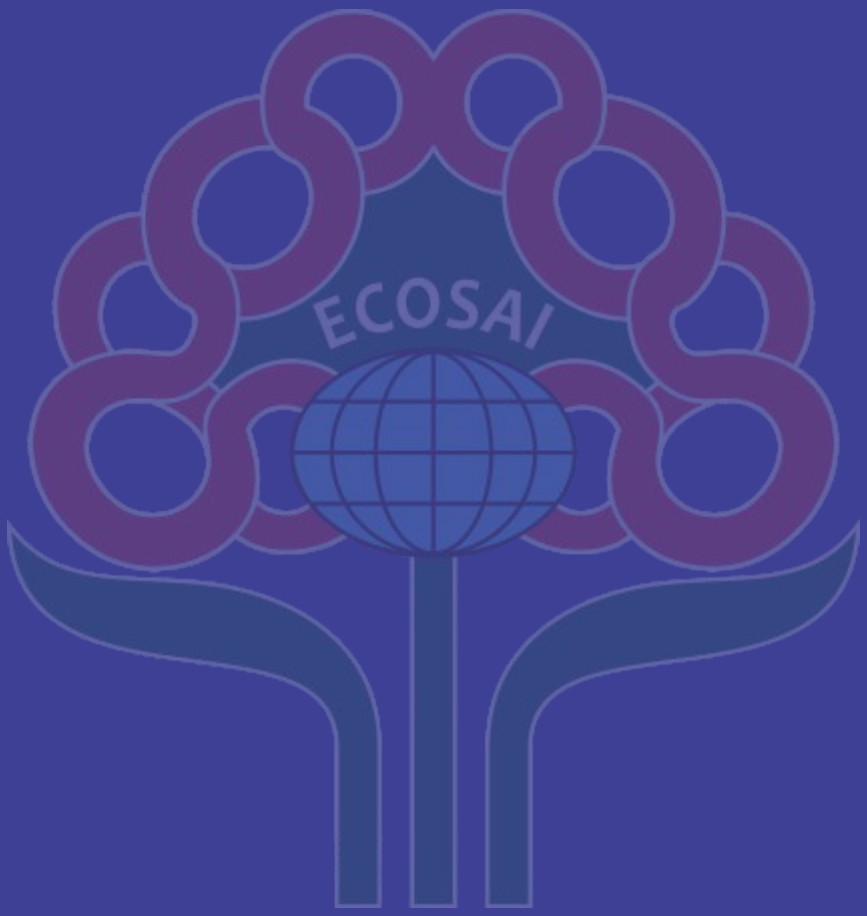
ECOSAI

CIRCULAR 2020

Autumn 2020



Economic Cooperation Organization
Supreme Audit Institutions

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)

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

Governing Board Members of ECOSAI

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

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

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

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Editorial Team

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

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

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- Qatar
- Belarus

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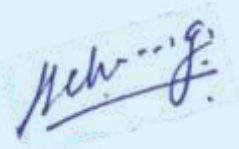
MESSAGE OF SECRETARY GENERAL ECOSAI

ECOSAI Circular focuses on fostering knowledge sharing in the area of public auditing with the intent to promoting professional and technical cooperation among member SAIs. It gives me immense pleasure to present Autumn issue of ECOSAI Circular 2020.

The Covid-19 crisis is global and has massive impact on all countries in areas such as public health, employment, economic growth and social protection. The crisis requires urgent actions by governments, and it can sometimes be difficult to balance this carefully with accountability, transparency and integrity.

We know from previous pandemics and disasters that emergency situations can lead to basic control systems being suspended or bypassed, combined with weakening of accountability systems and oversight. This can cause increased levels of waste, mismanagement and corruption at a time when government resources are under pressure. As a respected oversight institution, the SAI can play a key role in the different stages of a crisis like Covid-19. They can provide advice on critical rules and regulations, and can conduct real-time audits on procurements and whether funds are being used for the right purposes. This can have a deterrent effect and contribute to safeguarding government and donor funds. In the aftermath of a crisis, the SAI can provide assurance on the use of funds and assess the economy, efficiency and effectiveness of the national responses. Reports can be used both for accountability and for identifying lessons for the future.

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



Javaid Jehangir
Auditor General of Pakistan
Secretary General ECOSAI

News from Member SAIs

CHAIRMAN OF THE CHAMBER OF ACCOUNTS OF THE REPUBLIC OF AZERBAIJAN SINCE NOVEMBER 2013 & RE-APPOINTED AS ON DECEMBER 11, 2020.

Mr. Vugar Tapdiqoglu Gulmammadov



The Milli Majlis (Parliament) of the Republic of Azerbaijan has re-appointed Mr. Vugar Gulmammadov as the Chairman of the Chamber of Accounts of the Republic of Azerbaijan for another his seven-year term on 11 December, 2020. Mr. Vugar Gulmammadov brings an extensive public sector audit experience to his position as he has been with the Azerbaijan SAI for almost 14 years, for the last 7 years of which he has spent already as the Chairman of the Chamber of Accounts of the Republic of Azerbaijan.

Mr. Vugar Tapdiqoglu Gulmammadov was born on 3 April 1971 in Baku.

In 1993 he graduated the Faculty of Production Economy and Management of Azerbaijan State Economic Institute.

In 1993-1997 he worked as deputy general accountant and general accountant at the health department of Suraxani district of Baku.

In 1997-2007 he was an inspector, deputy head and head of department at the Finance Office of Suraxani district of the Ministry of Finance of the Republic of Azerbaijan, deputy head and head of department of the Finance Office of Sabail district, deputy head and head of sector of the Finance Office of Binaqadi district and deputy head and head of sector of the Finance Office of Yasamal district.

In 2007-2013 he has been leading the Department of Control of Investments of the Chamber of Accounts of the Republic of Azerbaijan.

On 22 November 2013 he was appointed as the Chairman of the Chamber of Accounts by the decision of the Milli Majlis (Parliament) of the Republic of Azerbaijan.

On 11 December 2020 he was re-appointed as the Chairman of the Chamber of Accounts by the decision of the Milli Majlis (Parliament) of the Republic of Azerbaijan.

Mr. Vugar Gulmammadov was awarded with the Medal for Distinguished Public Service by the President of Azerbaijan Republic for the special achievements in the activity of the Chamber on the occasion of 10th anniversary of the establishment of the Chamber of Accounts of the Republic of Azerbaijan by the Order numbered 1809, dated October 31, 2011.

He is married with three children.

Dr. Mehrdad Bazrpash elected as Senior President of Supreme Audit Court of the Islamic Republic of Iran



In an open session on Wednesday, July 22, 2020, Dr. Mehrdad Bazrpash was elected by members of the Iranian Parliament (the Islamic Consultative Assembly) as the new Senior President of the Supreme Audit Court (SAC) of the Islamic Republic of Iran.

Dr. Bazrpash was born in Tehran on August 11, 1980. He holds a B.Sc. degree in Industrial Engineering (Sharif University of Technology), an M.A. in Executive Management (Allameh Tabatabaee University), and a Ph.D. in Technology Management (Allameh Tabatabaee University). Besides, Dr. Bazrpash is a faculty member of the department of management in IRIB University.

It is noteworthy that Dr. Bazrpash had some other important responsibilities in the Iranian executive and supervisory circles including Vice President and Head of Iran's National Youth Organization, Member of the Presidium of the Iranian Parliament (round 9), Advisor to the President of I.R.I on Social Affairs, CEO of SAIPA (automobile manufacturer) and Advisor to the Mayor of Tehran.

ديوان المحاسبة
State Audit Bureau

رئيس ديوان المحاسبة
PRESIDENT State Audit Bureau

BIOGRAPHY



Personal Information

Name: Faisal Fahad Mohammed Ali Al-Shaya
Date of birth: 20/6/1952
Current position: President of the State Audit Bureau of Kuwait Education
Bachelor: Degree in Business
Marital status: Married

Work Experience

- Public Institution for Social Security (PIFSS) / Investment Department 1977-1982.
- Public Institution for Social Security (PIFSS) / Director of the Investment Office 1982-1984.
- General Manager of Wafra Real Estate, a subsidiary of PIFSS, 1984-1999. Member of Parliament in the Kuwaiti National Assembly 1999-2003.
- Member of Parliament in the Kuwaiti National Assembly 2006-2008.
- Member of Parliament in Kuwaiti National Assembly 2013-2016.
- Member and Rapporteur of the Committee on Financial Affairs in the National Assembly 1999-2008.
- Head of the Committee on Financial Affairs in the National Assembly 2013-2016.
  Member and Rapporteur of:

  Committee on the Protection of Public Funds.
  - Human Rights Committee
  - Foreign Affairs Committee.
  - Housing Affairs Committee.
- Member of the Arab Parliament 2006-2008.
- Head of the Executive Committee, Arab Parliamentary Union 2013-2016.
- Deputy of the Parliamentary Friendship Group in the Kuwaiti National Assembly 2013-2016.

Corporations

Vice Chairman of Injazzat Real Estate Development Company 1998-2013.
Chairman of Injazzat Real Estate Development Company 2013-2019.
Board Member and Vice Chairman of First Bahrain Real Estate Development Company 2017-2019.
Board Member of CapCorp Investment Company 2008-2019.

+965 24957777 +965 24957000 +965 24957711 www.sabq8.org president@sabq8.org
17 AlShamiya الشامية , 71661 Kuwait, Mohasba المحاسبة stateaudkw sab_Kuwait sab_q8

SAI Pakistan conducts Two day Online Training course on Risk Based Auditing from 27-28 January 2021

Department of the Auditor General of Pakistan conducted a 2-day online course from 27-28 January 2021 for Auditors from seven countries. The course was conducted in Auditor General's Performance Audit Wing facility at Lahore, and 42 Auditors from seven countries including Turkey, Iran, Qatar, Tajikistan, Kazakhstan, Palestine and Belarus participated in the online training session on Risk-Based Auditing.





The online course is aligned with the Auditor General of Pakistan's office Digital Education Initiative. The AGP office has invested in solutions and developed staff competencies to facilitate an effective, inclusive, flexible and agile Digital Education.



Ms. Ayesha Siddiq, Director General and Mr. Bilal Akram, Director being expert trainers from SAI Pakistan, deliberated on Risk-Based Auditing issues by delivering presentations and interactive session followed by a case study session. On day first, 20 participants from the Accounts Chamber of the Republic of Tajikistan attended the e-learning training session while 20 representatives from Turkey, Iran, Qatar, Tajikistan, Kazakhstan, Palestine and Belarus and 12 from SAI Pakistan participated in the training session on the second day.



The participants expressed their keen interest by participating in interactive / Q&A session. Lady participant from Tajikistan paid gratitude to the Auditor General of Pakistan office and read out Chairman of the Accounts Chamber of Tajikistan in Urdu.

Mr Javaid Jehangir, Auditor General of Pakistan appreciated the effort of the management of course and participants and discussed Audit institutions' vital role in improving Public service delivery. He said that Audit offices play a critical role in producing information on whether public resources are used with efficiency, effectiveness, and integrity and that public programmes generate impact. He further stated that Supreme Audit Institutions worldwide need to continue monitoring that public funds and public services are delivered correctly.






Department of the Auditor General of Pakistan is undertaking a major Automation and Digital transformation initiative aligned with Government's bid to promote e-governance, improve transparency and accountability of public sector organizations. With the World Bank's assistance, Auditor General's office is implementing a state-of-the-art software platform for building audit plans, preparing audits, analyzing relevant information, document result, and forming an audit opinion, communicate results, and monitor the progress of the audit parties. These initiatives will radically change the core auditing processes and the entire audit processes would be built around modern techniques and technologies.



The State Audit and Administrative Control Bureau of Palestine (SAACB) participated in meeting 16 of the ARABOSAI institutional capacity development committee, which intended to set an exceptional plan draft to control activities that fall under theme 1 of the plan. The latter involves reprogramming training courses and workshops to take into account the new needs of member SAIs, with COVID-19 crisis into spotlight. The committee includes SAIs of Palestine, Oman, Egypt, Iraq, Morocco, Jordan, Kuwait, Qatar and Lebanon.

The Bureau was represented in the meeting by head of planning and development unit Yusuf Hantash and head of training department Samar Dweikat. The meeting was remotely held via Blackboard Collaborate platform.

ARABOSAI assign SAACB to audit financial statements The Bureau has finished on 24.04.2020 the audit of ARABOSAI financial statements of 2019, as per resolution of the general assembly to assign the Bureau and SAI of Yemen with financial statements audit of 2019/2020/2021.

Report of the financial audit committee (an independent auditor) was presented to head and members of the ARABOSAI executive council. The Bureau was represented by economy audit manager Muauya As'ad.



Deputy president Mrs. Amal Faraj and head of public relations Mrs. Lana Assi at the Japan's Emperor birthday celebration, held by Japan representative office to the State of Palestine.

Head of the Bureau President office Mr. Faisal Masri represented the Bureau at the 'SAIs measurement framework' workshop, held in Kuwait from 9-13 February, 2020 in cooperation with the World Bank under the IDI umbrella. Representatives from SAIs of Saudi Arabia, Jordan, Qatar, Bahrain and Oman have been to the workshop.



SAACB at PMF workshop

Performance measurement framework of SAIs, how SAIs and stakeholders use measurement reports and how to link PMF with values and benefits of SAIs were discussed.



Counselor Iyad Tayyem met representative of Republic of Poland to Palestine Mr. Beshimsov Shais, and discussed means of mutual cooperation between the Bureau and SAI of Poland, to make way for the twining project between the two, financed by European Union.

Head of politics division Mrs. Jastina Babian, resident expert Mr. Macei (handles discussion of arrangements to sign the agreement and initiate the project with SAACB and EU) and infrastructure audit manager Mr. Esmat Aburabea' were present.



The Bureau has been to meeting 14 of the ARABOSAI's professional and audit standards committee, hosted by SAI of Qatar. The meeting took place on 05.02.2020.

Mr. Shehada Alawneh represented the Bureau to the meeting, where representatives from SAIs of Kuwait, Oman, Morocco, Tunisia, Iraq, Jordan and ARABOSAI general secretary were also present.

The committee intends to support members SAIs in applying professional standards, documenting audits and establishing quality systems. It also proposes projects and initiatives to endorse good audit practices, to help enhance impact and value added of SAIs work.

