 'Other things remaining the same', if baseline audit budget-to-audit benefit ratio was 1:5 and subsequently it is observed shifting upwards, it would denote the positivity of audit impact, and vice versa. However, there are many ifs and buts in using this approach to assess audit impact as the 'other things normally do not remain the same'. Besides, evaluating audit result and impact purely in monetary terms may well be superficial, misleading and detrimental to the real impact that might actually have been made by audit. However, assessing this real qualitative impact may be a Herculean task as it is a realm of endless speculation and philosophical projection. What might have been, had there been no audit, is an abstraction and a perpetual possibility, to borrow from T.S. Eliot. The HCRM approach when showing minimum audit input cost to consistent increase in audit benefits, may be very tempting and consoling in the short run but strategically it may be an indicator of sub-optimal governance regimes where audit is operating in isolation of client departments who prefer to remain non-committed to audit recommendations and thus indirectly provide a field day to audit in churning out reports- a classic win-lose situation. It in fact has the characteristics of a vicious cycle. Consider. Year-1: Audit points out less deduction of income tax and hence loss of X amount to the exchequer. Management accepts. The process is initiated and the less deducted amount finally lands in the exchequer. Audit is happy. Monetary audit impact for the time being is crystal clear. The problem arises when in Year-2 there are again the instances of less or non-deduction of income tax and this cycle goes on and on. This affects audit efficiency and leaves the stakeholders wondering about the actual impact of audit. It makes sense then to move somewhat away from the HCRM model to a more holistic one reviewing the strategic importance assigned

³ EUROSAI, *Followup of the implementation of audit recommendations: Best practices guide, issued by the project group*, 2021, <https://www.eurosai.org/en/databases/products/Followup-of-the-implementation-of-audit-recommendations-Best-practices-guide-issued-by-the-project-group-00001/> (accessed 22.2.2022)

⁴ Ibid, page-5

to audit recommendations by the client. It has been pointed out that “even when an audit report is published, key follow-up from the legislature or executive may be lacking.”⁵In fact, the executive response to audit findings has recently been highlighted as the weakest area within the audit and oversight ecosystem.⁶To be fair, all the blame cannot be placed on the client for non-implementation of recommendations as “SAI audit impact is a shared responsibility.”⁷SAIs may be lacking a formal follow-up system to track the implementation of recommendations or may be operating with a sketchy and ineffective one. Globally, some 65% of SAIs have reported to have in place a follow-up system for monitoring the implementation of observations and recommendations.⁸There are some specific risks surrounding the implementation of recommendations. Audit may have developed the tendency to make general recommendations (e.g., strengthen internal controls within the department) and management may not consider these worthwhile and conveniently allow these to be ignored. Audit may come up with quite specific recommendations (e.g., implement separation of duties in the procurement function from the next procurement cycle) and the management may consider these unrealistic having been made in disregard to the human and financial resources available with the entity. At times, not being sure of how much time the implementation of recommendations would take, audit may give an indefinite time-frame (by not giving any time frame at all) and then lose track of it and hence management may exploit this vagueness. Sometimes, intrinsically, ‘auditors are not convinced that their recommendations are of the highest quality and if acted upon will bring about the desired improvements’, if this is the case then it is unlikely that they will ‘devote the extra effort needed to get the recommendations implemented’.⁹It is important for audit not to exhibit any signs of rigidity regarding the practicability of their recommendations as these “could be much more difficult to implement than originally expected.”¹⁰ However once decided that the recommendations will be implemented then audit should establish a formal system of follow up to check the implementation status or to check the achievement or otherwise of the agreed milestones. If auditors are (seen to be) not “determined in the tracking of the implementation

⁵International Budget Partnership, *Open Budget Survey 2019* (7th Edition), [2019 Report EN.pdf \(internationalbudget.org\)](#), page-63, 2019(accessed 17.2.2022)

⁶IDI/IBP, *All hands-on deck: Harnessing accountability through external public audits*, 2020, <https://internationalbudget.org/wp-content/uploads/ibp-idi-harnessing-accountability-november-2020.pdf>(accessed 23.2.2022)

