



ECOSAI CIRCULAR 2022

SPRING ISSUE





ECOSAI is regional forum of Supreme Audit Institutions encompassing countries from Europe, Caucasus and Central Asia, Middle East and South Asia Founded in 1994, the ECOSAI aims to promote the Public Sector auditing profession in member countries through exchange of ideas, experiences and by holding seminars, conferences, workshops and training courses.

Dr. Mehrdad Bazrpash

President ECOSAI & President Supreme Audit Court, Islamic Republic of Iran

Muhammad Ajmal Gondal

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

Governing Board Members of ECOSAI

SAI Kazakhstan
SAI Turkey
SAI Kyrgyz Republic

The terms of these three members will expire in 10th ECOSAI Assembly scheduled in 2025.

The ECOSAI Journal 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

The Publisher wishes to thank all the individual and organizations who have contributed towards this publication.

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We are members of **ECOSAI**



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MESSAGE OF THE SECRETARY GENERAL



It gives me immense pleasure to present Spring Issue of ECOSAI Circular 2022. The essence of the Journal is to share professional experience, exchange of information and best practices with the member SAIs. The ECOSAI Circular precisely targets the professional enrichment of member SAIs.

The professional development and capacity building of SAI is important to enhance the credibility of SAI. Being a professional SAI implies adopting professional standards, carrying out audit work as per applicable standards and having in place an appropriate quality framework to provide independent assurance on the quality of work done. The collective contributions and efforts of the member SAIs can make this forum an effective platform for sharing of ideas, experience and knowledge.

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.

Muhammad Ajmal Gondal
Auditor General of Pakistan
Secretary General ECOSAI



NEWS

SAI Iran

SAC Elected as Chair of ECOSAI



The 9th ECOSAI Assembly was held from 25 to 26 August 2022 in Nur-Sultan, Kazakhstan. Assemblies are held triennially, in which the Chair for the next term is elected by vote of member countries. Economic Cooperation Organization of Supreme Audit Institutions (ECOSAI) comprises of Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkish Republic of Northern Cyprus, Turkmenistan, Türkiye and Uzbekistan as member countries and Belarus, Kuwait, Palestine and Qatar as observer members.

The Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan as the outgoing Chair of ECOSAI hosted the 9th Assembly. During the election process, SAI of the Islamic Republic of Iran was elected as the new Chair for the period 2022 – 2025. Supreme Audit Court (SAC) Iran is one of the co-founders of ECOSAI and has had the position of ECOSAI leadership for three terms in the three decades of existence of this organization.

After the elections, Dr. Mehرداد Bazrpash, the President of SAC and the new Chair of ECOSAI, thanked the Chairwoman of SAI Kazakhstan for their hospitality and arrangement of the meeting, and stated that the Supreme Audit Court of the Islamic Republic of Iran will continue to further ECOSAI scope and develop ECOSAI into a more Technological and People-based organization.



Speech of Dr. Mehrdad Bazrpash during 9th ECOSAI Assembly

Honorable Chairwoman of the Meeting, Ms. Natalya Godunova
Respected Presidents of Official and Observer Members of ECOSAI
Dear colleagues
Ladies and Gentlemen

First of all, I would like to thank all those involved in organizing this wonderful meeting, also for their role in the leadership of ECOSAI during the past three years. This was definitely a great opportunity to meet you in person after the pandemic has relatively subsided. ECO members have each their own specific historical grounds and their share of human civilization in the region. In line with this historical depth, ECO countries should also play a more role in the international arena.

I would like to thank all my dear colleagues who trusted the Supreme Audit Court of the Islamic Republic of Iran for the 10th term of the presidency of ECOSAI. Justice and economic development must be inscribed in our objectives for ECOSAI, and we cannot achieve this but through creating a strong technological and people-based SAI. We all know that "Eco" was created for the economic development of the member countries in the region. Alongside these efforts, it is necessary to develop coalition and cooperation, so that the result synergy leads to a more professional SAI. This work is done through powerful and professional audit institutions that have authority to improve the performance of government organizations and increase the living standards of their people.

ECOSAI is an independent organization that has taken constructive measures to improve public audit up to this moment, and has the potential to become an even more acclaimed international organization in the coming term. It is necessary for ECOSAI members to exchange knowledge and experience in the field of public audit more than before. Updating knowledge on financial transparency, social justice, eradication of poverty and preventing mismanagement and squander of financial resources should be the priority of all of ECOSAI theoretical and practical trainings. The most important reason behind the Supreme Audit Court of the Islamic Republic of Iran deciding to nominate for the presidency of ECOSAI after a fairly long time, was the new approach



of this organization and our innovative measures for a better future of public audit. We earnestly want to share this experience with our respected colleagues in ECOSAI and learn from theirs, to take a step forward. Some of these actions are as follows:

1. People-based SAIs

We can facilitate and expedite the role of citizens in various ways of supervision to reach profitable outcomes both for SAIs and the public; such as crowd sourcing. In SAC we recently launched a hotline for receiving direct messages from citizens, and have gained interesting views so far.

2. Technological SAI

SAIs becoming more technological is done through linking to knowledge based resources and companies for better keeping up with innovations. SAC has recently launched the “Innovation Center” project. However, we have a long way ahead of us before achieving optimal results. Therefore, we need cooperation and support from all our friends to develop ECOSAI into a more Technological and People-based organization which is our SAI’s motto in the recent term of management. During this time we will do our best to make ECOSAI recognized more than before in the INTOSAI community and increase the quality and quantity of its actions with the help we seek from all of you dear colleagues. In this regard SAI Iran proposed the establishment of ECOSAI IT Audit Working Group, which was welcomed by member SAIs and we hope the take leap towards ECOSAI becoming more technological.

At the end, I would like to once again appreciate your trust and attention. I hope we will always be on the way of progress in order to achieve our common objectives and advancement of ECOSAI.

I would like to once again thank SAI Kazakhstan for hosting this meeting. Looking forward to seeing you in Tehran.



SAI Kyrgyzstan

Akmatov Almazbek Sharshembievich

Present–Chairman

Chamber of Accounts of the Kyrgyz Republic

Date of Birth: April 4, 1966



Education

Kyrgyz National University named after Jusup Balasagyn (passed in 1991), degree in economics

Selected Professional Experiences (SAI Kyrgyzstan)

09/2000 – 11/2013:

- Chief state financial inspector
- Specialist-expert;
- Senior specialist-expert;
- State inspector;
- Chief state inspector.

11/2013 – 06/2016 – Head of Territorial subdivision for Issyk-Kul and Naryn regions;

06/2016 – 08/2018 – Head of Territorial subdivision for Bishkek city, Chui and Talas regions;

08/2018 – 02/2021 - Head of Territorial subdivision for Osh city, Osh, Jalal-Abad and Batken regions;

02/2021 – 04/2021 – Auditor

04/2021 – present–Chairman



Conversion to Electronic Document Management

Since April 1, 2022, the Chamber of Accounts of the Kyrgyz Republic began using the electronic document management system "Infodocs", which is an information system designed to automate document management in government agencies and conversion documents to electronic format.

The use of Infodocs will reduce the time for sending and delivering letters improve executive discipline and standardize document processing.

Update Public Procurement Audit Manual.

The Chamber of Accounts of the Kyrgyz Republic, with support from USAID's Fiscal Accountability and Sustainable Trade Project, updated the Public Procurement Audit Manual in 2022.

The purpose of the updated Public Procurement Audit Manual is to establish common rules and procedures for conducting public audits in the public procurement area in accordance with the newly adopted Law of the Kyrgyz Republic on Public Procurement.

From July 12 to 15, 2022, Chamber of Accounts of the Kyrgyz Republic, in collaboration with the USAID, held trainings on the application of the updated Public Procurement Audit Manual for staffs of the Chamber of Accounts.

As part of the training, participants were introduced to the basic principles of the updated manual that covers assessments of public needs concerning budget costs, viability, and planning of procurements, as well as feasibility and effectiveness of conducting procurements







SAI Pakistan

Online Training Course on Financial Analysis in Performance Auditing

SAI Pakistan organized three days online course on “Financial Analysis in Performance Auditing for ECOSAI Member and observer countries from 14 June 2022. Twenty-one (21) participants from eight SAIs including Azerbaijan, Belarus, Kyrgyz Republic, Kazakhstan, Palestine, Turkey, Uzbekistan and Pakistan participated in the training course. The training modules were well planned and they comprehensively covered all the important areas. The training would enable the participants to apply the acquired concepts and techniques efficiently and effectively in the discharge of professional duties for achieving desired results for the satisfaction of their stakeholders.