Counselor Iyad Tayyem meets Mr. Majec Charnota, who acts as resident expert of the twining project between the Bureau and SAI of Poland. Project arrangements and agreement signature arrangements between the Palestinian and Polish sides have been discussed.



The project is financed by the European Union, and includes three main components, financial audit, huge data audit and customs/excise audit.



Ramallah, 29.01.2020 – Counselor Iyad Tayyem meets the Swedish National Audit Office expert Mr. Anders Herjevik. The latter briefed about what has been agreed with SAACB team regarding quality assurance system development.

Mr. Herjevik had a meeting with the team to discuss future modes of action in quality assurance. Further effort to reach the desired goal as agreed.



Counselor Iyad Tayyem meets the Swedish National Audit Office delegation, as part of continuation to training of performance audit department staff.

The Bureau has been to 'Mind the Gap' workshop held January 16, 2020 in Stockholm, Sweden. The workshop addressed the exchange of experience among SAIs in setting performance reports and interviewing techniques. Mr. Qastal Masri and Mr. Hisham Ghannam from performance audit department represented the Bureau.





Swedish National Audit Office (SNAO) held a workshop on January 08, 2020 in Stockholm about performance audit design, techniques of quantitative /qualitative data analysis and techniques of holding and analyzing interviews. Head of performance audit department Mr. Majdi Maitani represented the Bureau.

The workshop came as part of the agreement signed between the Bureau and SNAO, which includes several components, mainly enhancing the performance audit capacity.

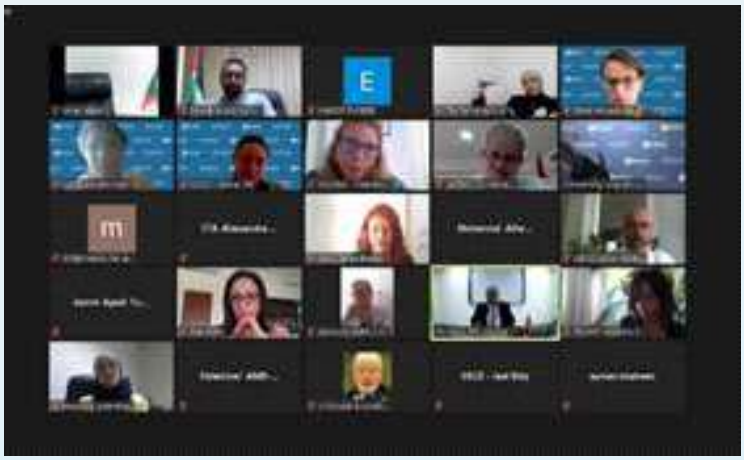


The Bureau, represented by Ms. Majdoleen Samour from the performance audit department, has been to the audit report quality assurance meeting, held in Oman.

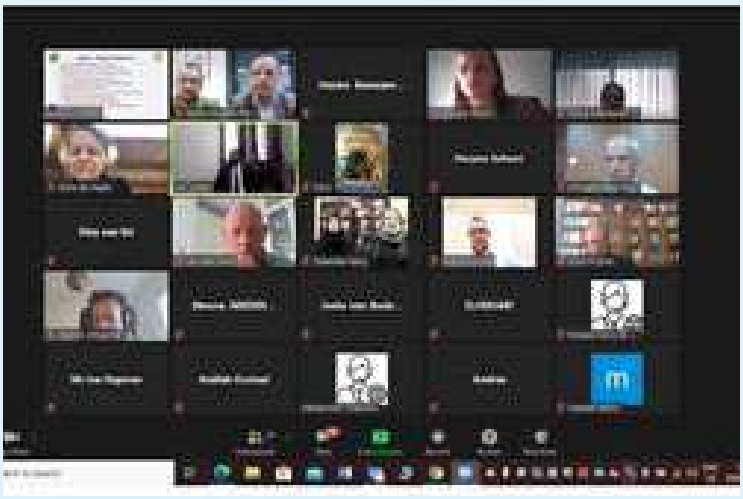
A quality assurance review was done to the report the Bureau set about university grants in Ministry of High Education, and also reports made by participating SAIs.

The review was done with INTOSAI standards-based performance audit quality assurance tool.

A seminar was held July 23, 2020 about public sector integrity at times of crisis, organized by OECD and MENA management program.
The Bureau talked about its role and modes followed to enhance audit in the wake of COVID-19 pandemic.
acted, achievements and reports released during the COVID-19 pandemic, in addition to challenges that face the Bureau as a result.



SAACB at OECD Seminar



SAACB at 'Sharaka' Program Meeting

SDGs audit team (head Saleh Musleh, communication officer Majdi Maitani) has been to the first meeting of Sharaka program 3, held Tuesday September 29, 2020. The program is supervised by Dutch Court of Accounts, and several Arab SAIs were present. Achievements of the team and influence of COVID-19 pandemic on audits were presented, besides discussion of future activities.



Meeting with SNAO

A Zoom meeting was held on September 15, 2020 between representatives of SNAO and performance audit department of the Bureau, as part of progress follow up of cooperation agreement signed between the two.

Several topics of the agreement were discussed, such as modes of performance audit enhancement, and incorporating them into the Bureau's strategic plan. Institutionalizing of department and its manual, with associated worksheets and templates, were also discussed. The Swedish team was informed about audit reports in progress and time estimated to finish them.



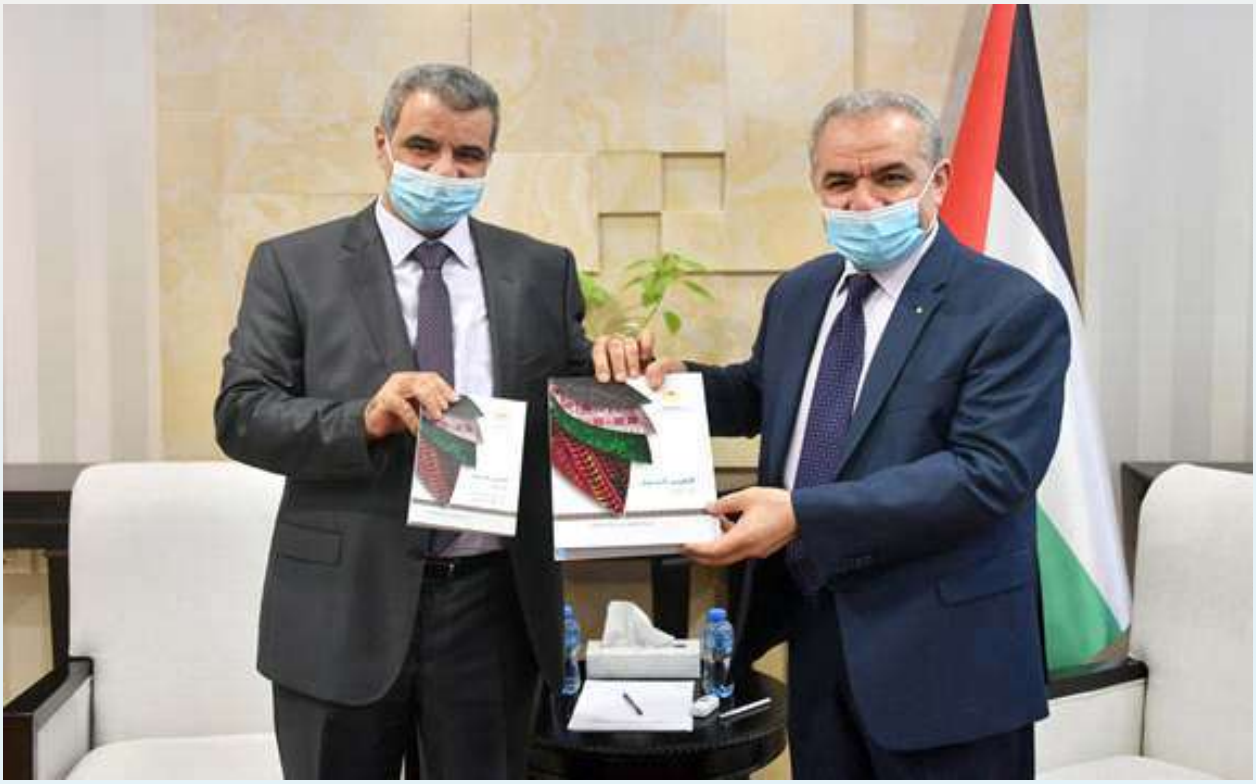
SAACB, Polish SAI discuss twining project

05-10-2020 Counselor Iyad Tayyem headed a meeting to discuss how the Polish SAI will react towards existing conditions, and proposed actions regarding twining project financed by the European Union. Future modes of action and the best ways that enable SAACB use trainings the will be provided by Polish experts have been discussed, besides key challenges that might face the project in light of COVID-19 pandemic and proposed solutions. It has been agreed to initiate the project early 2021.

Representatives from EU in Palestine, counterparts from Polish SAI, deputy president Amal Faraj, Esmat Abu Rabea from infrastructure audit department, Yusuf Hantash from planning unit and Lana Assi from public relations unit were present.

Counsellor Tayyem hands PM Annual Report

01-11-2020



Counselor Iyad Tayyem handed Mr. Prime Minister Dr. Mohammed Eshtayyeh the annual report of the previous year at the latter office, Ramallah.

Dr. Eshtayyeh spoke highly about effort made by SAACB and advancec level of audits at official and non-official foundations, in order to safeguard public funds and develop institutional action, stressing that all recommendations in reports should be followed up.

Counselor Tayyem stated that SAACB released 125 reports covering all sectors last year, and 319 complaints and notifications have been received. 303 previous complaints were completed, whereas the remaining ones have been reserved.

Counselor Tayyem Heads Palestine-Sweden Cooperation SC Meeting
15-06-2020



Ramallah – President of the Bureau Counselor Iyad Tayyem headed steering committee meeting of the institutional development cooperation project with the Swedish National Audit Office, which took place via video call.

The meeting intended to discuss work progress done in all project components, existing challenges and how cooperation partners will address them to ensure achievement of expected goals and findings.
Counselor Tayyem highlighted achievements made in all components and influence on audit and management performance. He spoke highly of the effort made by SNAO to train SAACB staff and help achieve the project goal; instate professional and institutional capacity and raise capacity of the Bureau, so it operates according to international audit standards.

SNAO Auditor General Ms. Helena Lindberg expressed happiness with this cooperation and all achievements made by project staff, and extended appreciation to management of the Bureau for continuous support to this project to make it happen.

The meeting included a presentation about project achievements by coordinator Lana Assi (performance audit, strategic planning, performance training, quality assurance, communication, human resources).

The partners agreed to maintain the cooperation for 2020-2021 in all of the project fields, with due consideration to health precautions required by the existing COVID-19 pandemic.

Attendants from SNAO included SNAO Deputy Auditor General Ms. Catharina Cappelin and Senior International Advisor Mr. Kameran Khudur, whereas from the Bureau the deputy president Mrs. Amal Faraj, director general Jaffal Jaffal, security and governance audit manager Samer Abu Qarei, head of president office Faisal Masri, performance audit acting manager Majdi Maitani, Hisham Ghannam from performance audit department and Ahd Abu Amsha from public relations were present.

SAB chairs the 61st meeting of ARABOSAI Governing Board 30-11-2020

His Excellency Sheikh Bandar Bin Mohammed Bin Saoud Al Thani, President of the State Audit Bureau of Qatar (SAB), President of the Arab Organization of Supreme Audit Institutions (ARABOSAI), chaired the 61st meeting of the Organization's Governing Board, which was held on Monday, November 30th 2020, through video conference. Their Excellencies the heads of SAIs members of the Organization's Governing Board participated in the meeting.

His Excellency Sheikh Bandar Bin Mohammed Bin Saoud Al Thani, SAB President, the President of ARABOSAI, upon inaugurating the Board's meeting, stated that today's meeting is held in light of the continuation of the extraordinary circumstances imposed by the Coronavirus pandemic, and its consequent economic and social challenges, which made us more convinced and aware of the importance of enhancing our joint efforts to promoting our audit institutions, to overcome the negative impacts of this pandemic.

His Excellency stressed that the ARABOSAI was among the first to set up plans to deal with the repercussions of this pandemic, and to ensure the continuation of the Organization's work and efforts to enhance the capabilities of member SAIs, through the recommendations and proposals that were adopted at the extraordinary Council meeting held at the onset of the crisis, stressing his confidence that the Organization will emerge more powerful, effective and capable of achieving its goals, and keeping pace with the successive developments in the field of audit work.

The two-day meeting of the Governing Board discussed many important topics on its agenda, including the report of the Chairman of the Governing Board on the activities of the Board and the activities of the Organization since the 59th meeting of the Governing Board, in addition to the reports of the General Secretariat and sub-committees of the Organization, and the presentation of the SAIs' reports on their participation in the activities of committees and working groups emanating from the International Organization of Supreme Audit Institutions (INTOSAI), the approval of the Organization's accounting system, the closing account for the year 2019, and the 2020 budget.

The State Audit Bureau of Qatar launches a Professional Certification Program

In its pursuit to enhance the efficiency and professionalism of its employees in the audit field and to emphasize the importance of continuous professional development in improving the quality of the reports it issues and improving operational performance indicators, the State Audit Bureau (SAB) has launched – starting from November 2020 - the implementation of Professional Certification Program.

The Program aims to qualify auditors of through lectures and pilot tests to prepare them to pass the final exams for professional certificates. The launching of the Program was preceded by issuing a guide for professional certificates related to SAB work, which includs an introduction to each certificate and the requirements for obtaining it.

In view of the precautionary measures adopted to confront the outbreak of the Coronavirus pandemic, the Program has been limited in its first stage to two certificates. These are the Certified Internal Auditor (CIA) and the Certified Public Accountant (CPA) certificate.

Articles from Member SAIs

IMPROVING OF THE STATE CONTROL IN THE REPUBLIC OF BELARUS

The control (supervisory) system is improving on the ongoing basis in Belarus. The goal is to create the most favored nation treatment for bona fide business entities while ensuring the financial, economic, social, and environmental safety of society.

Over the past quarter century, global positive changes have taken place in the socio-economic development of the Republic of Belarus, including through the improvement of the business climate and the support of the entrepreneurial initiative. The procedures for creating enterprises and obtaining loans, taxation procedures, rules for export and import operations have been simplified. At the state level, a great deal of attention is paid to the formation of the most favored nation treatment for business and the stimulation of business activity.