⁷INTOSAI Development Initiative, *Reimagining SAI Audit Impact A reflection paper*, <https://idi.no/elibrary/relevant-sais/fai/1439-idi-reimagining-sai-audit-impact/file>(accessed 23.2.2022)

⁸INTOSAI Development Initiative, *Global SAI Stocktaking Report 2020*, (P-16), <https://www.idi.no/elibrary/global-sai-stocktaking-reports-and-research/2020-global-sai-stocktaking/1364-idi-global-sai-stocktaking-report-2020/file>, IDI’s Global SAI Stocktaking Report 2020, [file \(idi.no\)](#). (accessed 13.2.2022)

⁹Wadesango, N., Chinamasa, T., Mhaka, C., &Wadesango V.O. (2017). *Challenges faced by management in implementing audit recommendations: A literature review. Risk Governance and Control: Financial Markets & Institutions*, 7(4), 51-61. <http://doi.org/10.22495/rgc7i4art6>(accessed 10.2.2022)

¹⁰Department of Auditor General of Pakistan, *Financial Audit Manual*, <https://agp.gov.pk/SiteImage/Misc/files/Chapter%2014%20070804.pdf>(accessed 23.2.2022)

status, reasserting the need for action or reevaluating ways to get recommendations done then the whole recommendation process becomes irrelevant".¹¹

Conclusion

Audit seeks a visible change in the audited organizations. Using various types of audits, it makes sure that public money is respected and protected. All material errors, significant irregularities, sub-optimal service delivery issues are pointed out and followed up till these are resolved. The state of affairs in the audited entity before and after audit should serve as the litmus test for audit to be labelled effective and for audited organizations to have any claims on good governance. On its part, audit is expected to allocate adequate resources and establish a robust monitoring system that guarantees following up each and every recommendation in a consistent and predictable manner. For audit recommendations to carry weight, these should be carefully worded, meticulously contemplated and discussed with the management with an open mind. The recommendations must stress upon 'what' is expected, and in what 'time frame' leaving the 'how' part to the management. This strategy would 'let the managers manage'¹² and will shield audit from any future conflict of interest when auditing the implementation of recommendations.¹³

¹¹Wadesango, N., Chinamasa, T., Mhaka, C., &Wadesango V.O. (2017). Challenges faced by management in implementing audit recommendations: A literature review. *Risk Governance and Control: Financial Markets &Institutions*, 7(4), 51-61. <http://doi.org/10.22495/rgc7i4art6>(accessed 10.2.2022)

¹²Department of Auditor General of Pakistan, Financial Audit Manual, [https://agp.gov.pk/SiteImage/Misc/files/Chapter%207%20070804%20\(1\).pdf](https://agp.gov.pk/SiteImage/Misc/files/Chapter%207%20070804%20(1).pdf) (accessed 15.2.2022)

¹³ The ambitious readers are referred to '*Facilitating Audit Impact Strategy 2021-2023*' issued by the INTOSAI Development Initiative (<https://www.idi.no/work-streams/relevant-sais/fai>).



REFORMING PUBLIC SECTOR PAYMENT MECHANISM

Hasan Masud (Director General SAI Pakistan)

At the heart of reforming public sector lies the transformation effort needed to implement digital technologies. The government agencies have much to gain from adoption of ERP software. The responsive workflows and data centralization that these systems provide transform archaic infrastructure and improve the citizen experience. transformation a new buzz word is ‘an umbrella term that has come to refer to a variety of types of IT projects, including:

- IT modernization
- Digital optimization
- Creating new digital business models’

Pakistan Audit and Accounts Service has been spearheading reforms in the field of Information Technology. A case in point in this regard is Project for Improvement of Accounting and Auditing (PIFRA) under which centralized ERP based accounting framework was established. This reform over the years has firmed up within the department. However, the need to expand and link it with public sector entities in Pakistan is essential to bring about a transformational change in the payment systems in the public sector.