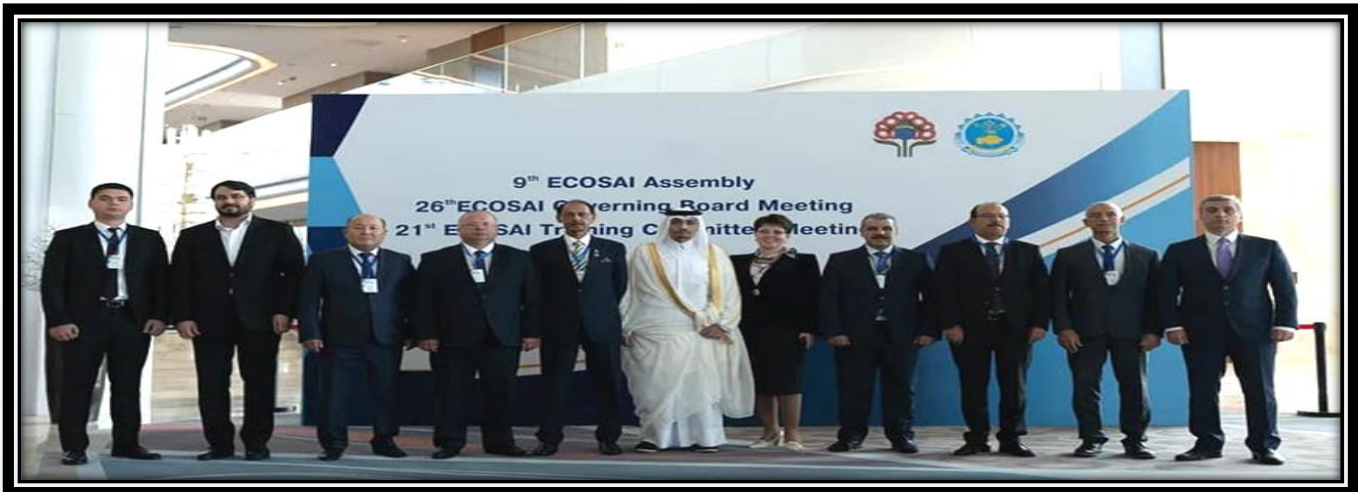
Online Training Course on Audit of Disaster Management

SAI Pakistan conducted three days online course on “Audit of Disaster management” from 2 August 2022 for ECOSAI Member and observer countries. Forty-five (45) participants from six SAIs including Azerbaijan, Kazakhstan, Kuwait, Tajikistan, Turkey and SAI Pakistan attended the training course. The training course delivered by International mentor, master trainer and Capacity Development Specialist for international organizations i.e. INTOSAI and ASOSAI. The training modules covered all the important areas of Audit of Disaster Management which will enable the participants to prepare the audit reports in accordance with INTOSAI standards. The participants appreciated the interactive sessions of the training course.



SAI Pakistan Participated in 9th ECOSAI Assembly

Mr. Muhammad Ajmal Gondal, Auditor General of Pakistan/ ECOSAI Secretary General participated in 9th ECOSAI Assembly, 26th Governing Board Meeting held on 25-26 August 2022 in Nur-Sultan, Kazakhstan. Mr. Gondal, Auditor General of Pakistan/ ECOSAI Secretary General presented the report of the activities of the ECOSAI. The heads of SAIs and delegates from Azerbaijan, Kazakhstan, Kyrgyz Republic, Iran, Turkey, Turkish Republic of Northern Cyprus, Uzbekistan, Tajikistan, Turkmenistan, Qatar, Palestine, Belarus and Pakistan participated in the 9th ECOSAI Assembly. On the sidelines of the meeting, Auditor General of Pakistan held bilateral meetings with SAIs of Turkey, Iran, Belarus, and Kazakhstan.





In the General Assembly Meeting, ECOSAI 2023-2025 training plan approved. In the ECOSAI Assembly Meeting, the SAI of Iran was elected as the President of ECOSAI and SAIs of Turkey, Kazakhstan, and Kyrgyz Republic were elected as Governing Board members. SAIs of Uzbekistan and Tajikistan were elected as members of the Audit Committee.





Bilateral Meeting with SAI Turkey



Bilateral Meeting with SAI Kazakhstan



ARTICLES



The Role of Strategic Development Plans in Strengthening the Activity of Supreme Audit Bodies, Strategic Plan of the Chamber of Accounting for the Years 2021-2025

By: Mr. Tamerlan Yusif-zadeh



In modern times, the vital role played by SAIs in strengthening public administration, increasing accountability, controlling public funds management leads to a high level of demands and expectations from interested parties. This, in turn, requires SAIs to operate independently and have management mechanisms that meet the highest professional standards. SAIs should establish their activities to the highest standards and in accordance with the changes taking place, closely monitor the innovations in the country and in the world, and ensure that appropriate steps are taken.

The success of the steps taken in this direction is associated with the correct implementation of **Strategic Management** by the SAIs. The Strategic Management Process for SAIs consists of three main stages.

- *The development of the strategy of SAI, being the main part of the strategic management process, characterizes the concentration of actions aimed at the development of the institution in a realistic and ambitious plan. This requires the identification of clear steps, roles, responsibilities and time frames. Strategy development is a comprehensive process that involves assessing the current situation and stakeholder expectations, identifying the*

SAI's vision, mission and values, and selecting strategic issues and priorities.

- *Implementation of the strategy involves preparation of the Operational Plan and linking it with the strategy, allocation of financial and human resources, risk management, monitoring of results and reporting.*

- *The evaluation of the implementation of the strategy includes the periodic evaluation of the effectiveness of the measures and future planning based on the important issues learned from the experience.*

At the end of 2020, The New Strategic Plan (SP) for 2021-2025 of the Chamber of accounts was approved, which defines the development of the Chamber of accounts for the long term and is an important document reflecting the vision, mission, core values, interim and final results and directions of its activities to achieve various indicators.

It should be noted that the new strategy was developed based on the assessments and recommendations of international experts in accordance with progressive practice.

The new SP Accounts Chamber serves as a road map for 2021-2025 to further expand the work carried out within the framework of SIPs covering the previous period, and

improve the activities in line with new challenges and best practices.

The new SP IDI (INTOSAI (International Organization of Supreme Audit Institutions) Development Initiatives) “Strategic Management Guide of Supreme Audit Institutions” and INTOSAI recommendation “Capacity Building in SAs” were developed on the basis of ISSAI 12 (value and advantages of SaaS-improving the standard of living of citizens) principles.

In the process of developing the strategy, it is first necessary to determine the state of the activity of the institution for the current period. To this end, two analytical tools such as **SAI PMF and stakeholder expectations assessment** have been applied by the Chamber of accounts.

It should be noted that since 2019, the participation of the Chamber of accounts in the program SAI PMF was ensured and the activities of the chamber were evaluated on separate criteria. Thus, within the framework of the SAI PMF IDI program, a comparison of the development indicators of the Chamber of Accounts for various periods of time was carried out with the identification of strengths and weaknesses (SWOT analysis), as well as in assessing the activities of the Chamber of Accounts in terms of independence and legal framework, internal governance and ethics, audit quality and accountability, financial management, assets and support services, human resources development, stakeholder relations and communication. The results of the assessment were used in the selection of strategic issues that will be relevant for

Extract from the Strategic Plan for 2021-2025



Based on the analysis of the views and expectations of the main stakeholders about the activities of the Chamber of Accounts, the main conclusions determined for the current situation:

- ❖ Small number of audits;
- ❖ The amount of budget funds covered by the audit is small;
- ❖ Lack of Chambers efficiency (performance) audit activity at the desired level;
- ❖ The number of audits in state-owned enterprises (large taxpayers) is small due to the fact that external state financial control does not fully cover the funds of state-owned enterprises according to the legislation;
- ❖ Lack of control measures related to the implementation of Sustainable Development Goals;
- ❖ Lack of perfect audit activity;
- ❖ Limitation of opinions on various budgets to analytical activity;
- ❖ Lack of adequate access to state information resources and systems.

the Chamber of accounts for the coming years. The relevant assessment is of particular importance for the development of SAIs Strategic Development Plan, as well as the ability to measure the success achieved in the implementation of these plans.

In addition, one of the distinguishing features of the new SP was the analysis of the views and expectations of the stakeholders on the performance of the Accounts Chamber and their consideration in SP.

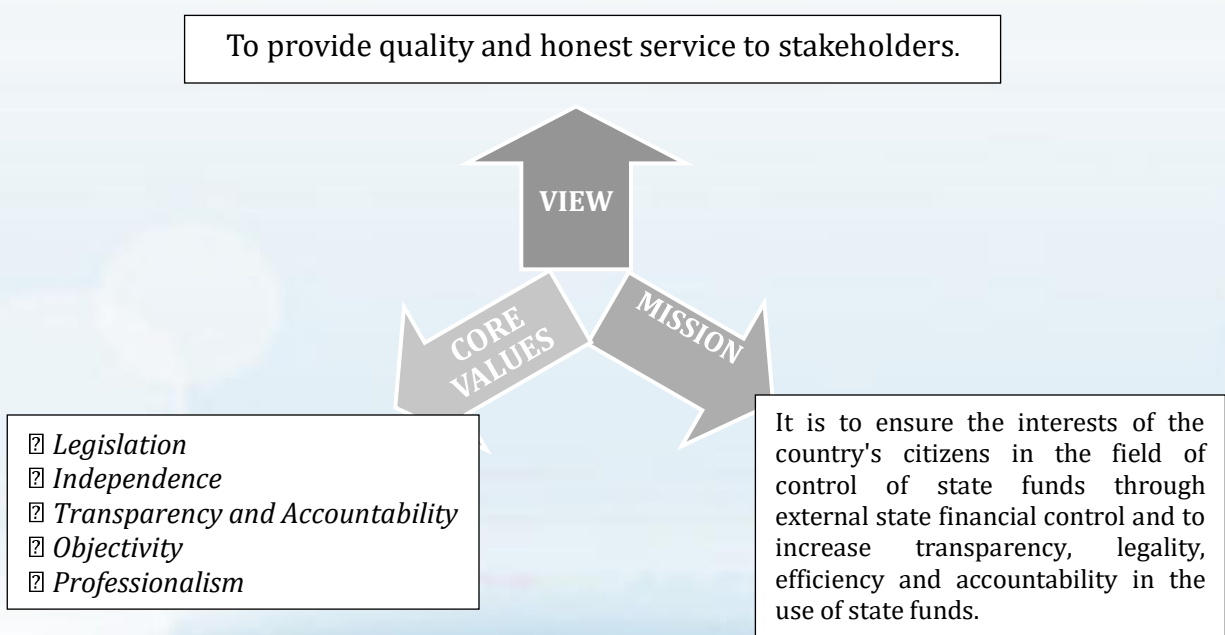
The next stage after the assessment of the current situation is related to the reflection in the SP of the **Vision, Mission and core values** of the SAI for the upcoming period. The strategy of the SAI should be built on the basis of basic values as basic principles, taking into account the long-term vision and

mission of the institution. It should be noted that the vision and mission of the SAI contributes to the identification of the main strategic issues that the organization wants to solve in the strategic period.