A significant place in the system of implemented measures is taken by the state control and supervision function as an organizational and legal way of ensuring the rule of law and discipline in the field of management activities. Improving the effectiveness and efficiency of the activities of control and supervisory bodies in order to further improve and optimize the public administration system is today one of the state's highest priorities.

The important steps in this direction were taken in 2009, when Presidential Decree No. 510 "On Improving Control (Supervisory) Activities in the Republic of Belarus" was adopted. This document formulated clearly the principles (rules) of the organization of control (supervision), reaffirming the commitment of the Republic of Belarus to the values on which the Lima Declaration is based:

- The principle of the presumption of good faith and innocence of the audited entity;
- The principle of the legality of the appointment, conduct, execution of verification results, decision making and consideration of complaints against decisions of regulatory (supervisory) bodies;
- The principle of openness and accessibility of regulatory legal acts establishing mandatory requirements, the implementation of which is verified during state control (supervision);
- The principle of equal rights and legitimate interests of all audited entities;
- The principle of transparency of information on the inclusion of audited entities in the plan of control (supervisory) activities for the coming period;
- The principle of responsibility of control (supervisory) bodies, their officials for violation of the law in the implementation of control (supervision);
- The principle of preventing the commission of offenses.

Decree No. 510 established a single procedure for carrying out control (supervisory) activities in Belarus on the basis of fundamentally new approaches.

So, for the first time, a closed list of supervisory authorities, as well as the areas of their control (supervision) was determined. Bodies not included in the list are not entitled to carry out inspections of business entities.

A ban has been introduced on conducting inspections of newly registered business entities for two years from the date of their state registration.

The coordination of all scheduled inspections was entrusted to the State Control Committee and its bodies. It has been established that within one year, representatives of several supervisory bodies can come to one entity in a planned manner only during a joint audit. A mandatory written prior notification of the audited entity about the scheduled audit was also introduced;

The period for conducting inspections is limited to no more than 3 years preceding the start of the audit. Such a 3-year moratorium made it possible to minimize the interference of supervisory bodies in the activities of business entities.

A restriction has been introduced to prevent audit on the same issue for the same period by various supervisory authorities.

Decree No. 510 defines the deadlines for inspections, as well as the dates and exceptional cases of their extension and suspension;

It provides for the release of business entities from administrative responsibility in case of insignificance of committed violations, taking measures to eliminate them and compensate for the harm caused.

For all supervisory bodies, the procedure for conducting an audit and formalizing its results was established. Particular attention is paid to guarantees of observance of the rights and legitimate interests of the audited.

In addition, a completely new audit planning mechanism was proposed based on the classification of all business entities (risk groups, determined on the basis of criteria that take into account the potential danger of violations of the law for the state and society). Based on this, the frequency of inspections was established: business entities classified as high risk began to be audited no more than once a year, business entities from medium risk group - no more than once every 3 years, and from low-risk group - no more than once every 5 years.

An important innovation was the possibility of exempting the subject from conducting a scheduled audit if he had an unconditionally positive audit opinion. It was stipulated that scheduled inspections are not appointed for the period and on issues checked during the audit (the exception was issues of taxes and other obligatory payments to the budget and extra-budgetary funds).

All this made it possible to implement the principle of selective control instead of full control. The audit planning process itself has ceased to be a purely internal prerogative of the supervisory authorities; it has become open to controlled entities that have the opportunity to independently evaluate their activities and take measures to move to a lower risk group.

Thus, Decree No. 510 provided for the creation of a flexible and non-burdensome for business system of control and supervision, which at the same time allowed to concentrate the attention of regulatory (supervisory) bodies on work with objects that pose the greatest risk from the point of view of ensuring financial, economic, social, environmental and other security, allowing to choose economically viable response measures in the planning and conduct of inspections.

The next serious stage in the reform of control (supervisory) activities began with the signing at the end of 2017 Presidential of Decree No. 376 "On measures to improve control (supervisory) activities". In fact, the state additionally guaranteed non-interference in the activities of bona fide subjects. Auditors had to radically revise the forms and methods of work, directing control activities to prevent violations through the identification and elimination of the causes and conditions that give rise to them.

The outcome was the implementation of a spot risk-based approach in the planning and implementation of control measures, as well as a shift in emphasis from verification activities to measures to prevent violations.

Accordingly, serious changes affected almost all aspects of the organization and implementation of control and supervision.
In particular, the list of state bodies and other organizations authorized to conduct inspections (audits) was reduced by 35% and the spheres of control and supervision over which they can be conducted were reduced by 41%.

Since 2019, in Belarus has been implemented a system of spot checks (inspections) based on an assessment of the risk of violation from business entity and the degree of their negative consequences.

Almost twice was reduced the list of grounds for the appointment of unscheduled inspections (audits). Conducting an unscheduled audit is possible mainly in the presence of information on a committed violation of the law; a threat to the security of the state, life and health of citizens; the use by the entity of budgetary funds, funds of state target budgetary and extra-budgetary funds, state property, state support measures.

A significant role in the organization of control and supervisory activities is assigned to the prevention of offenses. In particular, the preventive focus is given to activities carried out by technical inspections at facilities requiring systemic supervision. For example, in such areas as supervision of the operation of electrical equipment, supervision of the construction of facilities, control is carried out through the activities of technical (technological) verification character. When violations are detected, the supervisory authorities give to the business entity the requirement to eliminate them, and liability measures for these violations are

applied only if the violations are not eliminated or if the violations are re-committed.

The requirement for mandatory use of checklists of issues (checklists) by all state bodies (organizations) exercising supervision (oversight) in the form of inspections has been aimed at preventing violations and developing a system of self-control of organizations.

Along with the liberalization of control, has been strengthened the responsibility of controllers (auditors) for committed violations.

If previously only a violation of the procedure for audit conducting was considered an administratively punishable misconduct, then from January 1, 2018 the employees of the supervisory bodies may be fined for exceeding the established deadlines for the inspection (audit); audit of issues that are not within the competence of the supervisory body; the requirement from the audited entity for the provision of documents and information not related to the issues specified in the order for the audit, and others.

The State Control Committee, along with the functions of ensuring state control over the implementation of the republican budget, the use of state property, the execution of legislative acts regulating financial and tax relations, is entrusted with the tasks of coordinating the activities of control (supervisory) bodies of the Republic of Belarus, as well as monitoring the compliance requirements of the legislation governing control and supervision activities.

In order to implement these tasks, an Interagency Council for Control (Supervisory) Activities has been created at the State Control Committee, which is chaired by the Chairman of the State Control Committee.

The Council consists of representatives of the General Prosecutor's Office, supervisory authorities, local government and the business community.

The Interagency Council is a collegial body that ensures the interaction of supervisory bodies of the Republic of Belarus.
The main tasks of the Council are the following:

- analysis of the status of control (supervisory) activities;
- development of proposals to improve the effectiveness of control (supervisory) activities;
- ensuring the uniform application of legal requirements in the implementation of control (supervisory) activities;
- formation of progressive lines of development and improvement of control (supervisory) activities;
- implementation of the best foreign practices into the activities of the supervisory

bodies of the Republic of Belarus;
streamlining control (supervisory) activities, reducing the number of audits of business entities.

In addition, one of the most important functions of the Council is to consider and agree on criteria for assessing the degree of risk for the selection of audited entities during spot checks determined by regulatory authorities, as well as studying the effectiveness of applying these criteria in practice and developing proposals for developing a risk assessment and management system.

The Council constantly analyzes the state of control (supervisory) activities, examines the results of activities of state bodies and other organizations that implement the functions of control (supervision), and discusses topical issues related to control (supervisory) activities.

The Council also makes proposals to state bodies on improving regulatory legal acts related to control (supervisory) activities and, if necessary, considers draft regulatory legal acts concerning issues of its implementation. For a comprehensive study of these issues, specialists with special knowledge and skills are involved in the work.

In conclusion, it should be note that there is a clear understanding in the SAI of Belarus and in other national control (supervisory) bodies that the constant desire to improve state control mechanisms, as well as the specific results of this work, are the key to wide public recognition and trust of citizens to this institute.



PROPOSED GUIDELINES FOR INTELLIGENT SUPERVISION IN SUPREME AUDIT COURT (SAC)



Parisa Zare
Senior Technical Expert
Supreme Audit Court of the Islamic Republic of Iran (SAI Iran)

The growing trend of the approved annual budget, along with the limited human resources of Supreme Audit Court, has led to an increase in per capita funds and a significant reduction in the volume of samples. Therefore, "intelligent auditing" and "intelligence monitoring" are the new needs based on the definition of new concepts, which is part of the practical results of the Ph.D. dissertation in the field of industrial financial management, compiled under the title of designing a decision making system in public sector supervision with electronic approach in the Supreme Audit Court. Application of the general concept of "sensitivity analysis" to change the existing work of "number-oriented approach", the "work-oriented funds approach" by applying relative audit indicators through new techniques of "relative audit performance measurement", to assess the relative productivity of peer managers and "relative self-declaration of public sector auditing" in the direction of "intelligent questioning", all aim at the use of information technology platforms through a knowledge management map.

A) New definitions and terms:

1. Sensitivity analysis:

The concept of sensitivity analysis is the process of analyzing the amounts of public funds subject to monitoring through the method of predefined indicators in order to identify and calculate the degree of importance of funds, with the aim of intelligent auditing and intelligence monitoring in order to make optimal use of monitoring forces and facilities.

2. Intelligence monitoring:

It is an operational method or method that guides the monitoring roadmap in accordance with the results of sensitivity analysis and by determining the degree of sensitivity of the monitored funds, determines the monitoring priorities and allocates the resources and facilities of the monitoring device accordingly.

3. Intelligent auditing:

It is an audit process in which intelligent sampling is performed based on the intelligent method of supervision and is planned, implemented and verified according to the supervisory roadmap based on new concepts, methods and techniques.

4. Work of Number Oriented Approach:

It is an approach that focuses on the subject matter of next year's supervisory planning, based solely on the opinion of experts, defining a number of reportable issues based on the expert-centered approach in the comprehensive audit plan.

5. Work-Oriented Funds Approach:

It is an approach that focuses on the funds in next year's regulatory planning and by applying audit sensitivity analysis methods to determine the importance of funds subject to public sector oversight using new methods based on electronic data-driven and electronic technologies.

6) New executive techniques:

1. The Technique of Relative Audit Performance Measurement: This special technique based on the relative measurement of indicators is within the scope of the performance audit mechanism and is used for the relative ranking of managers. What are the main questions or questions that can be asked in choosing this particular technique? To answer this question, different types of questioning constraints are defined, including why, when, who, what subject, what place, what factor, and how. Applying this technique relatively compares the performance of level managers with each other, and this type of ranking provides the capacity for future uses to evaluate the performance of executive bodies with the aim of fair distribution of budgets based on performance appraisal.

2. The Technique of Relative Self-Declaration of Public Sector Auditing: This particular technique is based on purposeful questioning by sending audit statements electronically to executive bodies in the field of performance auditing. Nevertheless, what are the main questions or questions that can be asked in choosing this particular technique? As mentioned before, in this technique, in practice, key questions are defined in the form of interrogative constraints including why, when, who, what, local, what factor, and how. The declarations completed by the executive bodies after verification by the audit experts, as the case may be, and at the discretion of the legal and judicial experts of the supervisory body, will be able to obtain supervisory approval. The types of declarations proposed are:

a. Fundamental Declaration: Obtaining information related to the permanent audit file

b. Budget Declaration: Obtaining information about the budget performance of the administrative agency.

c. Intelligent Inquiry Declaration: Obtain information requested by regulatory stakeholders.

The application of the electronic performance declaration of the devices is not limited to the instantaneous analysis of the questions that can be monitored by the public sector, but with the findings of the experts of the court, in addition to the annual audit of the devices, the honesty is doubled. If the agencies using the country's general budget are informed of the need to complete the explained declaration, then we can hope for a significant reduction in violations, crimes, budgetary and operational deviations. Since the audit process takes place before the reporting and review process, it can be expected that the designed decision-making system, the subject of this research, creates supervised databases with relative validity.

THE DISCLOSURE AND AUDIT OF SUSTAINABILITY INFORMATION IN THE PUBLIC SECTOR



Hamid Zarei
Auditor, Supreme Audit Court of the Islamic Republic of Iran

Introduction

The public-sector is regarded as a supervisor for social and environmental issues. This paper thus seeks to investigate the disclosure of sustain ability information in the public-sector. The primary objective of public-sector organizations (PSOs) is to improve public policies to promote social welfare. Indeed, as the public-sector provides services and resources to the people (consumers), it can have a significant impact on national and international progress towards sustainable development; this is because PSOs are always under great pressure to improve the reporting of sustain ability issues (See GRI, 2004, 2005 & GRIFPA, 2012) and the public-sector has far greater responsibilities for supporting sustainable development in comparison to the private sector whose core goal is limited to maximizing shareholder value. Sustain ability performance includes activities other than those financial measures used in the financial accounts such as natural resource conservation and emission levels, environmental activities and innovations, aspects of employment, occupational health and safety, social relations, stakeholder involvement and economic impact of organizations on society. In a simple definition, it can be stated that sustain ability accounting is responsible for systematic and continuous identification of environmental and economic costs and also examines the benefits of different organizational strategies and actions in organizational decision-making; consequently, sustain ability reporting also serves as a tool to assess the economic, environmental and social impacts of the provision of organizational products and services and, in general, their contribution to improving sustain ability.

Information sap of sustainability disclosure in the public sector

Organizations today disclose more information in their reports than in traditional financial statements and reporting. Nowadays contemporary methods of environmental information disclosure, social responsibility reporting, sustain ability accounting, and accountability have emerged that are powerful tools for managing, controlling and planning organizations. They are concerned with social and environmental issues, so organizations can show themselves sensitive to the matter of sustain ability and increase their credibility; therefore, organizations need to improve their quality information about sustain ability. The development of organizations seems to be crucially important for achieving sustain ability,

because these organizations fulfil a complex role in activities that affect people's lives. Therefore, if public-sector institutions fail to develop sustainability and reporting, then future generations will not have the opportunity for a sustainable lifestyle.

Conclusion

In conclusion, it can be acknowledged PSOs should be more subject to the internal regulations and conditions of their government; the more they care about the interests of the stakeholders, the larger the size of the organization and the more one monitor their actions. They further tend towards socially and environmentally responsible behaviors. Indeed, according to institutional theory, if the circumstances in which they operate, be more compatible with social and environmental behaviors, such organizations in the public sector are more motivated than others to properly disclose sustainable information.