I. Understanding the Context

Pakistan has a centralized accounting arrangements system under the Office of the Controller General of Accounts. The Field Accounting Offices of CGA organization are responsible for pre-auditing, payment claim processing and accounting of the federal, provincial and district government. These services are provided through a network of accounting offices powered by Financial Accounting and Budgeting (FABS) set up across the country. These offices include Accountant General Pakistan Revenues (AGPR) – for federal budget, Accountant General (AG) offices - for provincial budget, and District Account Offices – for federal, provincial and district budgets at the district level.

The line ministries have historically submitted their manual payment requests, along with the supporting documents, with the respective accounting offices for payments. Although the accounting offices process these requests to issue system-generated cheques, the submission of claims by the line ministries remains manual. The payment claims are submitted manually, along-with paper based vouchers to meet regulatory requirements.

In addition, all public sector claims are not submitted to the accounting offices in the form of vouched claims. In many cases the government has given development schemes cheque books under the assignment account mechanism. These entities submit monthly payment schedule to

accounting office for manual entry in the system. There are also self-accounting entities which process payment claims outside the CGA system and submit accounts with CGA organization manually.

II. Developing relevant digital solutions

An important milestone in this regard has been the development of in-house solution for online submission of claims by line ministries at the federal level. Under this solution line ministries would submit their claims through a web link instead of visiting and submitting physical bills at the AGPR, the federal payment office. The line ministries would send the scanned version of claims supported by necessary documents and shared as an attachment through the system.

Thus, the accounting office would receive claims online and process these online as well. Line ministries would also be provided with online reports to view the status of their claims. Rejection reasons of the claims would also be recorded in the system and reported to line ministries for resubmitting bills after making required changes. It is important to note that these rejection reasons would be based on the Pre-Audit Checklist developed by the office of the Auditor General of Pakistan.

III. Focusing on a digital solution

Working on a standardized and simplified digital (online billing) solution is expected to bring transparency in processes, ease of doing day-to-day business and facilitate reporting. All these changes are at the core of good governance.

Under the digital claim submission mechanism, bills would be submitted by line ministries electronically. Line ministries would scan and attach original invoices, sanction letters and other supporting documentation. During submission of bills, the system should perform following checks and processes on a real time basis:

- i. Budget and release availability check for incurring expenditure
- ii. Authentication of information of DDOs, Vendors, Detailed Objects inserted with system
- iii. Generate electronic token numbers for bills submitted
- iv. Display a list, of the rejection reasons on bills, to DDOs

The claims submitted would be retrieved by dealing officials at the accounting office through the web link/portal. The claims process would be processed using ERP system and would either be processed for payments or rejected on basis of pre-audit checklist preformatted in the online billing solution.

IV. Implementation and the Way Forward

Following factors may be kept in view while implementing digital solutions across the various levels of the government:

- (i) A national level change to digitize payment mechanism completely requires a project environment.
- (ii) The relevant regulations have to be adapted to provide legal cover for digital processing of claims.
- (iii) There is an urgent need to clarify the roles of Accounting Offices, line ministries management and CFAOs posted in these line ministries.
- (iv) The provincial governments must be taken on board to deepen this reform effort at the national level.
- (v) The issues of centralizing the accounting of assignment account holders and self-accounting entities would have to be kept in view while bringing about policy shifts.
- (vi) The contracting arrangement and licensing arrangement for the digitizing payment landscape would require financial resources over and above the existing allocation and HR placement throughout the country. This could best be served under a project environment.

A recent study on digital transformation in Pakistan noted that this journey requires ‘structural changes and a coordinated effort by government entities.’ This is a long term initiative needing capital investment in technology, human resources and sustained policy effort. The dividends, however, would be manifold resulting in a ‘citizen centric’ government ‘built for the digital era’.