Determining why the SAI operates and its future aspirations is of paramount importance for the implementation of the strategic plan. In the process of strategic planning, it becomes necessary to reaffirm the answers to questions about why the SAI exists and about its further aspirations. The most appropriate expression of relevant answers is reflected in the views, mission and core values of the SAI.

In the new SP, the Review, Mission and core values of the Chamber of Accounts were defined as follows:

Figure 1. Vision, Mission and Core Values of the Chamber of Accounts in the new SP





As the next stage of the work done in order to form the strategy, the strategic planning team conducted an assessment of the **strengths, weaknesses, opportunities and threats** of SAI's activity. GZIT analysis is a technique that, being a simple but powerful tool for identifying key strategic issues, provides the best understanding of internal capabilities, capacity and limitations to meet essential requirements and challenges arising from the outside environment.

Based on the relevant analysis carried out by the Chamber of Accounts, the following were identified as strengths and weaknesses.

At the next stage, the main product of the GZIT analysis is the determination of the list of key issues that must be taken into account in order to achieve the goals, carry out the mission and competencies of the SAI in its review statement. These issues are also known as **strategic issues**.

How many strategic issues should be covered in the strategic plan are determined depending on the situation. Usually, the SAI must consider two or three strategic issues for a five-year strategic planning period and determine the relevant consequences for them. When identifying and prioritizing strategic issues, such principles as political expediency, availability of funds, possibility

| <i>Strong sides</i> | <i>Weak sides</i> |
|--|---|
| <ul style="list-style-type: none"> ✓ The new Law "On the Chamber of Accounts" expanded the duties and functions of the Chamber; ✓ The new Law was prepared according to ISSAI standards and international practice; ✓ There is good communication with the legislative and executive authorities; ✓ A Training Center was established to strengthen the potential of the employees of the Accounting Chamber and conduct training for high-quality implementation of external state financial control measures; ✓ Taking consistent measures to increase the level of automation in the main functional activities and administrative processes in accordance with the strategic goals of the Accounting Chamber, as well as preparation for technological development and the intention to use modern technologies; ✓ Intention to strengthen relations with international organizations. | <ul style="list-style-type: none"> ✓ Failure to fully adopt and apply ISSAI standards, failure to study advanced professional practice, lack of improvement of methodological documents on audit types; ✓ Lack of translation of some ISSAI standards in Azerbaijani language; ✓ Low scope of the audit; ✓ Failure to state the requirements for the independence of the Chamber in the Constitution of the country; ✓ The internal control and quality assurance system is not built on the basis of ISSAI standards and best practices, which has a negative impact on the quality of the audit; ✓ Failure to consider stakeholders' expectations and resources in the current Strategic Development Plan; ✓ The need for longer time to train new and professional personnel, the small number of employees who have international certificates in the field of audit and accounting and apply information technologies in financial control. |

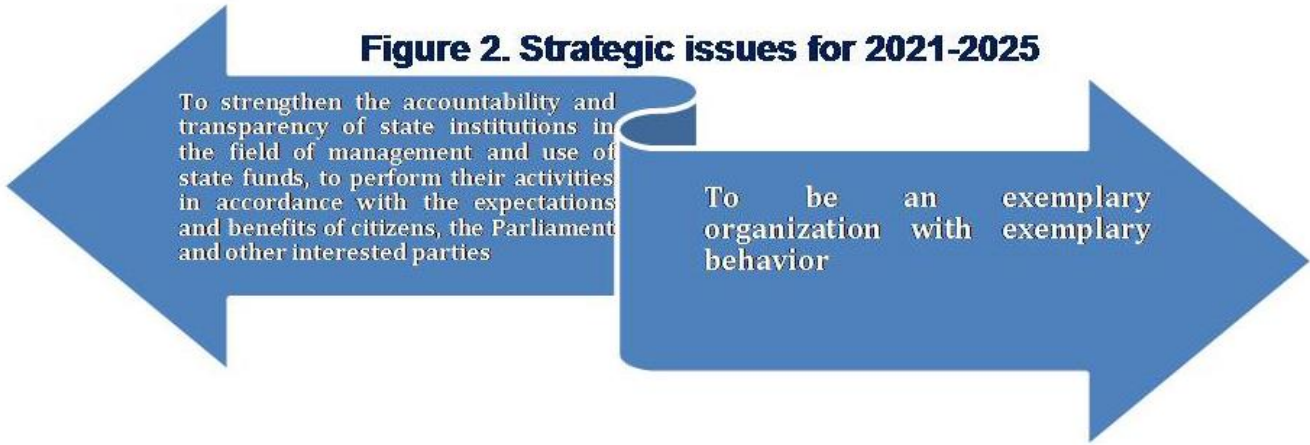
of additional resources mobilization, potential impact, legality, possibility of risk realization should be taken into account.

In view of the above, the following strategic issues have been identified for the upcoming years by the Chamber of accounts at the new SP:

identified in order to facilitate the achievement of the **final results** and **each desired final result**.

Another point that differentiated the New Strategic Plan from the previous sips was the comparison of the desired potential with

Figure 2. Strategic issues for 2021-2025



To strengthen the accountability and transparency of state institutions in the field of management and use of state funds, to perform their activities in accordance with the expectations and benefits of citizens, the Parliament and other interested parties

To be an exemplary organization with exemplary behavior

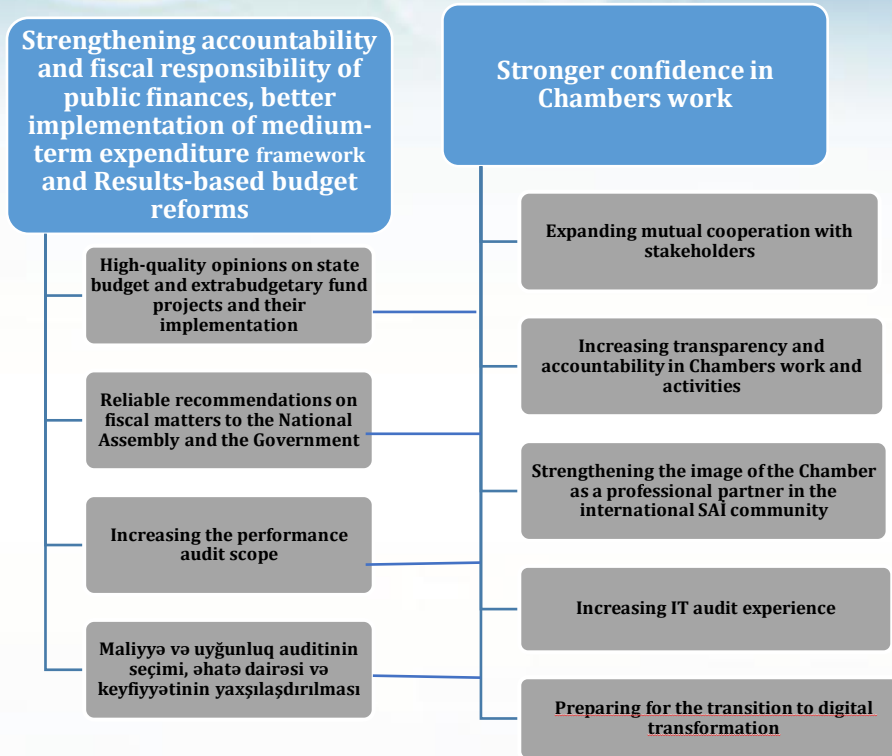
During the selection of strategic issues, special attention was paid to their controllability, in other words, the issues within the scope of opportunities to influence the Chamber of accounts were considered in the Strategic Plan after assessment of the current situation and concretization of the SAI's Vision, Mission and core values, the transition is made to the next planning stage.

At this stage, in relation to the strategic issues chosen by the SAI, **intermediate results** and the desired potential were

the identified existing potential and on this basis the identification of potential gaps. It should be noted that the directions of activity on each intermediate result in the direction of elimination of potential gaps were determined and approved at SP.

Taking into account the above, SP for the New Years 2021-2025 was compiled as **2 final results** and **9 intermediate results**.

Figure 3. Expected Results for SP



It should be noted that various activities aimed at achieving each intended intermediate result have been defined

and reflected in the SP. The article deals with the activities envisaged for the **3rd interim result of the SP**.