Although the organization may incur costs in the concern of improving the working environment and employees' rights, attention must be paid to the demands of customers and aligning the obligations of the organization with the interests of society. However, in the end, the benefits of complying with these notices outweigh the costs, these issues progress performance, enhances productivity and gains a competitive advantage. By respecting the rights of employees and promoting working conditions, employees are further motivated to work and this will raise their efficiency and productivity, which serves the organization.

Sustain ability auditing in the public sector can be described in terms of institutional isomorphism: coercive, through pressure from the INTOSAI and UN; mimetic, in relation to the adoption of best practice within INTOSAI; and normative, through communication and professional training provided by INTOSAI.

PRESENTING A MODEL OF ORGANIZATIONAL CULTURE AFFECTING INTERNAL CONTROLS OF IRANIAN PUBLIC SECTOR NON-PROFIT ORGANIZATIONS (GROUNDED THEORY APPROACH)



Ali Tarighi
Head of Auditing Department
Supreme Audit Court of the Islamic Republic of Iran

A study was conducted in 2020 at Supreme Audit Court of the Islamic Republic of Iran aiming at explaining the organizational culture model affecting the internal control systems of non-profit organizations in the public sector of Iran. It was also intended to recognize the contextual factors affecting the internal control system, as well as to develop a theoretical framework to scrutinise organizational culture and its role on internal controls in the above-mentioned organizations. This study has employed mix-method which is a research strategy designed to collect and analysis qualitative and quantitative date. Employing qualitative research strategy, grounded theory technique was applied by using a sample of experts of Supreme Audit Court, academics and officials who were active in the non-profit organizations. The ultimate goal of this research was to investigate causal conditions, context, intervening conditions, action/interactional strategies and consequences of implementing desirable internal control in non-profit organizations.

Quantitative research strategies were used via a five-choice Likert scale questionnaire as well as factor analysis and TOPSIS techniques to (a) identify various organizational cultural components and (b) evaluating their importance in affecting internal control system inthe non-profit organizations. In this study, ATLAS.TI, STATA and EXCEL software were used for coding and analysing data. Based on the findings of this study, it was observed that the organizational culture were important at three levels: managerial level (including managerial style, perspective, motivation and practical commitment to the rules),employees' level (including behavioural characteristics, motivation and employees' perspective) and organizational level(including organizational tangible culture, organizational work culture, hierarchical structure of the organization, institutional culture of the organization, and the status of individual and collective interests in the organization).

It was also suggested that considering the context and intervening conditions could be among the causal factors that affected the quality of internal control in the non-profit organizations in Iran. In addition, the results of the second phase of the study indicated that three cultural components, i.e., a) management's view of internal controls in the non-profit organizations; b) employees' behavioural characteristics; and c) employees' view of internal controls were three important cultural priority factors affecting the quality of internal control systems in the non-profit organizations in Iran.



GRADING EFFECTIVE ON THE LEVEL OF CORPORATE GOVERNANCE IN THE PUBLIC SECTOR OF THE IRANIAN GOVERNMENT WITH A FUZZY APPROACH (AHP)



Co-author: Iman Karnama and Meysem Tahsiri
Senior Technical Experts
Supreme Audit Court of the Islamic Republic of Iran

In recent years, due to the role of the public sector in development of the economy, the issue of good organizational governance in this sector along with organizational governance in the private sector has become one of the prominent issues in public sector management. This sector plays a major role in achieving the sustainable development of communities. Public sector expenditures make up a significant share of GDP and are usually a political process, including the enactment of legislation, the provision of goods and services, redistribution of income through mechanisms such as taxes or payments related to social security etc. and determine the desired results to achieve those goals and different types of government interventions; which in turn, can play an important role in promoting justice, peace, order and international relations. Therefore, good governance in this sector can lead to better decision-making and efficient use of government public resources and promote better accountability for the management of those resources (IFAC Public Sector Committee Report, Public Sector Governance: Outlook Governing Body (2001).

The structure and framework of the system of organizational governance in the public sector stems from the unique nature of government, and this issue is doubly important in our government economy. What is unique in the public sector compared to the private sector is the importance and impact of the functional and regulatory level of many government activities as well as the non-profit nature of these services. The goal of good governance in the public sector (international framework) is to encourage better service delivery and increase accountability by setting the standard for good governance in the public sector. According to Ryan and Negar (2000), today the world's attention to corporate governance in the public sector has increased. Some leading countries, such as the United Kingdom and Australia, have issued a framework for corporate governance in the public sector and instructions on how to apply the principles and practice of corporate governance in the public sector.

The first guide to corporate governance in the UK is based on a coding report. The most important feature of public sector corporate governance in this report is the emphasis on the functional aspect of organizational governance and not much attention has been paid to the adaptive aspect of the issue.

Therefore, the purpose of this study is to explain and identify the model of organizational governance in the public sector of the government and rank each of the components of organizational governance in the public sector. This article, while explaining the necessity and importance of organizational governance in the public sector of the government, presents a model for its experimental test. To this end, in the first step, we examined the various components of organizational governance in progressive countries such as the United Kingdom, Australia and the Organization for Economic and Social Cooperation, according to the specific characteristics of our country. In addition, the principles of organizational governance and finally four components of transparency, accountability, efficiency and effectiveness and openness have been selected as influential components of governance in the public sector. In the second part of the research, content analysis and the opinion of professional experts and distributed questionnaires, as well as audit reports and annual budget deduction reports from 1393 to 1398, fifteen main ministries, a pairwise comparison questionnaire by the title "fuzzy Analytic Hierarchy Process (AHP)" was completed by experts were used. The results of this study indicate that the accountability component has the highest degree of priority in the main components of organizational governance in the public sector. In addition, the results of the present study showed that the two components of accountability and efficiency and effectiveness of organizational governance in the public sector of the government have a significant effect on the level of 95% confidence in government financial indiscipline. However, in the case of the other two components, transparency and openness did not show any significant effect on financial indiscipline at the 95% confidence level.

ASSOCIATION OF INFORMATION TECHNOLOGY AND INTERNAL CONTROLS OF IRANIAN PUBLIC ORGANIZATIONS



Seyed Masoud Faiz
Senior Auditor, Supreme Audit Court of the Islamic Republic of Iran

Abstract

Purpose–The present study aims to investigate the relationship between information technology and internal controls of public organizations in Iran.

Design/Methodology/Approach –The research population includes all auditors and managers working in public sector. Data collection instrument is a questionnaire designed by the researcher and administrated during 05-03-2016. The collected data was analyzed through descriptive and inferential statistics (binomial test).

Findings–The findings of the research show that there is a significant relationship between information technology and internal controls (administrative, financial, and accounting controls, risk assessment, information and communication, control activities and monitoring).Moreover, the alteration of data collection methods (from traditional to modern) and the written instructions (in information technology) have a positive effect on the internal control and its sub scales.

Originality/value– With regard to the emphasis on the development of computer application and the use of new processing facilities and the exchange of information and its specific controlling consequences, this is an innovative research.

Keywords: information technology, internal control, Iran.

Introduction

Today, with the rapid growth of information technology, the use of computers and other electronic equipment's in organizations has increased quickly. Internal networks and systems connected to a central computer or server distribute information a large number of users. Alarge volume of information and data is transferred and processed in organizations with the contribution of information technology and in case of the absence of proper monitoring and control it will be associated with some risks (Forghandust and Salehi, 2005). The weakness of internal controls system is one of the main problems of the vast majority of private and public economic entities. Each year, these entities and consequently the economy of the country incur significant losses and suffer heavy damage due to the weakness of internal controls.

Meanwhile, due to the changes that are expected to occur in the structure and economic relations of the economic entities around the world and within the country in near future, the importance of the matter and the need to emphasize it increase more

and more (NematPajooh, 2002).The increasing use of computers and the remarkable progress of information technology since the early 1980s have significantly affected all aspects of organizations activities. Certainly, one of the consequences of this unique and unprecedented development in information technology has got to emerge in the field of controls. As the managers in charge of leading the organizations try to achieve success and such an achievement will be actually impossible without the establishment of an appropriate structure of internal controls, the new risks that have emerged through modern information technology have made it necessary to look into the way of the establishment of the elements and the structure of organizations internal controls once again. It also refers to the effects of new information technology on different areas of organizations and investigates the controlling effects of new risks resulting from the use of information technology (Arab MazarYazdi, 2001).

Research Methodology

Since this research deals with the status quo it is in the field of descriptive research and as it examines the effect of information technology on internal controls it is a survey research. Moreover, it is an applied research in objective and retrospective in terms of time. There search population consists of all managers and auditors working in public sector. There search population includes all the officials and contracted employees of the Supreme Audit Court. The sample size included 156 subjects obtained according to judgment sampling. A questionnaire was used to collect field data. At first, personal characteristics (sex, age, education, discipline, corporate position, work history) were questioned. Then some questions were raised about internal controls: office controls (9 items), financial and accounting controls (11 questions), risk assessment (2 items), information and communication (2 items), control activities (1 item), monitoring (2 items). It should be noted that a separate questionnaire was not designed for information technology and the questions were presented as descriptive ones.

Conclusion and Suggestions

The results of the main hypothesis on the relationship between information technology and internal controls are consistent with the findings of Etemadi et al. (2006), Stoel and Muhanna(2011), Ward and Smith (2002), Aria (2006), Mahdavipoor and Ghafari (2010), Arab MazarYazdi (2001), Moeinodin and Nadi (2012). Based on the results of the above hypothesis it can be said that information technology can increase the efficiency and effectiveness of internal controls in the organization because it provides the following features for the organization (Maham, 2002):

1. Uniform implementation of rules and performance of complex calculations in processing a large volume of transactions

2. Promoting timeliness, accessibility and accuracy of data;

3. Facilitating further analysis of information;

4. Improving the ability to monitor the performance of the organization's activities and its policies and procedures;

5. Reducing the control risk of breaching controls



TYPES OF AUDIT REPORTS AND THE NEED TO STRIKE A BALANCE BETWEEN FINANCIAL AND NON-FINANCIAL REPORTS



Hamid Alinejad
Auditor
Mojtaba Hemmati
Senior Auditor
Supreme Audit Court of the Islamic Republic of Iran

Given the importance of corporate social responsibility, firms are evaluated based on social performance and the type of interaction with community and environmental stakeholders. Reviewing the evolution of the concept of financial reporting, social and environmental auditing can be mentioned as important changes in this concept. The new phase in the field of auditing seeks to strike a balance between economic activities and social values. Social responsibility auditing seeks to assess the effects of the non-financial objectives of an organization or economic entity that systematically and legally reflects the performance of the organization and the views of its stakeholders (George Gyder).

The main reason for conducting a social audit is to distinguish between what is actually desirable in society and what society achieves in practice. The gap between them creates a diversion that actually diverts the public budget from its original operating path. In the current situation, considering the importance and necessity of conducting operational audits, as well as considering the preamble and the importance of social responsibility auditing, interdisciplinary standards of financial, operational and social responsibility auditing should be established by international auditing firms.

Establishing the balance between financial audits that seek to evaluate impartially evidence of claims relating to economic activities and events, and operational audits that seek to determine how resources available to management are using as efficient as possible to achieve the best possible results and social auditing that measures the effects of non-financial objectives of different parts of the activities of companies and executive bodies on different stakeholders is essential. In this regard, the role of international auditing firms in creating and formulating balanced and practical standards for the implementation of various types of auditing (financial, operational and auditing) is essential. Creating legal requirements for auditors to submit reports on various types of audits, as well as publishing reports received by the general public, can be effective in evaluating the various activities of firms and executive bodies. On the other hand, the importance of the issue of sustainable development and the requirement of different societies to observe appropriate conditions for achieving sustainable development, the importance of social auditing and performance auditing

along with current financial audits becomes more apparent.

In order to achieve this important goal, international auditing firms should establish practical and practical standards regarding auditing among different communities. Taking effective steps to create balance and achieve the goals of submitting various types of audit reports (financial, operational and social responsibility) is by setting legal requirements for reporting various types of auditing companies and executive bodies.

SAI PAKISTAN'S EXPERIENCE IN AUDITING COVID-19 EXPENDITURE

Co-authors: (Khurram Reza Qureshi, Dy. Controller General Accounts), (Tafakhar Ali Asdi, Director General Audit Federal Governments) and (Muhammad Afnan Alam, Director of International Relations & Coordination)

SAI Pakistan showcased the presentation (with a similar title) in a Joint Webinar on SAIs' Roles in Responding to Crises and Disasters hosted by the ASOSAI Secretariat and the ASOSAI Special Committee on WGCMA (Working Group on Crisis Management Audit) on 26-28 January 2021

COVID-19 has brought about a global health and economic crisis which affects every country in almost every sector. Experience from previous pandemics and disasters also tells us rapid responses are required in these cases which can bring increased levels of waste, mismanagement and corruption at a time when government resources are under critical pressure. Another factor that may exacerbate and prolong the adverse outcomes of COVID-19 in developing countries are the limitations in governance and accountability systems, which play a crucial role in determining whether and how a country will manage a severe shock to the economy, the health and well-being of its citizens[1].

Cross-country evidence from previous pandemic and disasters suggests that these emergencies can lead to basic control systems being suspended or bypassed, combined with a weakening of accountability systems and oversight. This can cause increased levels of waste, mismanagement, and corruption when government resources are under pressure. For instance, USD 5 million of aid money were lost to fraud and corruption during the Ebola epidemic in West Africa[2].

In many ways, COVID-19 represents an opportunity for all Supreme Audit Institutions (SAIs) to increase or affirm their role as critical governance institutions for public sector accountability. As the independent body tasked with watching over public resources, SAIs play an essential role in this process. They can make valuable contributions to their country's response to COVID-19 by helping in protecting lives through oversight ensuring proper resource allocation, suggesting ways to maximize value for money in case of procurements, benefiting vulnerable groups including both men and women equally, enhances thus trust in Government and minimizing risks for mismanagement andcorruption.