References

1. <https://fabs.gov.pk>
2. Report on Transforming Digital Government in Pakistan, August 2021.
3. <https://www.panorama-consulting.com>

STRATEGIZING THE FORENSIC AUDITING IN THE PUBLIC SECTOR OF PAKISTAN

Ms. Ammara Hassan Deputy Director, SAI Pakistan



The most important objective of auditing is to get straightforwardness and transparency in both the corporate and public domain. As indicated by the International Federation of Accountants (IFAC), an audit is a free examination of a substance where the auditor conveys unprejudiced outcomes about the assignment of assets by the hidden association. One part of the public audit is legal inspection which has acquired gigantic significance, keeping in view the general social and monetary weaknesses in public sector of Pakistan. Forensic auditing and reviewing is a science dealing with the utilization of accounting real factors and thoughts collected through examining systems, strategies, and methods to decide legal issues. This requires the combination of logic, accounting, and assessing capacities.

According to the Global Enterprise Survey conducted in 2015 by The World Bank, approximately 30 percent of the fraudulent practices in Pakistan pertained to the financial transactions and instances of bribery which speaks volumes about the need to strengthen the mechanism for state-of-the-art forensic audit techniques. For the sake of contextual analysis, fraudulent activities in the public sector mean the manipulation in tendering process, creation of artificial pricing pools, leakage of confidential financial information, and nepotism in the public sector accounting.

Keeping up with the top notch of forensic audit, investigation is vital on the grounds that it assists with limiting the organization issue in the public area. An organization issue emerges when the interests of ministries do not match the interest of general society and government. Additionally, it has likewise been found that the functioning conditions in state-claimed divisions are not agreeable for the workers. Auditors' morals to report legal review discoveries, dynamic whistle blowing, and monetary impact of auditee, satisfactory documentation and interaction, familiarity with review significance, individual responsibility, and awareness of others' expectations mostly influence the audit quality.

Despite the repeated revelations regarding the massive financial mishandling in the periodic reports of the Auditor General of Pakistan, National Accountability Bureau, and the print and electronic media, there has still been the absence of actionable forensic audit planning in the public sector. According to the Fraud Triangle Theory coined by Cressy, the presence of pressure, opportunity, capability, and rationalization are the critical elements for any financial fraud in the public sector. Hence, it is deduced that the massive financial irregularities in the public accounting sector of Pakistan are rich as far as all these indicators are concerned. Therefore, this

paper is based on the thought-provoking analysis of the strategies that should be adopted to formulate error-free and foolproof forensic auditing mechanisms in Pakistan.

In Pakistan's context of public sector accounting, the major menace to be curbed through forensic auditing is a white-collar or financial crime. For this purpose, the capability of the forensic auditors needs to be enhanced so that they can detect the manipulative approaches adopted by the third parties during the execution of business within the public sector organization. Moreover, the whistle-blowing mechanism for identifying and communicating information regarding financial fraud should be promoted and incentivized in public sector organizations. There is a need to protect and secure the whistleblowers through legislation and implementation. Since the public sector accounting in Pakistan is heavily dented by financial misappropriation, assets mismanagement, weak internal controls, and financial misstatements, a high level of forensic auditing skill set are required to be developed among the officials for conducting the forensic audit. Another essential aspect for channelizing forensic auditing is to start with the forensic audit of loss-making state-owned enterprises in Pakistan, including Pakistan State oil, National Bank of Pakistan, Islamabad Electric Supply Company, etc. The steps have already been taken for this purpose by the Government of Pakistan.

Apart from the above factors, Fraud Risk Assessment (FRA) is another potent tool in auditing to fight against fraud in any public organization. As per the Association of Certified Fraud Examiners, FRA is a process of foreseeing an organization's vulnerabilities to external and internal fraud. It is an ongoing process of identification, selecting, and prioritizing risks involved in occurring frauds. Therefore, such type of process needs an exceedingly investigative mindset and adherence to the investigative tools and techniques.

In order to strengthen the overall scope and applicability of forensic auditing in public sector accounting of Pakistan, the forensic audit purview must be made the regular component of the statutory audit process. Moreover, the skill set of the forensic auditors should be enhanced regularly to make them part of the forensic audit assignment. For the overall capacity building, the services of the professional training institutes should be regularly attained in the domain of forensic auditing.