Extract from the Strategic Plan

Intermediate result 3 (Output 3) increasing the scope of the performance audit:

Performance audit is the most important activity to determine the level of implementation of the OMSCP and NAP. Thus, the economical, efficient and effective use of public funds is determined by the efficiency (performance) audit, which is directly related to the implementation of the MTEF and the NAB. In the "Azerbaijan - 2020: Vision of the Future" Development Concept of the Government, within the framework of the "formation of an economic model based on effective state regulation and mature market relations" clause, special attention will be paid to ensuring fiscal discipline in the field of formation and use of budget funds, proper distribution of funds and increasing the efficiency of expenditures, and various budget it was noted that a flexible assessment of risks will be carried out and that measures will be taken to improve the efficiency of state budget expenditures in the "Strategic Roadmap for the perspective of the national economy", which are important challenges related to the activity of the Accounting Chamber. Thus, the efficient use of funds is the main subject of the performance audit of SAI, and it is necessary to increase the knowledge and skills of this audit. In order to achieve this intermediate result, the following is envisaged:

- ☑ Ensuring diversity in performance audit topics (direction);
- ☑ Implementation of the audit of the implementation of SDGs in our country;
- ☑ Covering cost-effectiveness and efficiency criteria in efficiency (performance) audits;
- ☑ Increasing the number and scope of performance audits to assess the efficiency of large-scale state programs, especially the state investment program, etc.
- ☑ Expanding the potential of professional staff on efficiency (performance) audit.



One of the distinguishing points of the new strategic plan is related to the fact that **resource supply** is for the first time taken into account in the Strategic Plan. It should be noted that the resources for the implementation of the strategy are divided into 2 groups:

- ✓ Financial resources
- ✓ Personnel

According to Article 33.2 of the Law of the Republic of Azerbaijan on the " Chamber of Accounts", the amount of current expenses in the annual budget allocated for financing the activities of the Chamber cannot be less than the amount provided for this purpose in the previous budget year. This article allows the financial resources required for the implementation of SP to be at a satisfactory level.

As for human resources, adequacy of the activities envisaged in SP against human resources was assessed using the Resource Plan Model for SAIs.

At the same time, possible risks that will affect the effective and desired level of

performance of the SP are defined for the first time in the new SP prepared for the years 2021-2025 and the impact of risks, possibility, degree of risk and control measures against risks are reflected in this document.

Among the risks that will affect the implementation of the SP we can mention the risks like COVID-19 pandemic, lack of organization of trainings according to the goals, improper application of information technology, employees who are in favor of the reform process leaving their positions before the reforms are fully implemented, low quality of audit reports due to lack of full coverage of the audit process due to insufficient quality control staff failure to fulfill obligations in full and on time by the contractors who won the procurement, etc.

If the Strategic Plan is characterized as a some what conceptual document, the implementation mechanism of the relevant Plan is provided through the Operational Plan, and its structure consists of approximately the following elements.



Regarding **Monitoring process of SP implementation** it should be noted that , although it is sometimes treated as an element of the strategy implementation process, establishing a framework for

measuring final and intermediate results during strategy development leads to an upfront consideration of how the intended results will be measured, as well as a more precise and better definition of the results.

Monitoring framework



For the monitoring of the new Strategic Plan, a system of indicators for each intermediate result has been developed, the evaluation frequency, data source, and quantitative and qualitative indicators of the goals to be achieved have been determined.

It has already been 1 year since the implementation of the SP. **Reporting** for the first year is provided in the Activity Report. The experience of our country is considered one of the best in this field and recommended to other SAIs.

So, taking into account the main priority directions of the activity of the Chamber of Accounts, the new Strategic Plan aims to further strengthen the institutional development of the Chamber of Accounts, greater participation in the activities of the Parliament, the Government and Society, the introduction of a new management system and to increase the role of high-quality audit work in public financial management through the professional development of human resources



Auditing Islamic Banking Framework in Pakistan

By
Mr. Hasan Masud
Director General Audit



Introduction

The core concept of the *Shari'ah* based banking system is maintenance of a just, fair and rule based system in light of Quran and Sunnah. Its key characteristics include: Prohibition of Riba, Gharar (uncertainty) & gambling, Property rights protection, emphasis on free market, modified profit maximization, Competitive pricing, Law of Property Rights (Fiqh al Mal), Law of Exchanges (Fiqh al bai), sanctity of contracts, and overall good governance. Within the ambit of Quran and Sunnah the Islamic Strategic Governance framework focuses on financial and social inclusion, promoting trade while supporting to real economy (as opposed to speculative enterprises), meaningful diversification of risks, promoting entrepreneurship and giving overall systemic stability.

Making a switch to Shari'ah based Banking requires developing standards based on real economy, focusing on micro businesses, small and medium enterprises and agriculture. This would entail linking credit expansion to the growth of the real economy thus convincing people to make the change. It is important to note that for Islamic finance industry, Shari'ah Governance Standards

and Guidelines have been issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and the Islamic Financial Services Board (IFSB).

The Pakistan Experience

In case of Pakistan all Islamic commercial banks/micro banks operate under license from the State Bank of Pakistan (SBP) and are regulated by it, while the Takaful companies, mutual funds, investment banks, Modarabas, and Leasing Companies are regulated by the Securities and Exchange Commission of Pakistan (SECP). The SBP as banking sector regulator has provided guidance with regard to Islamic modes of financing by the bank and capital adequacy requirements with focus on investment accounts of Islamic banks.

SBP in 2008 had issued instructions and guidelines for Shari'ah compliance of the Islamic bank's operations in the country. In 2015 Shari'ah Governance Framework (SGF) was brought into operation. The SGF deals with the Shari'ah Advisory Committee of the SBP, Islamic banking institutions (IBIs) Shari'ah Board structure and membership, independence its members, Shari'ah review, internal and external Shari'ah audits and the regulatory audit by



the SBP. This has been further amended in 2018 and Shari'ah scholars, fulfilling the SGF criteria, have been taken in by the Shari'ah compliance departments of the banks.

Under this framework a two-tier Shari'ah advisory system has been put in place with a central Shari'ah Advisory Committee (SAC) of SBP, and Shariah Boards (SBs) in all Islamic Banks. Second tier SBs must decide about Shari'ah matters in the light of pronouncements of the central committee based on Shariah essentials and AAOIFI's guidelines. Some of the key features of the SGF issued by the SBP in 2015 are as follows:

- i) Shariah board's structure, members' expertise, conflict of interests;
- ii) Basis for giving Shariah opinions;
- iii) Implementation SGF by SBP;
- iv) Role of Islamic Banks Board and Senior Management in implementing the SGF;
- v) Effectiveness of internal review and audit, external audit and regulatory inspection.

SB members are 'appointed for a term of 3 years and can be eligible for reappointment'. In case the bank decides not offer another term to a SB member, it has to inform SBP about its decision, along with the reasons, at least three months before the expiry of the term. SB members consider, decide, and supervise all Shariah related matters of the bank. SB's fatawa are binding on the Bank and they have to develop a comprehensive Shariah compliance framework and approve products ensuring compliance. In addition,

SB also ensures that contracts, structure, process flows, product manuals, marketing advertisements, are also Shari'ah compliant. Senior management has to submit all reports to Shari'ah Boards and Quarterly Meetings are essential. The basis of Shariah opinion is on (i). SBP's Shariah Essentials, and (ii). AAOIFI's Shariah Standards. The members of the SBs, however, must have understanding of economics and finance in order to work effectively.¹

Role for SAI Pakistan

Auditor General as the constitutionally mandated body for examining financial architecture in the public sector is most relevant external forum to monitor implementation of the SGF. While SBP is the regulator of the banking sector (including Islamic Banks) in Pakistan, SAI Pakistan can provide valuable assistance in auditing SGF implementation across the country. It is a challenging new area to be explored by SAI Pakistan. Implementation of an Islamic banking framework has been one of the key economic demands since independence. SAI Pakistan as a constitutional watchdog in the financial sector can play a proactive role.

In this regard, it is important to note that 1973 Constitution of Pakistan outlines the authority of the Auditor General of Pakistan. The mandate of AGP is laid down in Articles 168 to 171 of the Constitution and Auditor

¹Ayub, Muhammad. "The Corporate Governance for Islamic Financial Institutions in Pakistan: Need for Dynamic Regulatory Policies", Monetary Policy, Islamic Finance, and Islamic Corporate Governance: An International Overview, (Emerald Publishing, 2021). pp. 45-60.



General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Parliamentary Public Accounts Committee (PAC) is at the centre of the legislative accountability regime. The Auditor-General of Pakistan submits audit reports in line with the relevant constitutional provisions.²

Supreme Court of Pakistan in constitutional petition CP No 102 of 2012 has further empowered the office of the AGP stating that 'sub-Article (2) of Article 170 of the Constitution was added by the 18th Amendment which amply empowers and directs the Auditor General to fulfil his constitutional obligations as watchdog of the people of Pakistan'. The Court directed that without the audit specified by the Constitution 'there can be little or no room for any transparency'.³

Challenges and Way Forward

SAI Pakistan has been auditing various facets of the public finances. Implementation of the Islamic Banking framework is a nascent area for this office bringing with it many challenges. The first key challenge is that SGF has not given any centralized mechanism for Shari'ah pronouncements by the SBs to bring in harmony in the country's Islamic banking market. Thus there are different approaches adopted by the SBs with practices varying across various Islamic

banks. The monitoring by the SBP of these varying practices needs to be streamlined.