On the other hand, SAIs themselves are not immune to the effects of the virus. They may face a range of challenges, such as reduced workforce and practical difficulties of working from home

[1]Joint paper by IDI, the Audit Service Sierra Leone (ASSL), the General Auditing Commission of Liberia
[2](GAC)and the African Organization of French-speaking Supreme Audit Institutions (CREFIAF).
"Accountability in a time of crisis"
[3]Source: https://www.bbc.com/news/world-africa-418615523, November 2017

without access to systems and files and the inability to conduct audits when physical visits are impossible[3]. While these are operational risks, SAIs also face a significant threat of losing relevance at the strategic level. Especially whenever SAIs fail to respond early and take proactive action, and observing the exceptional circumstances like crisis, they may risk being pushed aside as emergency spending often implies diminished or temporarily halted checks and balances of legislative and audit scrutiny of government action.

1. **Pakistan's COVID-19 Response:** COVID-19 was reported for the first time on February 26, 2020. Starting on March 23, both the federal and provincial governments implemented containment and mitigation measures, including selective quarantines, border closures, international and domestic travel restrictions, closure of educational institutions, banning public events, social distancing, and varying levels of lockdown. Despite these measures, the number of new daily cases increased rapidly, hitting 6,000 in mid-June, 2020 before slowing down in July, 2020. Between August and October, the number of daily new cases was consistently below 1,000 (reaching a low of 300 cases in early September). The second wave of infections started to emerge in November. As the positive cases and death rates inceased before moderating in mid-December. The second wave shows signs of abating as the positive caseas rate decreased to less than the 5 percent mark. As a result of the COVID-19 shock, the economic activity slowed down notably, with growth preliminarily estimated at –0.4 percent in FY 2020. A gradual recovery is expected in FY 2021.

Government of Pakistan Response to COVID-19

a. Fiscal Policy Response

i. A relief package worth PKR 1.2 trillion was announced by the federal government on March 24, 2020 which has been almost fully implemented. Key measures include: (i) elimination of import duties on emergency health equipment (recently extended until December 2020); (ii) cash transfers to 6.2 million daily wage workers (PKR 75 billion); (iii) cash transfers to more than 12 million low-income families (PKR 150 billion); (iv) accelerated tax refunds to exporters (PKR 100 billion); and (v) support to SMEs and the agriculture sector (PKR 100 billion) in the form of power bill deferment, bank lending, as well as subsidies and tax incentives.

ii. The economic package also earmarked resources for an accelerated procurement of wheat (PKR 280 billion), financial support to utility stores (PKR 50 billion) as subsidy on food items, a reduction in regulated fuel prices (with a benefit for end consumers estimated at PKR 70 billion), support for health and protective equipment supplies (PKR 20 billion), electricity bill payments relief (PKR 110 billion), an emergency contingency fund (PKR 100 billion), and a transfer to the

[3]IDI Guidance note for Supreme Audit Institutions "Covid-19 implications for SAI strategic management"

National Disaster Management Authority (NDMA) for the purchase of COVID-19 related equipment (PKR 25 billion).

Government of Pakistan Response to COVID-19- contd.

iii. The un-executed part of the relief package is being carried forward to FY2021. In addition, the FY 2021 budget includes further increases in health and social spending, tariff and custom duty reductions on food items, an allocation for 'COVID-19 Responsive and Other Natural Calamities Control Program' (PKR 70 billion), a housing package to subsidize mortgages (PKR 30 billion), as well as the provision of tax incentives to the construction sector (retail and cement companies)) which got extended in the context of the second wave to the end of December 2021.

b. Monetary Policy Response

iv. The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by a cumulative 625 basis points to 7.0 percent since March 17 2020. The SBP has expanded the scope of existing refinancing facilities and introduced three new ones to: (i) support hospitals and medical centers to purchase COVID-19-related equipment (43 hospitals, PKR 10.1 billion, to date); (ii) stimulate investment in new manufacturing plants and machinery, as well as modernization and expansion of existing projects (388 new projects, PKR 323 billion, to date); (iii) incentivize businesses to avoid laying off their workers during the pandemic (2,958 firms , PKR 238 billion, to date). These facilities have been extended beyond their original deadline of June 2020 to September or December 2020.

v. Moreover, the SBP introduced temporary regulatory measures to maintain banking system soundness and sustain economic activity. These include: (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to PRs 180 million ; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year (PKR 659 billion being deferred to date); (v) relaxing regulatory criteria for restructured loans for borrowers who require relief beyond the extension of principal repayment for one year; and (vi) suspending bank dividends for the first two quarters of 2020 to shore up capital. The SBP has also introduced mandatory targets for banks to ensure loans to construction activities which account for at least 5 percent of the private sector portfolios by December 2021.

c. Exchange rate and Balance of Payments

vi. The SBP has introduced further regulatory measures to facilitate the import of COVID-19-related medical equipment and medicine. These include (i) lifting the limit on import

advance payments and import on open account; and (ii) allowing banks to approve an Electronic Import Form (EIF) for the import of equipment donated by international donor agencies and foreign governments. SBP has also relaxed the condition of 100 percent cash margin requirement on import of certain raw materials to support the manufacturing and industrial sectors.

On March 16, 2020, Government declared emergency. The National Disaster Management Authority (NDMA) was given the focal department's role and assigned Covid-19 related procurements for the whole country. National Command and Operation Centre (NCOC) was established for monitoring at the national level, coordinating the activities for mitigating this Pandemic. NDMA procured medicines and electro-medical equipment based on the demand of health care departments across provinces including Gilgit-Baltistan (GB) and Azad Jammu & Kashmir (AJ&K) duly endorsed by NCOC.

The other organizations like Benazir Income Support Program (BISP), Utility Store Corporation and Federal Board of Revenue (FBR), and other stakeholders were provided funds. They were assigned duties to provide relief to the citizens as the Government was combating the Covid-19 disease.

2.1 Structuring the COVID-19 government nerve centre – National Command and Operations Center (NCOC): For a country like Pakistan, managing a global pandemic was never going to be an easy task. The developed world had the luxury to enforce strict lockdowns from the get-go, Pakistan due to poverty and lack of infrastructure found itself staring at a tightrope. The Pandemic's magnitude posed daunting challenges: governments (federal and provincial) must coordinate fast-moving and interconnected workstreams across the private and social sectors while communicating vital information to residents, stakeholders, and the media—all clearly and consistently. Mismanagement and the inability to control the virus early on sparked harsh criticism of the Federal Government, which then decided to set up a dedicated office, the National Command and Operation Centre (NCOC), to manage the effects of virus and to co-ordinate the Pakistan's response to the same.

The NCOC is headquartered in Islamabad's capital city and is headed by the Prime Minister with representatives from all provincial chief ministers, health ministers, district administration, disaster management authorities, and the army. The Prime Minister assigned a senior minister and a senior army officer to preside daily meetings and update every week. The NCOC serves as a nerve-centre for all COVID-19 related data and as a secretariat for coordinating and following-up national policy decisions. It also divided tasks among various government departments to assist in its tasks. The first responsibility was

to map the existing healthcare infrastructure, staff and equipment available across the country. This province-wide information — which included details on personal protective equipment, and the number of beds, oxygen tanks and ventilators available at each healthcare facility — helped the government channel resources to enhance capacity, including importing what was required. Next, the NCOC tasked the top three private-sector data analytics companies to run daily projections of COVID-19 infections.

The establishment of NCOC also made the decision-making much more efficient by ensuring any COVID-19 related decision in any department and ministry is taken under a single roof. Decisions once made are uniformly applied; any corrections suggested thereof are referred back to NCOC for consideration and recalibration of approach.

NCOC's Covid-19 strategy was devised along four strands: national awareness, disease prevention and containment, healthcare optimization and buildup, and managing socio-economic fallout.

i. **Efforts in creating National awareness:** To increase national awareness about Covid-19, NCOC carried out timely risk communication and issued guidelines and standard operating procedures to prevent the virus from spreading. The Command Center also undertook measures to reduce panic, manage expectations, and avoid proliferating fake information.

ii. **Efforts in Disease Prevention Containment:** The second strand, disease containment, was broken down further into a 'disease management improvement', enhanced testing, Track Trace and Quarantine (TTQ), smart lock down, SOP compliance and community mobilization strategies. Side by side, the country also took measures to manage international travel and borders, along with high-risk events. Daily testing capacity increased from 472 tests in February to over 60,000 tests, and the number of labs risen from four in February to 155[4] in February 2021. As many as 8.25 million tests have been conducted so far, the country maintains an average of 31,000 tests per day[5]. Country's lock down strategy has been adaptive, and the Government moved from general lockdowns to smart lockdowns and now, micro smart lockdowns, to zero down on the disease in the long term.

iii. Healthcare optimization: The Government embarked on a hospital ramp up, procuring critical care and protective equipment, improving resource management, and training and motivating healthcare workers. Domestic oxygen manufacturing was also ramped up measures were taken to ensure the availability of essential medicines, while promoting indigenous developments that could help fight COVID-19.The NCOC looked for ways to strengthen the IT base and launched initiatives such as Telehealth and *Yaran-e-Watan (English: Friends of the country).*

[4]NCOC Website:https://covid.gov.pk/stats/pakistanlast accessed 9 February 2021
[5]NCOC Website:https://ncoc.gov.pk/#section2 last accessed 9 February 2021

iv. Managing socio-economic fallout: On the socio-economic front, the Government took measures such as announcing a stimulus package and ramping up the Ehsaas programme, the country's flagship social safety net. The Government encouraged a gradual re-opening of the economy and passed special anti-hoarding and anti-smuggling ordinances to ensure food and economic security.

3. SAI Pakistan Experience:The large majority of countries worldwide have imposed social distancing measures, most notably working from home and schools' closure to deal with containing the virus's spread. These immediate implications of the crisis call for a first-line response from SAIs.In Pakistan,Public sector institutions, including SAI Pakistan, have had to send staff to work from home, often on very short notice. Staff have usually not been prepared for this new situation to collect necessary files and information from the office. Ongoing audits, where physical evidence needs to be collected, will be put to a halt. Another challenge encountered in the immediate aftermath of the social distancing measures concerns internal coordination difficulties when people are not physically together.Moreover, many SAI staff have had to combine childcare and work, resulting in a significant reduction in their short-term capacity.

In this context, SAI Pakistan management had to balance the need for vital operations to continue despite reduced capacity. At the same time, it prioritizes the health and safety of its staff.

SAI Pakistan Challenges, Risks and Strategic Choice Dilemma

Challenges/ Risks/Opportunities	Potential Strategic Management Choices/ Dilemmas
1. Limitations in staff capacity 2. Difficulties in internalcoordination 3. Staff likely to be worried and fear for their health andsafety 4. Limited access to internal systems and files, e.g., on ongoingaudits 5. Lack of IT andequipment 6. External coordination with key stakeholders, i.e. Executive and Parliament moredifficult	1. How to ensure the health and safety of staff and observe Pandemic related social distancing regulations without altogether discontinuing work 2. How to ensure an inclusive approach towards the expected working capacity of the staff, given their family situation, gender roles, disabilities, economic situationetc 3. How to remain relevant in the context of COVID-19 and emphasizekey role as a watchdog over criticalpublic

7. Audits are stalled as field visits to clients and access to manual files are impaired 8. SAI cannot deliver on its mandate in the short term due to the immediate limitations	spending when focus and power are concentrated with the Executive and Parliament's authority to follow up on spending 4. How to not compromise the emergency response of the Government, while providing intended users, interested parties and the public with timely re- porting to support accountability and learning

3.1 SAI Pakistan Audit Approach: During the Covid-19 Pandemic, the agility and strength of public finance management systems were tested, and centralized TORs for the Covid-19 audit were prepared. The Auditor General of Pakistan chaired a high-level meeting to finalize the TORs of the Covid19 expenditure audit and constituted a committee to oversee the field activity. Information on budget and spending on Pandemic (Covid-19) was obtained. Extensive desk audit was ensured before the execution of a field audit. Risk-based audit approach was used to identify the areas for audit. Extended use of computer-aided techniques to limit fieldwork was adopted. Audit undertook a comprehensive, multifaceted and risk-based audit of the organizations involved in managing relief activities and implementing the fiscal-stimulus package.

Also, the increased spending from the Government to counter the effects of COVID-19 required SAI Pakistan to take into account the following considerations such as:

a. How to undertake a whole of the government-related audit that can have the most significant value addition in the short term, enabling Government to deal with the crisis more effectively,

b. How to execute the audit given limited data availability, the skills of SAI audit staff in the pandemic, and the health risk for auditors and movement restrictions, and

c. What audits should be done, considering the limited capacity of government agencies to serve auditors with the needed information and not impair emergency operations.

3.2 Field Audit Activity: Audit of Covid-19 expenditure was a completely new assignment. The audit plans were modified to accommodate the audit of expenditure of Covid-19. The audit activity was undertaken to understand that there was an emergency in the county, and accordingly, the planning, execution and reporting of the audit were done. Access to documentation, timely data, systems and government officials was limited in the lockdown period, which caused significant audit delays. Active/virtual monitoring of field audit activity of field audit

teams was carried out.

3.3 SAI Pakistan Contribution: As a result of audit irregularities, the management pointed out when Pandemic was not over. While dealing with ongoing Pandemic, an opportunity was provided so that decisions previously made could be reviewed/revisited. SAI Pakistan tried to sensitize the departments about need and areas to take care of during an emergency. Informing possibilities like adopting E-Procurements formed part of recommended to avoid delay in procurement. Importance of IT roles like ERPs' use was highlighted to ensure uncompromised controls and documentation during an emergency.

4. Recommendations and way forward

i. Ensure auditee and client preparedness for auditing: While conducting COVID-19 audits, the primary auditees are health ministries, disaster management agencies, ministries of finance, and other government entities responsible for funding and managing the crises. SAIs should communicate closely with these entities, and the legislature on when, how and what to audit so that SAIs' audit can be conducted smoothly, and the results are adequately reported. Close communication helps ensure the cooperation from audited agencies on relevant record maintenance and provision for audit purpose. Proactive communications will help with audit objective sand mutual expectations.