THE ACCOUNTS CHAMBER OF THE REPUBLIC OF TAJIKISTAN

The development of the Republic of Tajikistan requires reforming all aspects of the socio like economic and socio-political life of the republic. The subsequent implementation of a number of National Programs and Development Strategies within this framework led to the understanding of the need to create a completely new system of public administration as the basis for the progressive development of society.

One of the key tasks of national development in Tajikistan is the creation of an effective public administration system as a basis for sustainable economic development. The priorities in governance and public administration identified by the Government: increasing the effectiveness of the national development strategy, improving public administration in accordance with the principles of a market economy, increasing efficiency in public finance management, developing a supreme body of state audit, creating a modern professional civil service, forming local self-government capable of providing high-quality services to the population.

The Accounts Chamber of the Republic of Tajikistan in recent years has made some progress in the development of bylaws, including certain regulations and guidelines, as well as a code of conduct for employees, however, given that the supreme body of state audit was established only recently, the development of the external audit service in Tajikistan requires long-term management.

The immediate priorities for the Accounts Chamber of the Republic of Tajikistan are to strengthen the legal framework, develop new audit methodologies and increase the technical capacity of employees through training and technical equipment. At the same time, the efforts of the Accounts Chamber are aimed at gaining trust and reputation, working with the executive

and legislative branches in order to ensure the real independence of the audit service and the culture of acceptance of independent audit, which is one of the priorities of the Government of the Republic of Tajikistan.

In 2015, the International Development Association (MAP) provided a grant for the Public Financial Management Modernization Project - II (PMUGF-II). The Grant Agreement for this Project was signed between the Government of the Republic of Tajikistan and the International Development Association (World Bank) in February 2016. Project activities are aimed at improving the efficiency of public spending, measured by aligning spending with priority policy measures, strengthening strategic planning processes, developing an information system for public finance management in Tajikistan with the aim of introducing additional modules for monitoring obligations, creating a system of electronic interdepartmental document flow, cash management means and asset management, strengthening human resource management processes, including their automation, creating integration between the public financial management information system (FMIS) and other e-government systems, including the e-procurement system, strengthening the state audit system through the organizational development of the Accounts Chamber Of the Republic of Tajikistan, the introduction of international standards for external audit, as well as the automation of the processes of conducting state external him auditing.

Currently, work is underway to implement the developed internal management mechanisms, implement the developed manuals on internal procedures, as well as on effective management in increasing the capacity in the field of audit planning and implementation skills in accordance with INTOSAI standards.

In 2019, the Board of the Account Chamber of the Republic of Tajikistan approved the Development Strategy of the Accounts Chamber for 2019 - 2023, within the framework of which a functional review of the current activities of the Accounts Chamber was carried out, gaps were identified, and the development of information technologies was envisaged in accordance with international audit standards and best world practice.

In the course of implementing this strategy, a phased implementation of ISAIS international standards is being carried out. At the moment, a number ISAIS standards have been implemented and preparations for the implementation of some new standards are in progress. According to this Strategy, pilot financial and performance audits were carried out in 2020 and 2021. It is planned to conduct a pilot audit of the consolidated financial statements of the public sector for the period of 2021, which should be published.

TCA's ASSESSMENT METHODOLOGY OF STRATEGIC MANAGEMENT, INTERNAL CONTROL AND ENTERPRISE RISK MANAGEMENT

It is of great importance that administrations have established and operate internal control systems, enterprise risk management and strategic management mechanisms in order to meet the requirements of an effectively functioning public financial management.

The internal control system is a set of processes and methods that ensure that organizations can achieve their strategic aims and objectives, carry out their activities effectively- in accordance with legislation and ethical rules-, ensure that resources are protected and used on the basis of efficiency, and that financial and management information are reported accurately and on time. Enterprise risk management and strategic management, on the other hand, aim to establish a holistic structure that will enable organizations to determine their missions, visions, strategic aims, objectives and the risks that may affect them, and to carry out their strategic and daily activities in this direction. All these three systems- internal control, enterprise risk management and strategic management- are essentials of modern governance approaches.