As noted above the lack of a centralized mechanism to standardize and enforce the pronouncements by SBs creates variations. It creates the possibility that the practices may vary from one Islamic bank to another. This also creates issues regarding independence of the members of the SBs. It needs to be understood that members of SBs should be completely independent of the Bank management in their professional work.

Another key challenge which may be examined is to have proper Human Resource for this key task. The members of the Shari'ah Boards must not only be knowledgeable but have a missionary zeal to bring about a transformational change in the financial system. This also requires them to convince the business and trading community of the soundness of the Islamic moral alternative they offer to the country.

SAI Pakistan while working out an audit plan must keep in view the fact that Islamic Banks deal with both Shari'ah non-compliance risks and with other regular criteria like CAMELS (capital adequacy, asset quality, management earnings, liquidity and sensitivity). Such an approach makes it nearer to the interests of all stakeholders instead of a narrow shareholder focus.

SAI Pakistan can assist SBP by working as a source of external validation. It would require creation of a knowledge sharing mechanism between SBP and SAI Pakistan.

²Annual Report 2016-17, (Islamabad: Department of the Auditor General 2017), P. 2.

³ 'Supreme Court of Pakistan judgment in constitutional petition CP No 102 of 2012' as quoted in Annual Report 2016-17, (Islamabad: Department of the Auditor General 2018), P. 3.



While SAI Pakistan can plan this as a simple compliance exercise, a far more effective reporting tool would be focus on the actual performance in this sector. Perhaps a mix of the two techniques can be used.

Conclusion

It is important to note that under the Islamic banking system accountability is not limited to management but includes all stakeholders. The business does not exist for the sole purpose of profit but serves a moral purpose by contributing to collective good of the community. Thus a bank in an Islamic economy serves to further the ends of community, family, and the individual. It is an inclusive concept where growth is sustainable and based on halal sources of income. SAI Pakistan can work to assist the SBP, the regulator of the Banking sector, to check compliance and performance in this key sector of the economy.

The crisis of modern economic system is exclusion of countries, classes or persons. Islamic approach by placing businesses within the moral ambit of Quran and Sunnah provides incentive for banks to work for a broader audience. It puts a premium on wider social good by including all stakeholders in the money creation process. It restricts the baser elements of the economic system by barring un-Islamic operations from the economic system. SAI

Pakistan can be instrument of implementation of this key reform agenda

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Plan Big Start Small: Soft and Technical Reform in Specialized Fields

By
Mr. Umar Ali (Accountant General)



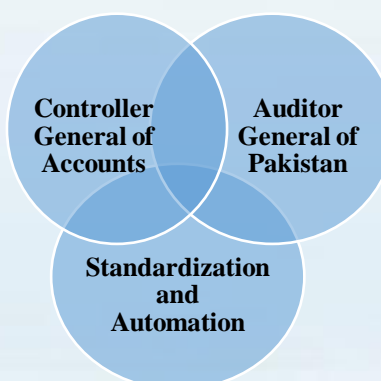
Introducing reform is a complex task. It becomes a greater challenge in public sector. The clichés of precedence, practice and existing paradigm serve as a road-block. The orientation and outlook towards work is conservative. This is what makes the public sector main-stay of governance machinery, that’s the argument put forth. Quite strangely, the dismal performance and low level of efficiency is conveniently ignored with this argument. Over time such inefficiencies get widespread, rampant and deeply entrenched.

In modern times with information technology revolution, reform attempts have mainly focused on automation of processes in public sector. This realm of reform encounters usual resistance. Besides, such automation work entails business process

reengineering and insecurity to existing workforce. Though, this reform intervention has a long-term and extensive effect, yet, modest beginnings seem feasible course of action. An utmost necessity is a change management and training effort for the reform work to succeed. Small and steady may be the way to go.

Modernization of the Department of Auditor General of Pakistan in the early 21st century faced no different situation. A functional segregation of the audit and accounts domain served as a precursor with standardization and automation of both the realms to follow. Enhancing capacities and making way for change to settle was one matter of importance. *Plan big start small* was the motto, as in hindsight, one can label it.

Figure1.
Modernization of
DAGP



Having established a need for reform and commitment of higher tier of the organization, countrywide and organization-

specific output was conceived. There was little focus on the outcome of reforms in general except in few areas. It was interplay

of giant and tiny steps. The route taken was ‘From standardization to automation’. The plan was big. As usual change was termed radical and unessential. Overcoming this resistance required wise handling.

On standardization New Accounting Model (NAM) was conceived and implemented to introduce modified cash basis of accounting and elements of International Public Sector Accounting Standards (IPSAS). Similarly Financial Audit Manual (FAM) launched risk-based audit and INTOSAI standards. Thus ground for more deeper and tech-based reform was prepared.

An automation drive followed the base work of standardization. Enterprise wide accounting software (SAP) was selected and with test and pilot runs small steps were undertaken. Before long, roll out phase was initiated at all tiers of government from federal to provincial to district. The output

based reform was well in place within few years. On Audit side computer aided audit tools (CAATS) were implemented and Audit Command language (ACL) was utilized. Soft areas of reform were targeted simultaneously through extensive change management and training drive across all stakeholders.

Within years the bigger plan of modernization was implemented courtesy smallish steps and steadfast effort. The goal of a reformed accounting and auditing environ was pursued. Standardization and automation served as milestones. In the process updation of operations and high-tech tools enabled the department at output level. To some extent, system based and latest oriented approach to work was geared towards outcomes of informed decision making for budgeting, accounting, reporting and timeliness in auditing.

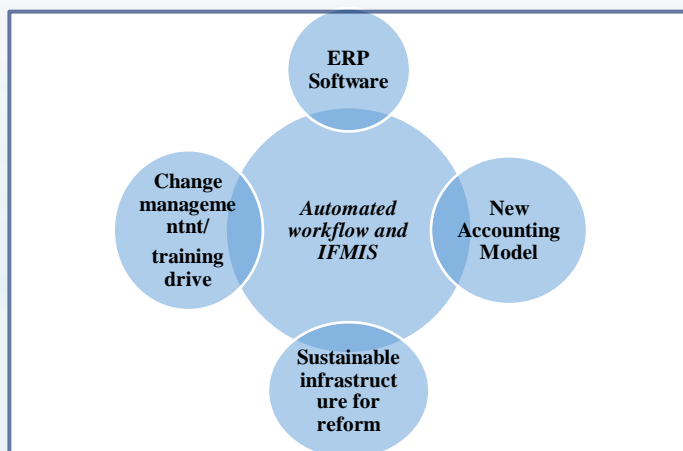


Figure 2. Accounting and Budgeting

In achieving desired goals the department overcame resistance to change through step by step approach. Small leading to large-

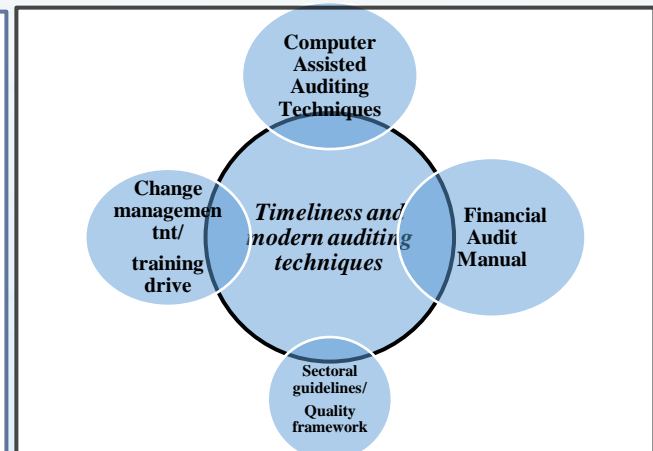


Figure 3. Audit

scale reform. In the process resistance was overcome bit by bit. Capacities were built. Systems were rolled out. Processes were



reengineered. Modernization was focused and implemented to a large extent. Improved service delivery has been the corollary.

For accrual of outcomes through invigorated service delivery and meaningful accountability much remains to be done. The platform has been provided. The overall vision of reform with years of effort for soft and technical reorientation has been greatly achieved. What remains to be done seems leveraging installed tools and capacities and overcome traditional bureaucratic hurdles to do away with vestiges of sluggish and conservative mode of work. However, the challenge of an overall bureaucratic

orientation of the entire spectrum of civil services in Pakistan needs to be surmounted in the department.

In recent times the office of the Controller General of Accounts in furthering reforms has undertaken initiatives such as Micropayment gateway (MGP) for Electronic Funds Transfer (EFT) and online submission of bills. The department of the Auditor General of Pakistan is implementing ERP software for Audit Management Information System (AMIS). These have been made possible due to earlier reform intervention and base-work within the scheme of 'Plan big Start Small'.