A high-level forum established in the Government should ensure that audit issues are addressed promptly and adequately. The public has the right to raise their voices on COVID-19 preparedness and response. When the citizenry participates in the audit process, they will become more active eyes and ears for SAIs and oversee audit recommendations. An example is when one SAI conducted an issue analysis during MERS audit planning to identify the specific concerns of people, the legislature and an expert group on the MERS response.

ii. Use professional judgment and appropriately apply nuisance conclusions to context: Auditors' professional judgment gains higher levels of significance during performance audits of the COVID-19 response. Audit teams need to understand the overall context of the situation and the constraints faced by government agencies while executing their responsibilities. Materiality may change threshold amounts. Auditors need to ensure that their findings are based on circumstances prevalent in the crisis phase and are nuanced constructively to enhance accountability and strengthen future events' resilience.

iii. Timeliness of audit reports is vital: The best opportunity for Government and the legislature to strengthen systems is when the crisis issues are fresh in people's minds. It would be advisable to explore the possibility of quick and brief products with several themes, each output issued as standalone

product when ready, instead of one comprehensive report, which often can be substantially delayed. A brief high-level synthesis with overall results could be produce dafter several standalone reports are issued quickly.

iv. Categorize COVID-19 expenditures for auditing procedures: It is essential to use the auditing procedures most appropriate to each particular set of transactions and issues. For instance, ISSAI 5520 presents as many as 17 inherent risk factors associated with critical disaster-related aid activities. Most of them are also relevant for COVID-19 expenditures: delays; unintended recipients; undistributed funds, materials, and aid;lack of fiduciary controls; fraud and corruption; poor economy; inflation; inefficiency and ineffectiveness; financial statement risk; unrecorded aid; assets ownership; double funding; and limited information flows. The COVID-19 expenditures can be grouped into three different categories: (i) health care support; (ii) social protection and humanitarian aid; and (iii) economic support. Each spending category represents different recipients, objectives, and inherent risk factors. As a result, audit ability, audit timing, and audit questions can be different, implying different audit types for various expenditure categories.

v. SAI auditing of procurement must align with actions taken during the COVID-19 emergency: Procurement play a crucial role in public expenditure during an emergency response. The SAI focus needs to be appropriately aligned. COVID-19 procurement auditing is a critical issue with enormous interest. SAIs need to consider the particular context of procuring related PPE, test kits, ventilators and other medical equipment. SAIs need to be aware of the higher risks of fraud and corruption and discloseoverall facts (e.g., costs, shortages, delays, and unused PPE) as a basis for improvingpreparedness.The specific focus may be given to cases relating to direct contracting or streamlinedcompetitive procedures, including under national policies. SAIs may use risk-basedcategorization to review procurement and focus on those awards that are not publicly disclosed immediately after the award.

vi. GovTech Leverage in Auditing: COVID-19 is likely to accelerate digital payments in the Government, with special priority for welfare payments through mobile money targeted to poor households most affected by the Pandemic. Audits should enhance readiness, with appropriate skills and tools, to identify control risks in these environments. In some settings, these arrangements are fraught with fraud and corruption, which would need the special attention of SAIs.

In more advanced settings, the use of disruptive technologies in auditing, such as artificial intelligence (AI), should be initiated through proof of concepts. AI tools, such as natural language processing, could be deployed to read documents, including

voluminous contracts and millions of vouchers, and match pre-identified text to prepare samples of high-risk areas needing special attention. AI can also produce a risk score for several data points, mostly General Ledger entries, using data science,data analytics and compliance and assurance parameters. The auditors can extract andload the accounting and finance data from IFMIS, or underlying ERP system into the AI tool, which finds anomalies, errors, using built-in algorithms against user-definedparameters (e.g., materiality levels, all urgent payments, unbalanced debits and credits,rare flows, all payments that went through multiple revisions or approval queries,acquisition of assets beyond a certain threshold, etc.).

STUDYING CONFLICT MANAGEMENT IN THE PERSPECTIVE OF ORGANIZATION



Dr. Shafique Rehman
Deputy Director, SAI Pakistan

Conflict management is serious disagreement between the peoples and parties within the organization due to divergent background of peoples, ideologies, culture and perceptions .It is also psychological state of dilemma in which one party perceives that it is being negatively affected by the actions of another party.Moreover,organization is an association of persons working together for achieving common goals and objectives The word conflict is derived from Latin word "conflictus" which means to "strike hard". Conflicts are common within public and private organizations. Conflicts are common at workplaces due to variation in human nature. Conflicts are natural, universal and inevitable within the organizations due to difference of human nature How to solve conflicts effectively and timely within the organization is the subject of conflict management. This is the core responsibility of management and leadership within the organization. Conflicts have tendency to cause negative disruption if not handled properly within the organization. The subject of conflict management comes under the jurisdiction of organizational behavior

Impacts of conflict

Conflicts tend to have both positive as well as negative impacts. Positive impacts include overall enhanced group performance resulting in better performance of organization. Moreover, working environment and relationship among team members is improved due to exploration of issue and simultaneous solution. Unresolved conflict has the price to be paid by the organization. Leadership becomes task oriented and serious in solution of problems. Poor performance of organization, anxiety, demotivation, depression and frustration among members are the end results of negative impacts of conflict within the organization.

Conflict and role of management within organization

Conflicts tend to arise frequently among the employees in large organizations, companies and departments and timely solution of issues is the prime responsibility of persons at the helm of affairs. Effective solution of issues within the organization is mandatory for improved performance and achievement of organizational goals .Therefore, it is core duty of bosses and managers to timely intervene for solution of problems between peoples and groups in an organization in order to enhance its output. Effective leader within an organization is always proactive to prevent the occurrence of conflict. Remaining in state of denial and not taking essential measures to prevent and deal conflict may lead to adverse

consequences within the organization resulting in poor performance and decreased output which may become liability for managers. Study of conflict management subject is essential for managers as it is useful tool to boost the skills of managers to manage organization effectively.

Views of conflict management

Traditional view lays stress upon avoidance of avoidance conflict and says it is essentially harmful for organization. Human relation view entails that conflict among humans is natural and unavoidable. Interactions view believes that conflict is positive force and leads to better performance within organization.

Reasons of conflict within the organization

There is always possibility of clash of interests between conflicting parties within the organization. Moreover, miscommunication and misinterpretation between the persons, groups and parties in an organization always lead to conflict. Further, Lopsided organizational structure, expression of authority by few individuals within the organization is the other reasons leading to conflict in the organization. Moreover, incompatibility of goals, clash of interests between individuals and variation in personal values of persons tend to enhance the gravity of conflict. Further, limited resources within the organization lead towards fight and competition among the individuals within the organization. The culture of favoritism in organization and discouraging the system of merit, too, create favorable ground for friction, misconceptions and conflicts between the individuals within the organization. Over expectations of either boss from employees or vice versais also the reason of conflict and clash within the organization.

Types of conflict

Conflicts have various types. Interpersonal conflict is the reason of frustration, stress and anxiety within an individual. This results in decreased productivity of employee and adversely affecting the organization. Interpersonalconflict, more common within an organization, is due to clash between two employees negatively affecting organization, if remains chronic is quite dangerous for organization. Role conflict is also common when single individual is entrusted with multiple tasks simultaneously which becomes difficult for him to perform effectively, efficiently resulting in stress, anxiety and depression for employee. Role conflict is quite common in public organizations. Goal conflict is the one when goal is not achieved resulting in distress in an individual .External conflict is due to adverse atmosphere and surroundings. Relationship conflict is quite common among life partners.

Stages of conflict Latent stage

In this stage, participants and top management of organization are unaware of conflict. Conflicting goals, fight for scarce resources within organization tend to become breeding grounds for conflict. If the situation is not properly handled at this stage, it leads to perceived stage.

Perceived stage

Warring parties become aware of conflict. Sometimes, latent stage is missing in the conflicts and clash is directly converted into perceived stage which becomes first stage of conflict directly. In this stage, communication between the warring parties becomes minimized

Felt stage

In this stage, conflict is perceived and cognized. Personalization of conflict occurs resulting in psychological stress and anxiety between warring parties within the organization

Manifest stage

At this stage, conflict becomes wide open. Behaviour of peoples, parties and groups within the organization become violent and aggressive .All within and outside organization can witness the conflict. The parties continue to degrade each other. Subsequently, apathy, sabotage activities become common within the organization which can be evident in this stage.

Aftermath stage

This is the last stage of conflict which may either result in functional conflict resulting in enhanced performance of organization or dysfunctional conflict resulting in poor performance of organization.

General guidelines for conflict management within the organization

Ask for negotiations, talks and dialogue between warring parties and thisis the responsibility of management within the organization. Timely intervention by management is essential to promote and protect the interests of organization. Call to moderator or neutral party is also essential for de-escalation between the battling parties. If the conflict is within organization, clashing persons should be called in person privately to hear their viewpoint and then they should be made to sit together by bosses so that reconciliation is made .Followup after rapprochement should also be made so that future conflict between the parties be prevented and avoided. Expansion of resources within organization is ensured by management so that interests of aggrieved party are protected. Moderator and neutral party making rapprochement has the responsibility to remain calm, composed and considerate and must be in possession of set of strong communication skills. Besides, warring parties should have empathy for each other .Moderators should use soft tone , talk with logic, reason and DE emotionalize themselves while defusing the situation. The moderators should always concentrate on problem solving rather than on person and should search for common interests and grounds among conflicting parties.

Techniques of dealing with conflict management

Avoidance

Avoidance is the first technique to deal and manage conflict. Warring parties and persons tend to stay away from the problem. This policy is not suitable for long term and detrimental to the interests of organization. Issues or problems tend to get exacerbate in its intensity due to negligence on the part of fighting parties .Things are left on their own to take difficult shape in the future course. In this technique, unassertive behavior is displayed by fighting parties. It is absolutely wrong to use this technique in large-scalewars.

Competing

Conflicting parties tend to fight and compete with each other displaying use of force to achieve their specific interests. Direct and indirect aggression is displayed by both parties. This is selfish approach if pursued by parties which results in negative consequences for organization. In this technique, assertive behavior is displayed by both parties for achieving their goals.

Compromising

Conflicting parties leave settled positions .This is either win-win or lose-lose situation for both parties. Compromise is considered to be positive technique and leads towards achievement of organizational goals. It looks like deal has stricken between the parties.

Collaborating

Both parties display great concern for each other during the course of conflict. Both parties search for common grounds and solutions which are acceptable to all.

Forcing

One party displays power and bullying tactics to other party. One party imposes authority over the other. Force is displayed by one party as tactic to intimidate the other party.

Conclusion

Conflict is common at workplace within the organizations. Constructive conflict results in growth of organization. Whereas, destructive conflict results in stagnation of organization. Therefore, the role of managers is absolutely vital in handling and managing the conflict. Effective management of conflict within no time is essential for achieving the organizational goals.

DATA ANALYTICS: A GAME CHANGER FOR AUDITING

Muhammad Imran
Assistant Director, SAI Pakistan

Introduction:

The world has witnessed the beginning of the fourth industrial revolution; global digitalization is underway. To ensure high-quality control over public money, the Supreme Audit Institutions (SAIs) should introduce modern technologies and learn to use their whole toolkit efficiently. In INTOSAI members' opinion, the entire budgetary process will depend on it, and the public sphere itself will become more transparent and open for citizens.

Before going deep into the topic, it is essential to know what big data is? It may be defined as high-volume, high velocity, and high-variety information assets that demand cost-effective, innovative forms of information processing for enhanced insight and decision-making (Gartner, 2013). From this definition, one can extract three characteristics, i.e., volume, velocity, and variety, which makes the big data unique, are referred to as Three Vs of big data. However, as Gartner explains, big data must be analyzed or processed innovatively in order to be relevant and useful for decision making. Indeed, big data as a concept is often discussed in conjunction with the analysis of the data.

Data analysis is a process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making. Data analysis has multiple facets and approaches, encompassing diverse techniques under various names, and is used in different business, science, and social science domains. (INTOSAI, 2019). Whereas, AICPA has defined data analytics in audit as "the science and art of discovering and analyzing patterns, identifying anomalies, and extracting other useful information in data underlying or related to the subject matter of an audit through analysis, modeling, and visualization for the purpose of planning or performing the audit, "To auditors, the data in (or contents of) big data refers to collections of multiple types of data, which could include some mix of traditional structured financial and non-financial data, logistics data, sensor data, emails, telephone calls, social media data, blogs, as well as other internal and external data.

Evolution of Audit Techniques and Tools

Despite the fact that audit strategies have been depended upon for a long time, the conventional act of auditing has been in presence for a generally brief period. Besides, the emphasis has historically been placed on a systematic, backward-looking approach whereby key events and activities are often identified long after their occurrence or merely undetected. Given that recent developments and technologies facilitated a

movement away from the historical paradigm and toward a more proactive approach, it is essential that auditors must understand what the future audit entails and how they might begin to envision a logical progression to such a state. To enhance this comprehension, it is worth mentioning how auditing has evolved from its start in the early twentieth century. In this regard, a brief history of the evolution of auditing through different computer audit applications is as follows:

S.No	1970's	1980's	1990's	2000's and onward
1	Applications with programming languages	Applications with third-generation programming languages	Applications with fourth-generation programming languages	Web-enabled software (XBRL)
2	First-generation audit software (batch)	Second generation audit software (interactive and batch)	Third generation Audit Software (Interactive and batch based on PCs)	Continuous Audit
3	Simple parallel simulations	Extensive parallel simulations	Comprehensive testing and data analysis	Digital Analysis
4	Test Batches / Integrated Test Utilities.	Test Batches / Integrated Test Utilities.	Software Audit	Audit Assurance Software
5	Entry / exit tests	SCARF / SARF (Text Definition)		
6	Internal Control Review	Automated internal control review questionnaires	Computerized internal control review questionnaires	Control self-assessment.
7	Flowchart Control Questionnaires	Program flow diagrams	Process flows with an emphasis on data audit	Viewing the software
8	First computer-based on a sampling of monetary units	More developed, dollar sampling unit	Various sampling options, including stratification	Less emphasis on sampling.
9	Control Matrices	Better control	Expert systems	Neural networks and artificial intelligence matrices.

Phases of Data Analytics

There are two phases in which the data analytics fall; exploratory and confirmatory. The characteristics and the goal that is to be achieved through these analyses are different. The exploratory analysis phase isolates the features of the data and patterns and reveals it to the data analyst. In this phase, the data analyst extracts patterns that highlight irregularities in the dataset. The process may be repeated many times of the data analyst's choice if the required reasonable assurance is not revealed.

On contrary to this, confirmatory data analysis quantifies the extent to which deviations from a model could be expected to occur by chance. The confirmatory analysis

(1) The first and foremost challenge that

uses the traditional statistical tools of inference, significance, and confidence. Confirmatory analysis tests the statistical hypotheses.