The Turkish Court of Accounts (TCA), external audit institution of Turkey, in line with its mission and vision, monitors the compliance efforts of public institutions with this modern governance approach through its audits. In this context the TCA has been carrying out regularity audits covering financial audits, compliance audits, and assessments of financial management and internal control systems of auditees for more than a decade. In this way, the TCA aims at contributing to a better financial management system by guiding the organizations through its audits and trainings offered to public institutions.

As mentioned above, the TCA has been assessing financial management and internal control systems of auditees for more than a decade. However, recent changes in information technology and international frameworks for internal control and risk management have prompted a renewed focus on internal control assessment. Consequently, the TCA management has decided to develop a new approach to its assessment of internal control systems of audited entities by adopting an integrated method. As globally known, the Committee of Sponsoring Organizations of the Tread way Commission (COSO) issued its updated "Internal Control-Integrated Framework,"



Emine Ersöz
Principal Auditor
Turkish Court of
Accounts

Emine Ersöz has been working at the TCA since 2008. She is a financial auditor. She was involved in many audit assignments as well as international projects and training programs. Her special areas of expertise are auditing entities with a vast volume of data, corporate communication, strategic management, internal controls, and risk management.

and “Enterprise Risk Management-Integrating with Strategy and Performance” in 2013 and 2017, respectively. After the renewal of the COSO’s risk management framework, the TCA has decided to develop a new methodology, the main idea of which is to evaluate all three systems together: Strategic management, enterprise risk management, and internal control systems (the three systems).

In this context, an evaluation tool has been developed and integrated with the audit management program (SAYCAP) to enable audit teams to follow audit procedures in their regularity audit assignments. COSO’s assessment method for evaluation of effectiveness of the auditee’s internal control system has mainly been adopted to develop the evaluation tool. According to the method, there are two requirements for effective systems as follows:

- Each component of the systems and relevant principles are present and functioning
- The components are operating together in an integrated manner

The evaluation tool includes audit procedures with 4 different focuses to assure that the systems are present and operate efficiently. These focuses are;

- Overall assessment of the three systems
- Component evaluation of internal control
- Principle evaluation of internal control
- Audit findings regarding the three system deficiencies

While designing these procedures, primarily the Public Financial Management and Control Law No. 5018 and the regulations made with the relevant sub-legislation of this Law were taken into consideration. In addition, an evaluation method in accordance with the standards generally accepted all over the world in the field of internal control system and enterprise risk management has been adopted. These adopted standards are as follows:

- COSO Internal Control- Integrated Framework
- COSO Enterprise Risk Management Framework
- COSO Internal Control- Integrated Framework –Illustrative Tools for Assessing Effectiveness of a System of Internal Control
- COSO Internal Control- Integrated Framework – Internal Control Over External Financial reporting: A Compendium of Approaches and Examples

Every year, audit teams are conducting assessment procedures in their audits as suggested. For each procedure, an evaluation is made between 0 (zero) and 4 (four) points. Three different “Institution Scores” - internal control, risk management, strategic management- are reached by summing the scores obtained from each procedure. Consequently, based on the audits and assessment results, the TCA publishes its reports consisting of evaluation of the three systems to assure that the systems are well designed and operated, and appropriately updated. In addition to the audit reports, enforced by law, the TCA also issues a statistical analysis of maturity levels of the three systems. The main purpose of the analysis is to raise awareness for the adoption of these three systems by revealing the general situation of the auditees and by monitoring the progress/improvement of audited entities regarding strategic management, ERM, and IC system over the years.







ECOSAI SECRETARIAT

OFFICE OF THE AUDITOR GENERAL OF PAKISTAN, CONSTITUTION AVENUE, ISLAMABAD, 44000, PAKISTAN

www.ecosai.org.pk