SAI Pakistan

Independence of the SAIs - a Panacea for Effective Accountability

by
Mr. Aamir Fayyaz



The accountability cycle in Pakistan is quite predictable. The legislature places budgetary resources at the disposal of the government functionaries and they, as trustees and stewards, are expected to abide by the principles of fairness, propriety, regularity, and value for money while utilizing the budgetary grants. They are also required to achieve their organizational objectives and spend the money for the purpose it was authorized. So far so good. The legislature however wants to follow the allocated money. Who will provide assurance to the legislature that these considerations were adhered to while spending the public/tax payers' money? The government functionaries such as the principal accounting officers, the heads of departments or the drawing and disbursing officers? The answer is a typical 'none of the above' as the assurance, even if provided by these offices, will lack credibility and will be against one of the key principles of natural justice- no one should be a judge of his own cause. This requires that we shift our focus to some authority outside the spending ministries and departments- an authority vested with the legal right to examine utilization of public money and is independent of the executive and the legislature.

The Auditor General's organization, being the supreme audit authority, occupies a central place in the country's accountability framework. It exists and operates independent of the management. Notwithstanding the types of audit that it is mandated to perform, the independence of the office is the *sine quo non* for credible and reliable audits on which the stakeholders can rely upon for decisions that affect and influence present as well as future public policies. If the audit authorities are not independent of the executive management, then there is no difference if the reporting on the utilization of resources is done by the Auditor General or by the Principal Accounting Officers. Both will duplicate their efforts and the stakeholders will not be better off by reports of either. Independence of the audit institution from the management or executive bureaucracy is therefore an established principle that is well respected across the public sector global audit community. It is the prerequisite for any Supreme Audit Institution to function. Sans independence, the audit institution will be just like an ordinary government department. Without an independent foundation, the audit house is at best a house of cards. The Lima Declaration succinctly acknowledged this some two scores five years ago when it



declared that the “Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence”¹ Going one step further, the Mexico Declaration on SAI Independence, identified eight core principles outlining the broad contours of the independence of public audits.² These principles serve as the criteria to assess the degree of independence enjoyed by the SAI. Similarly, the UN General Assembly has acknowledged that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.³ Additionally, at the Commonwealth Heads of Government Meeting (CHOGM), at Colombo in 2013, the Heads of Government recognized the contribution that strong, properly resourced and independent supreme audit institutions play in improving transparency, accountability and value for money to ensure that public funds are appropriately spent.⁴

The Constitutional and legal framework of Pakistan values this independence of the Auditor General. In terms of financial independence, for instance, the Constitution has categorized as ‘charged’ its expenditure meaning thereby that even the legislators do not have the power to vote on it (Articles 80-81). In terms of functional independence, the Constitution declares that the ‘extent

and nature’ of audit shall be determined by the Auditor General (Article 172). The Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, while outlining the duties of the AGP to certify the accounts of the federation and provinces, empowers him to do so on the basis of such audit as he may consider appropriate and necessary (Section 7). The same law also empowers the AGP to dispense with detailed audit and apply limited checks as he may determine (Section 17). The reports of the Auditor General, being the final products, are required to be presented to the Head of State and ultimately land at the same house which granted the budget in the first place (Article 171). These are no ordinary provisions! The law is jealously guarding the independence of this constitutional office from outside influence. The independence of audit is also inbuilt in the auditing standards that require independent application of mind by audit at the time of planning, execution, evaluation and reporting of audit results. In plain and simple language, the Auditor General has much independence in deciding ‘what to audit’, and has complete independence in determining the how part i.e. how to audit, evaluate and report.

While ‘to be independent’ is the cherished goal of all SAIs, and they may be leaving no stone unturned to attain full independence within the parameters of INTOSAI-PI and in line with the principles set in INTOSAI-P10; for a sizable number of SAIs, it may well prove to be an uphill and a herculean task. The Global SAI Stocktaking Report 2020, on

¹ISSA-PI (LIMA Declaration), 1977

²ISSAI-10 (Mexico Declaration on SAI Independence), 2007

³UNGA Resolution A/66/209, 2011

⁴Independence-Related Resolutions - PASAI.



the basis of assessment against the eight principles of Mexico Declaration, witnessed a slight decline across seven of the eight principles since 2017. The report concluded that, “around the world, SAI independence continues to be a challenge for many SAIs” and that “overall, there is a continued, albeit slight, backslide in the levels of SAI independence since the 2017 report. In addition, new threats to SAI independence appear to be emerging.”⁵ The World Bank, in its ‘Supreme Audit Institutions Independence Index’ of 2021, also concluded that “much needs to be done to meet the aspirations of the 1977 Lima Declaration, which called for the full independence of SAIs.” The SAI Independence Index assessed 118 countries against 10 indicators that were the most critical for SAIs and the result showed that only 02 countries (i.e. just 1.7%) could be placed in the ‘very high’ category for meeting all independence indicators. The summary of the results of assessment has been presented in the Table below.⁶

| Grade | Category | Definition | Score | Number of Countries |
|-------|-------------|--|-----------|---------------------|
| A | Very High | All independence indicators were met | 10 | 2 |
| B | High | Most independence indicators were met | 9.0 – 9.5 | 17 |
| C | Substantial | Several independence indicators were met | 8.0 – 8.5 | 33 |
| D | Moderate | Some independence indicators were met | 6.0 – 7.5 | 37 |
| E | Low | Few independence indicators were met | 0 – 5.5 | 29 |

⁵INTOSAI Development Initiative, Global SAI Stocktaking Report 2020, <https://www.idi.no/our-resources/global-stocktaking-reports>

⁶World Bank. 2021. *Supreme Audit Institutions Independence Index 2021 Global Synthesis Report*. EFIGI Insight-Governance. Washington, DC: World Bank. <http://hdl.handle.net/10986/36001>

Among the regions, South Asia has turned out to be the highest performing region followed by Europe and Central Asia.⁷ This must provide the necessary impetus to the regional countries to continue to make further progress to achieve full independence. Pakistan has been placed in the substantial independence category.⁸ This depicts considerable achievement although there is a lot of room at the top. There are milestones to be covered before the optimum level of independence is attained by the SAI and this includes bracing for a roller coaster ride. The idea is to keep the flame alive since, “independence rarely happens to a SAI by accident. Independence needs to be planned for carefully and can take years of persistent work by many different partners to achieve. Like any project, it is important that the SAI is clear about what it wants to achieve, has a full appreciation of what the barriers and risks are, and can make a compelling case to those who can help the SAI achieve the greater independence it is seeking.”⁹ At the level of SAI, there must be realization that independence of audit is not just an academic abstract concept that is born in legal documents and is nourished by auditing principles and then it lives there in solitude not to be exposed to the outside world and tested on ground? Independence of audit is tested and challenged each time an auditor, as a representative of the audit department, raises a 'Why' and demands answers because behind every 'why' there

⁷ Ibid, page 23

⁸ Ibid, page 19

⁹ INTOSAI, *Strengthening Supreme Audit Institutions: A guide for improving performance* (2018), page 18



is public money involved and behind every 'because' and 'but' there may well be hidden 'so what' and a (disguised) contempt for the criteria. One basic challenge that the SAI will have to grapple with is to bring home to the stakeholders that an independent audit institution is for the benefit of all. The SAI must also ponder and find ways and means whereby the stakeholders, especially the citizens, are able to reap benefits of the progress made by the SAI. More independence should correspond to the strengthening of the audit products and services. The independence of the SAI also demands that an individual auditor, irrespective of his/her position in the audit chain of command, should feel and cherish an independent frame of mind that flows from the powers vested with the head of the SAI or he/she will not have the temerity to

ask the right questions. The independence needs both substantial and symbolic demonstration through exemplary conduct by the auditors in accordance with the applicable ethical standards.

This independence should make auditors courageous and fearless in not only asking the right questions but also accepting the right answers as insisting on one's opinion contrary to the presented evidence is against the spirit of independence. Independence therefore requires that audit overcomes personal and institutional biases, preconceived notions, stereotyping, and approaches the client with an open mind. This type of independent audit will incrementally make its way and will benefit all the stakeholders.



Role of Audit in Good Governance

By
Ms. Munnaza Aisha (Director Audit)

Auditing is a cornerstone of good public sector governance. By providing unbiased and objective assessment of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instill confidence among all stakeholders. The public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight. Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision makers by providing an independent assessment of public sector programs, policies, operations and results. Foresight identifies trends and emerging challenges. Through these roles auditors help the public sector operate with greater transparency, probity and equity.

Audit is important to ensure good governance in the management of public resources. If audit cannot properly function as a mechanism to safeguard accountability, then the role of audit to contribute to the good governance is in question especially in the context of developing countries where good governance is prerequisite for economic development. We need to understand how good governance helps in making development efforts more

sustainable and how audit can contribute to good governance. In parliamentary democracy, the three main pillars i.e., the legislature, the executive, and the judiciary have an equal role to perform but the supremacy of the elected political executive cannot be denied. The administrative bureaucracy is meant to facilitate the implementation of the policy parameters. The conventional wisdom of good governance is presumed on the basic principle that democratically elected government will conduct public affairs with transparency and accountability. As the government collects money from the public and spends it on behalf of the public, such spending does place an element of higher accountability on government. This accountability is the base for so much emphasis on good governance for achievement of sustainable development.

Audit, as one of the instrument of transparency and accountability, is a powerful tool of good governance. Accountability and transparency, the two cardinal principles of good governance in a democratic set-up, depend to a large extent on how well the public-audit function is discharged. Effective audit strengthens governance by providing for accountability and protecting the core values of government. It plays a significant role in safeguarding the interests of various



stakeholders, thereby facilitating good governance. For any vibrant parliamentary democracy, an effective system of accountability of the executive to parliament is fundamental. It is in this background that the framers of the Constitution of Pakistan decided to provide an independent authority to the Auditor General of Pakistan (AGP). The Supreme Audit Institution (SAI) Pakistan provides confidence by which parliament, on behalf of the tax payer, scrutinizes how the government uses the authorized appropriations of money. The AGP helps to hold the government financially accountable to the legislature.