Benefits of using Data Analytics in audits

Among many benefits of using data analytics, some are: (1) while using any of the DA technique, the auditors can check a more significant number of auditing data then they do now, (2) the quality of audit can be increased by providing greater insights into auditees business processes, (3) fraud will be easier to detect because auditors can leverage tools and technology that they already use, (4) auditors can provide services and solve problems for their auditees that are beyond current capabilities by utilizing external data to inform audits, (5) the span of execution of the audit will also be shrunk once the soft data will be in hand.

Regarding the first benefit, one way DA can improve audits is by increasing the sufficiency (i.e., the appropriate amount) of audit evidence. Currently, auditors apply a risk-based model and sample transactions to determine that account balances are fairly stated. DA will allow auditors to automate the testing of transactions, and 100% of the population can be tested. Secondly, if the domain of the analysis is expanded and the proper checks are incorporated into the data, there is a greater possibility that the business process of the auditis understood by the auditor in a better way and the events such as frauds will be detected in a lot of ease.

Besides the above, the DA provides a lot more cushion in executing the audit cycle. Such as DA can contribute to every phase of the audit:

- to pre-engage activities such as deciding whether to accept or continue an engagement;
- to conduct audit planning;
- to understand the entity, environment and assessing the risks of a material misstatement by sneaking through in the business processes of the auditee organization;
- to evaluate the design and implementation and testing the operating effectiveness of internal controls;
- to substantial testing, both analytical procedures and tests of details; and
- to conclude and report.

Moreover, DA is relevant and has the potential to significantly improve audit procedures throughout the audit; such as, by using the DA, identifying and assessing fraud risk would be a lot easier as the auditor would have access to all the relevant data and not just sampling. Secondly, performing external confirmation procedures, especially the identification of high-risk items for confirmation. Thirdly, obtaining evidence about the valuation of investments, the existence and condition of inventory, and completeness of litigation, claims, and assessments and evaluating whether there is substantial doubt about the entity's ability to continue as a going concern.

Challenges of Data Analytics

Since data analytics is still a new phenomenon in auditing, therefore, it is facing huge impediments. The challenges can

be categorized mainly into three broad areas.

(1) The first and foremost challenge that data analytics faces is the shortage of human resources in the SAIs. The number of trained data analysts or data scientists are few in numbers. Large data sets having a significant amount of transactions of which may be non-financial, can overwhelm the information processing capabilities of traditional auditors. Skills such as pattern recognition and understanding of evaluating the anomalies through Computer Assisted Audit Techniques (CAAT) have traditionally not been the main focus of formal auditor's education or training. Typically, these skills are gained through experiences in the field or being a part of audits comprised of data analytics.

(2) Secondly, data availability, relevance, and integrity is another impediment in the way of data analytics. It has been seen that most of the auditee organizations are unable to capture data in a manner that is useful to the auditor. There are also cases in which the auditee has provided the data containing the unwanted noise. Currently, auditee organizations, especially in Pakistan, are reluctant to provide direct access to their databases to auditors. Thus, the soft data availability is in question in the case of Pakistan

The third major challenge involves how data analytics is viewed by different stakeholders. Over the years, the auditing profession has dealt with an expectations gap regarding what outsiders expect of the auditor versus what standards require auditors to deliver. The gap in expectations occurs when users of the audit report believe that auditors are providing 100% assurance that financial statements are fairly stated, while in reality, auditors are only providing a reasonable level of assurance; which, due to sampling of transactions on a test basis, is somewhat less than 100%. Given the potential to audit 100% of transactions, it is possible that data analytics could aggravate the expectations gap issue because users would be even more likely to require 100% assurance. For example; in present, the auditors may have a defense for not revealing anomaly if they have a sample happens to be free of the anomalies/frauds. However, actually, the anomaly exists in the whole data. With the capacity to audit 100% data or transactions, the defense for auditors might not work because they are traversing and auditing every transaction. Hence, the audit report users will expect the auditor to uncover every possible anomaly, which is not possible practically.

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AUDIT DATA ANALYTICS

Ms Eirij Rubbani
Deputy Director, SAI Pakistan

We all here are associated with a Supreme Audit Institution – SAI in various capacities but predominantly as an auditor. As an auditor we all aim at one thing, a better audit and before that an opportunity to think as to what we want from the audit after all and what we want audit to be. With the latest in technological advancements, the things otherwise considered as limitations have vanished. Data today can be captured and communicated digitally on an increasing speed and with very little delays and errors. The new information systems have become increasingly capable of handling, analyzing, communicating and responding to all such gathered data. The main questions to be asked in such a scenario are whether we should automate further or should we redesign our work processes around the new tools that the technology provides with? The answer to these questions largely depends on the working structure of the SAI, its strength, its scope and domain, the general attitude towards technology and the current stage of automation in the SAI.

One such field that has explicitly challenged the auditing profession and the professionals at the same time is data analytics. Data analytics is about drawing conclusions by examining a set of data. Unlike past years, data analytics as a term and field has gained currency because of the changing nature, source, the increasing velocity of data and the multiple sources generating various types of data and ultimately the interlinking of all this data to draw a meaningful conclusion from it and take relevant decisions related to it. The technology that helps in doing this uses specialized software capable of utilizing both qualitative and quantitative data. This all begets the question of the possible uses of the data analytics. The aim is to arrive at a conclusion or a decision but what is the use of these conclusions and decisions? The answer is rather simple: as diverse as the entity employing data analytics. It can be simple like identifying Key Performance Indicators – KPIs – or data mining to identify trends and mind set of the client. All these possibilities are for now limitless because artificial intelligence has increased the pace of data analysis manifolds.

Auditing and Data Analytics

When it comes to audit, data analytics is defined as the art and science of discovering and analyzing patterns, deviations and inconsistencies, and extracting other useful information in the data underlying or related to the subject matter of an audit through analysis, modelling and visualization for the purpose of planning and performing the audit. In short it is about obtaining the right kind of audit evidence. The main propelling idea behind incorporating data analytics into audit was to enhance the quality of audit.

Data analytics software gives auditors the opportunity to test and audit the whole population of the data, a 100% audit instead of a sample based audit. This means that the outliers and the exceptions in the data will

also be a part of the audit now, which earlier had the chances of being ignored as a result of using sampling techniques. Too much depended upon the type of sampling technique and on the quality of sample thus drawn. Furthermore, it helps in increasing the auditor's understanding of the auditee (client) and its environment which makes it easier to identify risks. This means that the risk assessment process, substantive procedures and tests of controls are also improved. Once this is improved, the auditor is better able to apply professional skepticism and professional judgment. The computerized audit procedures used under data analytics allows the auditor to arrive at a result in a more efficient manner. Efficiency here does not really mean less time consumed, although yes, that is one of the major advantages of using data analytics. Here efficiency is about getting to the things that matter quicker and spending more time on them instead of ploughing slowly through random samples that more than often tell us very little. These techniques shrink the population at risk. It means that the auditors can go to high risk areas straight away.

Fraud and Audit Data Analytics

Fraud, for most of the times has been a grey area in the practice of audit, the question being whether fraud detection and fraud prevention is a function of the audit or not. Should it be an end product of audit? Or an area to be hinted upon while conducting audit? Nevertheless, the debates are still on. With audit data analytics coming into play, fraud has become even more of a debatable idea, to be included or not included within the jurisdiction of audit. Keeping aside the fight of the standards and regulatory regimes on one side about the conjunction or disjointing of fraud and audit, the benefits that can be derived on all fronts under audit data analytics are many. Audit data analytics increases the chances of fraud detection as data analytics can work through all the data, irrespective of the size of the transaction for example, and hence can identify avenues of possible fraudulent activity. In short, data analytics adds value to the audit by identifying material misstatements due to fraud in an audit of financial statements.

Challenges and limitations

Of course everything has its challenges and limitations and hence the same goes for auditing data analytics as well. The most basic question asked is the level of automation that an auditee has gone through as well as the auditor and its SAI. This automation forms the basis of the extent of applying digital techniques in auditing. Furthermore, data analytics requires ability and dexterity in a completely new skill set. One of the basic skill required in analytics is programming. Auditors do not have to be able to program scripts for data analytics, but should have functional knowledge of it so that they will know what analytics is to be performed on a dataset. The auditor should also develop a habit of critical thinking which is essential for analyzing datasets to reach a decision. Much relies on the capabilities of the auditor himself, like understanding the nature of the data and the output to draw appropriate conclusions. It can end in insufficient and/or inappropriate evidence ultimately impacting the conclusion.

As with every digital system, data privacy, confidentiality, protection and prevention of misuse of data is a very apparent issue. Hence the challenge is multiplied when data sharing between the auditing institute and the auditee is enabled. Strong data protection laws as well as systems are required to make it possible for stakeholders to be confident about their data. Under the domain of data, another important issue to be dealt with is the interface used to access data, extract it and analyze it. There is a possibility that the auditees store their data in a different format as that of the auditing institution. This gives rise to the difficulty of extracting data from the auditee in a useful format. Hence issues of transformation, that is making the data useable, have to be clearly sorted in advance because this will impact the quality of audit evidence used to draw a conclusion upon.

Much depends on the quality of the data analytic tools and routines being used for the audit. This complex system requires even more complex quality assurance procedures and even stringent set of internal controls. There should be extensive quality controls over the processes that would thus ensure that the auditors and other staff using analytics tools as well as the machines to do so do it properly. It is not just about the tools and routines in data analytics, it is about complying with the standards, rules, the regulations and then also about having a secure infrastructure.

Over confidence should be avoided in technology, in which auditors lacking a clear understanding of the uses and limitations of technology falsely believe the results to be infallible.

Conclusion

Applying the tools of data analytics in conducting audit is the growing requirement of the day as the work places transform themselves towards automation of their processes or enhance the level of automation within. Those SAIs which have so far ignored data analytics will have to embed this concept incrementally in their strategic plans as well as future considerations. SAIs have to move with time and the time for mass digitization is here. Auditing data analytics indeed aims at facilitating the work of an auditor but it is not a substitute for professional skepticism and professional judgment. The basic skills required by the auditor will not change. A system is as good as the person behind it, so trained and learned auditors would enable a smooth functioning and increased acceptance of data analytics in auditing.

Data analytics provide an opportunity to maximize the effectiveness of the human element. For example, technology solutions can reduce the amount of time dedicated to manual analysis, allowing more time to be spent by the auditor on the more judgmental aspects of an analysis. It also gives the opportunity to allow every transaction and balance to be analyzed and reported upon. If maximum can be reaped from this system, it will not only improve auditing but will also enable the auditee to perform better by rectifying its loopholes, issues and inefficiencies. The ultimate benefit to the public sector and governance would be improved public financial management.

HUMAN RESOURCES (HR) AUDIT AND ITS IMPORTANCE IN PUBLIC SECTOR ORGANIZATIONS

Ms Flavia Meachiel
Senior Auditor, SAI Pakistan

The HR (Human Resource) Audit is the process to evaluate a human resource department's performance. It examines various aspects of the HR tasks in an organization. These can be policies, processes, procedures, documentation, and systems. The human resource audit is based on the premise that human resource processes are dynamic and must continually be redirected and revitalized to remain responsive to the ever changing needs. Human Resource Audits are not routine practices aimed at problem solving. Instead of directly solving problems, HR audits, like financial audits, help in providing insights into possible causes for current and future problems. An HR Audit is like an annual health check-up, it plays a vital role in instilling a sense of confidence in the Management and the HR functions of an organization. An HR audit involves devoting time and resources to taking an intensely objective look at the organization's HR policies, practices, procedures and strategies to protect the organization, establish best practices and identify opportunities for improvement. The results can provide decision-makers with the information necessary to decide which areas need improvement.

Who should conduct the HR (Human Resource) audit?

The team that is conducting the audit should represent a cross-section of the organization's staff, including line staff, middle and upper management, and those responsible for HR functions.

Why is an HR (Human Resource) audit a necessity?

An HR Audit must be taken seriously by organizations as this will be a big help in determining the effectiveness of its human resource management. The organization's human resource capital plays vital role as they are the lifeblood of any organization. It further helps maintain and enhance the goodwill of the organization.

Purposes of conducting HR (Human Resource) audit.

- Effective management of human resource capital
- Ensure different legal compliance
- Boosting confidence of management and human resource function
- Establishing guidelines for future audits.

Sample of HR (Human Resource) audit may include the following questions.

Organization and Structure

- Is there an organizational chart?
- Does the chart include both employees' names and designation?
- Does the chart show reporting relationships?
- Are the changes updated when they occur?

• Does the organization's structure change according to its needs?

HR Department Organization

• Is the office/department sufficiently staffed according to the size of organization?

• Is the budget allocation according to the needs of the office/organization?

• Is the organization involved in any employment lawsuits?

• If there have been suits, what were the outcomes?

• Is there a job description for each position in the department?

• To what position does the top HR position report?

Scope HR (Human Resource) Audit

Human resource audits involve an organization's strategic actions to take an intensely objective look at its HR policies, procedures and practices. This type of comprehensive review of the organizations current state can help identify whether specific practice areas or processes are adequate, legal and effective. The results obtained from this review can help identify gaps in HR practices, and HR can then prioritize these gaps in an effort to minimize lawsuits and regulatory violations, as well as to achieve and maintain world-class competitiveness in key HR practice areas.

Importance of HR (Human Resource) Audit in Government Organizations

Human resource audits are essential in order to avoid legal and regulatory liability that may arise from an organization's HR policies and practices. In addition to identifying areas of legal risk, audits are often designed to provide a organization with information about the competitiveness of its HR strategies. In essence, an HR audit involves identifying issues and finding solutions to problems before they become unmanageable. It is an opportunity to assess what an organization is doing right, as well as how things might be done differently, more efficiently or at a reduced cost.

An HR audit helps an organization understand whether its HR practices are helping or becoming a hindrance or having little impact on its basic goals. The audit also helps quantify the results of the department's initiatives and provides a road map for necessary changes. HR Audits can also help the organization achieve and maintain world-class HR practices in both private as well as in public sector organizations. In today's competitive world all the organizations are conducting HR audits which is cost effective too. The government organizations which focus primarily on the Financial Audits should also work closely in such audits so that the organization could work smoothly without any hassle along with input from the management. The Hr audit should be used to

– point out to the top management about their role in HRD and the support required from them. It also provides a good opportunity to develop the staff internally, to streamline the budget, enhance HRD competencies, rationalize the HRD structure and participate in decision making. Following are reasons why a government organization should conduct Hr Audit process;

- For making sure that the Human Resources are effectively utilized inside the organization.