Working together, auditors and the executive can improve the efficiency of administration and the effectiveness of government's spending. In an era where the government has itself introduced the concept of social audit and transparency through the right to information under Article 19A of the constitution and the Right of Access to Information Act 2017, it is incumbent on auditors to sensitize public opinion towards the way government expenditure is undertaken and how the nation's resources are being tapped for its economic development. Auditors must go beyond a narrow mandate and contribute more directly to improve public sector performance. Audit encourages improvement in financial management, securing value for money, governance and other internal arrangements. Responsible internal financial management is crucial to national integrity. Office of the Auditor General of Pakistan is the linchpin of the country's integrity system which acts as a

watchdog over financial integrity and the credibility of reported information. Audit helps curb corruption and acts as a potent deterrent to waste and abuse of public funds by helping restrain any tendency to divert public resources for private gains.

The SAI Pakistan has a long history of being at the center of public accountability and enjoys a constitutional status ensuring independence and continuity of its operations which ensures good governance in public sector. Based on audit reports, the Planning Commission report 2013 on Millennium Development Goals (MDG's) found four internal reasons for under-achievement of MDG's including low growth and investment, underemployment, governance issues and unequal and low-quality public expenditure. Around the world, Supreme Audit Institutions are working in collaborative and innovative ways to examine how effective their governments have been at integrating the Sustainable Development Goals (SDGs) into national development plans and in assessing progress that is being made on issues like climate change, gender equality and poverty reduction through good governance.

SAI Pakistan with a vision "to contribute value and benefit to citizens" has played pivotal role to help achieve sustainable development agenda 2030 despite limitations and challenges. As supreme oversight body working with Parliament of Pakistan, it is the national duty of SAI Pakistan to learn lessons from MDG Targets and should strive to give its input for meeting the national goals agreed under



agenda 2030. SAI Pakistan has planned and performed performance and special audits in this unique aspect. For example, the Special Audit of “Prime Minister’s Global Sustainable Development Goals (SDGs) Achievement Program” was carried out during 2018-19 for the financial years 2016-17 and 2017-18 to report significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the works executed under the Program. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the Program. The Report indicates specific actions that, if taken, will help the management to realize the objectives of the Program for national development through good governance.

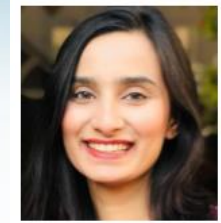
It is obvious from all the discussion that no one institution, acting alone, can assure

good governance. Indeed, the very concept of a “national Integrity System” highlights the linkages between institutions. Working together, auditors and the executive can improve the efficiency of administration and the effectiveness of the government’s spending. While the executive has been given the freedom to frame and architect schemes and projects to fulfill the requirements of growth, it is essential to ensure that subjective elements do not enter the implementation process. Hence, there is a need to have an independent agency in the form of auditor to ensure objectivity. Audit and the Administration both are on the same side of the table. While the administration is the spending agency of government resources, the auditor is merely the validation agency to provide comfort not only to the legislature but the common man that the money extracted from him has been most efficiently expended.



Role of Audit in National Development

By
Ms. Mahnoor Shafaq (Assistant Director)



In the life of nations' progress the role of audit is unparalleled. Like all other advanced fields of knowledge, audit keeps molding itself naturally to needs of the hour aiming at the final outcome of sustainable development. It does this mainly by ensuring transparency & efficient use of public resources. Financial and social wellbeing of nations is proportional to the prudent disbursement and ascertaining apt utilization of public money, that is: accounts & their audit.

Pakistan since its inception has made great strides in the field of public sector auditing by embarking on the journey of continuous professional development and excellence through service delivery. Having roots dating as far back as 1860s with the position of Comptroller and Auditor General of British India and then of Pakistan since 1947, headquartered in the capital city of Islamabad, the Supreme Audit Institution (SAI) of Pakistan referred to as DAGP (Department of Auditor General of Pakistan) serves the nation proudly. It spans its network of services from Baluchistan and Sindh to KPK, Punjab and ICT, all the way up to AJK and GB, broadly termed as South, Central and North. In terms of tiers, it trickles its services down to the provincial

setups, district governments and local councils. And caters generously and specifically to the technical demands of around 30 Directorates & their respective formations counting in thousands, working countrywide. Field Audit Directorates look after the financial propriety of all the ministries/ divisions and respective spending units within their purview, by conducting different types of audits. Those spending units come in all shapes - Companies, Corporations, PSDP/ foreign-funded Projects, Autonomous / Semi-autonomous Organizations, authorities funded by Government of Pakistan or bilateral/ multilateral donors. Its role expands to the audit of self-accounting and exempt entities dealing with public money. Moreover, Audit of Defense Services encompasses formations of Armed Forces under the jurisdiction of Ministry of Defense & Defense Establishment.

The intricate web of government institutional linkage makes the merry-go-round of public money, function. Through pre-audit and internal audit in accounting followed by an external audit channeling its way through phases of planning, execution, and reporting, presentation of reports to AGP and to the president/governor as the case



may be, respective assembly and PAC, and lastly the follow-up of audit recommendations, the cycle of safeguarding public money continues. Audit along with all relevant stakeholders thus contributes significantly to national development.

Be it a novel situation of global pandemic, some governance-cum-environmental project auditing as of Billion Tree Tsunami, audit concerning geo-strategy through expense for TDPs during security operations, special studies of housing schemes ultimately identifying the loopholes in our city and regional planning regime, performance audit of emergency services, audit of a whole new economic corridor as CPEC, special audits as of metro bus projects, special studies titled after burning questions of contemporary times, role of audit has always come in handy through innovation and attainment, as depicted in DAGP reports. Recognition by IMF for DAGP Covid-19 audit report with the risk-based audit approach adopted therein is worth the mention in this regard.

All this has been made possible in recent years besides the general nature of regularity audit i.e. financial attest / certification and compliance audit to examine the judicious spending from the kitty and in keeping with governing rules and regulations respectively. Audit now finds its diverse paths in the fields of performance seeing value for money and results against the stated objectives. The full-fledged Performance Audit Wing of Pakistan has been rendering innumerable services for the

past 4 decades while engaging meaningfully with outside world through national and international trainings. Thematic audit (as analysis of particular audit area with contributions from more than one entities) is introducing more relevant themes as environment audit, procurement audit, public debt and revenue receipt audit and cost-audit of state-owned enterprises. In audit world, forensic audit is gaining roots today, with forensic software implementation in Europe and establishment of forensic audit units in Africa, foreseeing the signs of possible fraud.

Faring well in the field of automation, Controller General of Accounts under the umbrella of DAGP has implemented Financial Accounting and Budgeting System (FABS) for accounting offices. With its continual reliance on Information and Computer Technologies, HRMIS and computerized data-base for annual audit plans was introduced. DAGP adopted citizen-centric approach enabling citizens to give their audit recommendations on Pakistan Citizen Portal. The Audit Management Information System (AMIS) is latest in line of these landmark achievements with the intent of revolutionizing audit through a gradual shift from manual to digital.

In this age of globalization, SAI Pakistan concerns itself not only with national but across borders development. It plays its role in the international realm of auditing, by being member governing board of ASOSAI – one of the regional groups of INTOSAI (International Organization of Supreme



Audit Institutions), being a proud and promising member of ECOSAI with the Auditor General of Pakistan as its Secretary General, International Consortium on Governmental Financial Management (ICGFM) and having conducted audits of renowned international bodies as Organization for the Prohibition of Chemical Weapons, United Nations Industrial Development Organization etc. Given its exhibit of competence and professionalism, SAI Pakistan continues to champion this cause as the sought-after contender for audit of organizations as INTERPOL. Its engagement with the Bretton woods Institutions has been exemplary. In the present times, audit not only pinpoints what has to be avoided but also recommends what's desirable to be done. As one moves leftwards on the world map, performance auditing seems to be gaining more currency based on countries' political systems. In the interconnected world of today, nevertheless, many of the good practices see replication. Importance of continuous Research and Development cannot thus be overlooked.

In the arena of thematic audit, different entities may work in consonance, as Climate Change and Environment & Works (Housing Urban Development and Public Health Engineering) for Green Cities in line with SDGs 11 & 13. Likewise, one or more SAIs may get together to achieve milestones through Cooperative Audit Regimes. Twinning projects as of SAIs of Poland and Palestine are a case in point. National chapters of Transparency International may render their services as per audit model of

the country. Moreover, conducting audits combining different audit types and the offices employing them may be considered. Mechanism may be devised for audit of core and sectoral development projects.

Audits these days take place on the basic premise of cooperation. Thus exchange programs may yield collective progress. Auditing world has witnessed instances of digital billing system through ERP, acceptance towards digital evidence of financial matters in courts, e-procurements, Bitcoin Auditing, AI and Intelligent Auditing etc. Data analytics and Gov. Tech approaches have now made not only the work of audit easier, but of the auditee too. What's desirable is to capitalize on such software developments as are employed in the offices involving technical nature of accounts as Inland Revenue & Customs, Tax Audits etc. Likewise Debt Management Information System for Debt Auditing, tapping on the audit procedures employed in systems as SAP and extending the same to Missions Abroad can be a useful approach. This also includes shift to New Accounting Model (NAM) from the legacy accounting system by some organizations still in use of it. IT has brought about a paradigm shift in the conventional ways of working, though comes with its own set of vulnerabilities. E.g. Physical verification during remote auditing has been rendered difficult. Nonetheless, it would be naïve to talk tech without updation of rules that are no longer applicable. In the absence of such utility, redundancy at times finds its way to the audit findings.



To ensure across-the-board transparency, cooperation of stakeholders is vital. It goes without saying that the chain of public accounting matters is only as strong as its weakest link. Specialized Research Institutions are now established in countries to provide forecasts. The near-accuracy of budgetary forecasts as endowed by Medium Term Budgetary Framework and introduction of Treasury Single Account can be helpful tools in audit planning & identifying material misstatements. Order of precedence is also crucial. In the event of resource / other constraints or unforeseen circumstances making internal controls weak, high risk and loss-making entities are to be audited first to avoid any cost / time overruns.

With the advent of Social Audits, Sustainability Accounting & Reporting etc, it has been possible to incorporate the peculiar socio-economic, political and cultural aspects during audits. The field of audit has already improvised to tackle issues of grave importance. So, for instance, gender-related auditing aims at reducing gender inequality arising out of misappropriated expenditure. The concept may be extended to other marginalized or vulnerable segments of society as minorities, children, differently-abled etc. Pension Audit safeguards the rights of those, who are no longer in public employment. Field of forensics finds inroads into trafficking, money laundering, shell corporations, narco-terrorism and organized crimes. Other emerging dimensions of audit like HR, Operations, Asset Management

and assessing preparedness for disaster management etc., give more objective results. While in some countries, some of these may have become statutory audits, the others are likely to follow suit.

The very many improvisation techniques, however, sometimes stumble at the crossroad of practical issues faced by Audit Institutions, such as: reluctance of data sharing, not making certain reports publicly available, little to no legislative follow-up on recommendations, logistics and infrastructure constraints for the auditors and inconsequential engagement with policy universe to name a few. Pakistan too shares the burden of these or some other realities i.e. Out of nearly 47000 subjects, audit of only a few thousands is practically possible every year. There remains a backlog of reports to be discussed and corrective measures to be taken by the highest echelons. With Westminster model of auditing in place, legal mandate of some audits as requiring both investigative skills and financial expertise hangs in the balance. Similarly, scope has also to be defined for public-private collaborations. As performance-based budgeting & reporting concepts have been introduced into the high corridors of public financial management, need for greater incidence of performance auditing becomes dire. Lastly, borrowing from AGP Annual Report "In a rank and status-conscious society such as Pakistan, professional pursuits based on knowledge and research-driven analyses do not enjoy the same stock of social visibility". It thus identifies Improving Overall Ambiance of



Government Auditing and creating a dignified presence for itself as the most crucial challenge facing DAGP.

With 21st century re-alignment of priorities, education & health sector improvement as enshrined in SDGs lies at the heart of national development in true letter and spirit. Role of good accounting and auditing in these sectors is thus a pre-requisite for advancement. The preliminary survey reports, special studies and special audit reports of the DAGP provide a recipe for sustainable growth. In the wake of recent disasters and climate change, a vibrant audit setup with coordination of all stakeholders may work wonders. It stands the exigency of time that relevant quarters join heads together to not let the idea of progression slip into elusion.

As Pakistan celebrates its 75th independence day, SAI Pakistan strengthens its resolve to further the cause of national development by ensuring effective management of government resources, good governance, transparency and accountability. It forges ahead with core values of truth, propriety and partnership.

With ever-evolving world and uncertainty staring in the face, audit oversees equitable dispensation of public money leading onto the subsequent sustainable development of system and society at large.

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SAI Tajikistan

Connection of the Accounts Chamber of the Republic of Tajikistan to the E-Government System

by

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At the present stage of economic development for many countries - it is an urgent problem to improve the public administration efficiency through the information and telecommunication technologies usage (ITT), which are based on the use of the latest science and technology achievements, and represent the basis for the country's socio-economic development, affecting the political, economic, defence and other components of national security. ITT are used by public administration authorities to collect, process, store, exchange and disseminate information. Particularly important information infrastructure becomes in matters of effective regulation of socio-economic processes regarding the need for rapid response (prediction) of socio-economic and political changes in different spheres of society.

Intensive development and active application of ITT in all sectors of the economy is the result of the global trend of global scientific and technological progress. In the era of modern high technologies ITT play an extremely important role in providing information interaction in complex socio-

economic, financial and production processes, increase investment activity in the country, promote employment of population, implementation of innovative technologies in production and management, which contributes to the growth of real GDP of the country as a whole, and per capita.

The main reasons that have prompted the governments of many countries to reform the system of public administration are:

- Increased administrative costs of maintaining the state apparatus;
 - lack of motivation and incentives in the work of civil servants;
 - corruption crimes and loss of public trust in government discrepancy between the policies pursued by government bodies and the real needs of society;
 - inefficiency in the distribution of GDP and in the financial and economic activities of government agencies;
 - low quality of services provided by government agencies;
 - lack of qualified specialists in the regions.



Most of these problems can be solved through the formation of "e-government", which determines the further direction of the state policy in the field of modern methods of management and improvement of economic efficiency.

E-government is an integrated hardware and software system of interconnected web-portals of state bodies that provides citizens, businesses and other branches of government with the opportunity to interact with the state through the Internet on the principle of "Single Window". In such interaction, contacts with government officials are minimized, which contributes to the elimination of bureaucratic obstacles and the eradication of corruption in the provision of public services.

Such form of organization of information interaction enables the state to optimize public expenditures, improve the quality, accessibility and efficiency of provision of public services to organizations and citizens, other public authorities.

"E-government" is based on a decentralized infrastructure of information and communication technologies formed throughout the state. The core of the infrastructure is the systems of automation of management activities and electronic document management, pursuing the goals of cardinal improvement of the efficiency of the management personnel of state bodies, minimizing the administrative and bureaucratic costs of social communications for the population.

"E-government" is the most important part of the administrative reform of public administration, the transformation to a digital economy. The basis of "e-government" is the infrastructure of the government gateway, which is a strictly regulated system of collection, processing and transmission of financial, economic and other socially significant information.

In 2012, Tajikistan adopted the "Concept of Forming e-Government in the Republic of Tajikistan," which provided for the gradual creation of "e-government. The first stage of implementation of the Concept of e-Government (2012-2013) was marked by the introduction of a unified computer network in the Republic, uniting such financial institutions as the supreme audit institution, banks, state financial, tax and customs authorities.

At this stage, a register of civil servants was created, and wide access to the national information and legal system "ADLIYA" was provided.

The process of creating local computer networks, sectoral information sites was initiated. By 2015, almost all government agencies developed their official sites on the Internet, where they placed general information about their activities.

Interdepartmental data transmission networks with their protection from unauthorized access from the outside, from hacker attacks, hacking or theft attempts began to develop rapidly; measures were taken to provide citizens with access to



information resources of state bodies. At the same time, the design and creation of a unified system of information and reference support for citizens, the infrastructure of interagency electronic interaction with a secure system of interagency electronic document management was started.

The main goal of e-government is to create a web portal that will ensure the integration of sectoral information centers through a "government gateway", and the user interface will provide a "single window" for information exchange between government agencies and consumers of electronic public services.

In order to ensure integration of sectoral information systems electronic documents and unified rules for their execution and processing are to be unified. Long-term storage of electronic documents will be provided due to their centralized backup.

In order to organize an error-free automated input of information it is necessary to create a unified address register that will contain the exact names of cities and streets, and jamoats of the Republic.

The development and creation of such information systems and registers will simplify procedures for state registration of business entities and create conditions for the transparent passage of payments. At the same time, a mechanism will be implemented to give electronic documents legal force.

In connection with all of the above, the Accounts Chamber of the Republic of Tajikistan was connected to a single database "e-government", and using the technological capabilities of virtual government, scientific and technological progress, the growing level of digitalization of financial and economic activities of public administration, "e-government" helps improve the quality of services provided to the population and has a positive impact on all participants in the way

a) for the government

- wide use of innovative technologies in public administration, increasing the efficiency and effectiveness of activities, simplifying procedures for obtaining information;
- reducing budget expenditures and the time and cost of providing services to the population;
- integration of information resources of public authorities and increasing their protection from cyber threats;
- application of modern management methods, creation of transparency and openness of financial and production activities of public authorities, increasing their responsibility for the results of their activities;
- ensuring the timeliness, reliability and integrity of information requested by users of online public services;



- b) for citizens
 - involvement of society in the management of the state;
 - the establishment of a relationship between consumers of information and public authorities, improving social communication;
 - creating conditions for the prompt and economical provision of information to the public;
 - organization of the possibility of receiving services by people with disabilities;
- providing access to services in electronic form to all users regardless of their geographic location;
- the time savings required to search for and retrieve information in response to user requests
- (c) For the business sector
 - qualitative improvement of feedback from the state authorities, cost savings for business entities and citizens;
 - Increase of entrepreneurial activity, improvement of competitiveness, expansion of opportunities to enter foreign markets.





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