- For making sure that the administration department is working in compliance with other departments.

- For creating confidence among management team that everything related to HR is running successfully.

- For making sure that the reputation of the various departments and the organization as a whole is maintained well.

What to Audit?

Deciding on what to audit depends largely on the perceived weaknesses in the organization's HR environment, the type of audit decided on and the available resources. However, government organizations are particularly vulnerable in certain areas. Most lawsuits can be traced to issues related to hiring, performance management, and harassment at workplace, discipline or termination. One of the major issues is harassment at workplace where HR audit can step in to address and prevent any harassment related issues. With so much encouragement of #MeToo movement, workplace harassment has become a hot topic issue in organization across the globe. This has become a very sensitive issue and it's the responsibility of the HR to avoid any such mishaps. Using HR audit services helps companies identify potential harassment issues and ways to foster a safe working environment especially for female employees.

Conclusion

To conclude, a fruitful HR Audit, always assess the situation from the workforce's point of view. Evaluating the performance from a work staff's point of view will provide a new perspective and show more areas for improvement. Just as we do annual physicals on ourselves, evaluating the physical health of our human resources function should also be done each year. HR audits can be as broad or narrow as the organization wants. While audits are a great tool to uncover deficiencies, organizations should be committed to acting on the recommended improvements. This can mean a number of things, from creating or updating policies and procedures, to performing a detailed review of your existing handbook, to communicating with employees to address some of the issues that are found.

AUDIT QUALITY MANAGEMENT INITIATIVES IN THE OFFICE OF THE AUDITOR - GENERAL OF PAKISTAN



Wasim Ahmed
Director General, SAI Pakistan

The Office of the Auditor-General of Pakistan (OAGP) has taken several initiatives to ensure the Quality and effectiveness of its Audit work. A comprehensive Audit Quality Management Framework (AQMF) has been developed to provide a structured mechanism for Audit Quality Management. A Quality Assurance Wing has been established in the OAGP, headed by a Deputy Auditor-General, to operationalize this framework.

This paper gives a conceptual framework of Quality, traces the gradual evolution of the concept over the years to provide a theoretical background for understanding OAGP's Quality Management initiatives, and reviews the relevance of Quality Management for Public Sector Auditing. The paper discusses the OAGP's Quality related initiatives over the years, describes the genesis, scope and basis of AQMF, and elaborates in some detail the mechanisms provided in the Framework for effective Quality Management of all phases of Audit work.

Quality Management – The Conceptual Framework

The term Quality can be defined as the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.These characteristics in the context of Public Sector Auditing would include attributes such as Significance, Reliability, Objectivity, Scope and Completeness, Timeliness, Clarity, Efficiency and Effectiveness. Broadly speaking, the Quality of Audit is determined by its contribution towards improving Public Financial Management of the Audited area. It is judged in terms of results and impacts achieved. The results and impacts like recoveries made on the basis of Audit observations, any improvement in Internal Controls, accountability of public officials entrusted with use of public resources, changes in systems, procedures and laws provide clear indication of the effectiveness of Audit. The findings, conclusions and recommendations in the Audit Report should help the auditee, the Government, and the Parliament in improving Government operations and policy making.

The Quality Continuum – The Gradual Evolution of the Concept

Quality as a management concept has evolved over the years. Various terms such as Quality Control, Quality Assurance and Quality Management are often considered synonymous and used interchangeably. However, these terms have specific meanings and connotations, underlining the gradual evolution and development of Quality related measures. The initial understanding of the concept was as **Quality Control,** which was viewed as a product or service's compliance to specifications. The Quality Control task was to identify and remove defects, achieved

mainly through some form of measurement and inspection activity. Responsibility for Quality was not with line functionaries but was vested with separate staff departments. This had the effect of making Quality a technical rather than a managerial function. Quality Control was essentially product centric.

Quality Assurance, however, is understood as planned or systematic actions necessary to provide adequate confidence that a product or service will satisfy given requirements for Quality. Quality Assurance is process-centric as against Quality control, which focuses on end-product. However, this process focus was still limited to line functions, without involving associated managerial functions such as Strategic Management, Human Resource Management etc.

Quality Management is a broader concept which comprises the organizational structure, procedures, processes and resources needed to implement Quality Management. It involves all processes in the operational life cycle of a service that affect Quality, from initial identification of clients' needs to final satisfaction of requirements. It is designed to provide confidence to clients and stakeholders that requirements for Quality will be achieved in delivered products or services.Quality Management involves forming and managing a team of people to achieve a qualitative goal within an effective cost and time frame, which will result in developing a quality product or service.[viii]

Total Quality Management (TQM) is a total, organization wide effort - through full involvement of the entire workforce and a focus on continuous improvement - that organizations use to achieve clients' satisfaction. TQM is both a comprehensive managerial philosophy and a collection of tools and approaches for its implementation. Total Quality is the unyielding and continually improving effort by everyone in an organization to understand, meet and exceed the expectations of clients at continually lower cost. The concept of Total Quality stresses learning and adaptation to continual change as keys to organizational success.

Quality Management in Public Sector Auditing

Public Sector Auditing should provide assurance to the stakeholders that public programs and public investments are being administered economically, efficiently and effectively and thereby significantly contribute to the improvement of public policy, delivery of public services and quality of governance for the benefit of the people. The assurance should extend to expressing an opinion on the fairness with which the government financial statements are prepared and presented. Therefore, it is essential to have in place quality management, assurance and control policies and procedures in an Audit organization. Supreme Audit Institutions (SAIs) need to foster quality attitude, supported by systematic quality systems and adequate policies, procedures, records, technologies, financial and human resources, and structures.[xii]

In Public Sector Auditing, Quality Management involves a system composed of

an organization, the Supreme Audit Institution (SAI), its people - the Auditors - and the Audit process, all working together to produce outputs that fulfill the requirements of its stakeholders and the general public. Each component of the 'Audit Quality Management System' (AQMS) - structure, people and process aims towards customer satisfaction (in the context of the SAI, its clients and stakeholders), which is always the bottom line of any organization. Customer satisfaction is always identified with Quality and hence Quality is expected of everyone in the organization and of every output generated. The SAI is no different from any other institution in its mission to satisfy clients' and stakeholders' needs and expectations. Improvement in Quality of Audit can reduce time and cost of audit and increase productivity and efficiency of auditors, thus raising the level of performance.

SAI's 'Quality Management System' should be designed to provide 'reasonable assurance' in the light of the likelihood and magnitude of potential risks, that it conducts the Audits, both Financial and Performance, in accordance with the applicable legislative requirements, rules and regulations, audit standards, policy manuals, guidelines and procedures. Reasonable assurance recognizes that the cost of managing risks should not exceed the benefits likely to be derived. Reasonable assurance should not be construed to mean absolute assurance of all aspects of Quality for each individual Audit and for the Audit process.[xiv]

OAGP's Audit Quality Management Framework

Historical Evolution

The Code of Ethics provides the very basis of effective Quality Management in Audit process. SAI Pakistan also started by adopting INTOSAI's (International Organization of Supreme Audit Institutions) Code of Ethics and then adopted INTOSAI's Auditing Standards. A significant step in this direction was taken through development of a comprehensive Financial Audit Manual (FAM) and Sectoral Guidelines (to address various sector specific issues, given the vast functional mandate of OAGP) to improve the Quality of Audit work. Subsequently, a Performance Audit Manual has also been developed. However, the actual corrective measure introduced to exercise Quality Control checks on the Audit Report was a central Quality Control Committee of the OAGP. The committee used to review Audit Reports from various Field Audit Offices (FAOs).

Several years' experience of this mechanism revealed that Quality Control checks on the product, i.e. the Audit Report, could not prevent repetition of the same deficiencies in the Reports of the subsequent years. This implied that the mechanism did not contribute towards improving Audit processes. Consequently, it was realized that real improvement in the Quality of Audit work required something more than testing and correcting only the Audit Reports. A need was felt to formalize the Quality

Management arrangements by developing a comprehensive, yet focused Quality Management Framework in consonance with international best practices and standards followed by other SAIs.

Basis and Scope of the Framework

The AQMF draws on ISSAI-40, which is an adaptation of the International Standard on Quality Control (ISQC-1). The principles and methods of Quality Management highlighted in the ASOSAI "Guidelines on Audit Quality Management System" and the EUROSAI "Audit Quality Guidelines" have been consulted for developing AQMF.[xviii]

The AQMF applies to the entire Audit Cycle of all Audit assignments conducted by the Office of the Auditor-General of Pakistan (OAGP). The Audit cycle starts from understanding the Audit entity, which is followed by Audit Planning, Execution, Evaluation of Results, Reporting and Follow up phases.[xix]

It is pertinent to mention that the AQMF has not tried to re-invent the wheel. In fact, the framework addresses Quality Management requirements at each phase of Audit by making efficient use of already existing aids for implementing robust Quality Assurance at the FAO level. These aids include:

a. Quality Assurance measures for each phase of the Audit cycle as embedded in the OAGP's Financial Audit Manual (FAM).
b. Tools for implementing these Quality Assurance measures provided in Working Paper Kit of FAM.
c. Guidance on the usage of these tools as provided in relevant Sectoral Guidelines.

The AQMF has been developed after reviewing the international best practices as reflected in the INTOSAI, EUROSAI and ASOSAI standards and guidelines. The literature survey on Quality Management established that the Quality of an end-product cannot be ensured unless Quality Assurance procedures are diligently followed at all stages during a process.

Accordingly, the AQMF comprises the following three interventions:

1) Quality Assurance Mechanism
2) Quality Control Mechanism
3) Quality Improvement Mechanism

The following sections describe these three mechanisms in some detail.

Quality Assurance Mechanism

This mechanism is to be implemented through the officers having the responsibility to carry out Audits, in an FAO (Field Audit Office). It ensures observance of Quality, from the start of planning an Audit through execution of Audit to producing an Audit Report. The framework stipulates that the Directors General (DGs) of the FAOs, as heads of offices, are primarily responsible for implementing the quality assurance regime in their offices. Their Directors supported by Audit Managers and staff affect Quality Assurance through implementation of the Sectoral Guidelines prepared under the FAM. The FAM methodology prescribes compliance of OAGP's Auditing Standards throughout the Audit cycle. It envisages

ensuring Quality in Audit work through:

1) Following logical framework comprising planning, executing, reporting and follow-up phases.
2) Documentation and related approvals from appropriate supervisory level, for each of these phases of Audit.
3) Supervision and review. Ongoing involvement by senior Audit officials.
4) Use of Information Technology tools.
5) Quality Assurance reviews.

AQMF seeks to provide a structured way to ensure implementation of Quality Assurance tools by field officers responsible for carrying out the Audit.

Quality Control Mechanism

The Quality Control Mechanism is operated through the OAGP's centralized Audit Quality Management Wing (AQMW) by conducting Quality Control Reviews external to the FAOs. The objectives of Quality Controls are to ensure:

a. The effectiveness of the Quality Assurance Mechanism of the FAOs.
b. The Quality of the final Audit Reports in accordance with OAGP's Quality standards.

This mechanism is based on Quality Control checks externally applied to an FAO (Field Audit Office) at two stages[xxi]:-

1). The first stage involves testing the effectiveness of the Quality Assurance Mechanism described above. This will be managed by the centralized AQMW through sample testing the Audit assignments previously Quality Assured in an FAO. The primary purpose of the Quality Control Review of the Audit Cycle is to confirm that the Quality Assurance Mechanism (QAM) is operating efficiently and effectively in accordance with the prescribed standards as provided in the FAM, the Sectoral Guidelines and the Audit Report Template. This will ensure that the end product coming out of this process is consistently of high quality.

The review is conducted in accordance with the prescribed 'Quality Control Review Checklists'. The aim is to check compliance with the Quality Controls pertaining to the various stages of the audit cycle (i.e. Updation/ preparation of Permanent, Planning and Execution files, Report finalization and Audit follow up) as laid down in the Sectoral Guidelines and ensure their effectiveness by reconciling the checklists/forms with the concerned working papers.

2). The second stage focuses on the Quality of all the final Audit Reports produced by the FAOs. The final product, i.e., the Audit Report is to be signed by the Head of the SAI. Therefore, there is a need to conduct a Quality Control Review of the end product to give assurance regarding its Quality to the signing authority. For this purpose, Quality Control Committees (QCC) have been designed. In fact, the main challenge addressed by this framework is an arrangement for reliable and independent Quality reviews of the Audit process and all Audit Reports. Accordingly, the QCC is an arrangement for an independent review of Audit reports, and is the pivot of the Quality Control because under the AQMF it has been

charged to grade all the Audit Reports under its jurisdiction after a hundred percent review of each report.

Quality Improvement Mechanism

This arrangement envisages designing and implementing corrective actions based on the outcomes of the Quality Assurance and Quality Control reviews described above. Respective Deputy Auditor-General (DAG) will be receiving periodic reports from two channels viz. Quality Assurance reports through DGs of the FAOs and the Quality Control reports on the Audit process of the FAO through OAGP's Audit Quality Management Wing (AQMW). On the basis of these reports, the DAGs will steer the designing and implementation of corrective measures.This exercise shall ensure that lessons learnt with respect to Quality Management during an Audit cycle become a basis for improvement of the next Audit cycle from the very start of the Audit process. This methodology is also in line with the internationally recognized iterative quality improvement best practice of PDCA (Plan, Do, Check, Act).

Audit Impact Analysis

Quality Management does not end with the finalization and printing of the Audit Reports. To continue the chain of Quality improvement the process also involves evaluating the responses of the end-users of the Audit Report like the management of the Audited organization or the Public Accounts Committee (PAC) of the Parliament. Consequently, overall impact of Audit is assessed after Audit Reports have been discussed with the management or in the PAC on following parameters:

1) Percentage of proposed number of Audit recommendations that have been accepted by the management or the PAC.
2) Recoveries ordered on the instance of Audit.
3) Changes made in Internal Controls (i.e. Rules, Regulations, Policies or Procedures etc.) of the Audit entity on the basis of Audit recommendations.
4) Improvement in Public Financial Management of the Audit entity. One indicator of this improvement is falling trend of amounts under Audit observations in subsequent years.

OAGP's policies for Audit Quality Management for subsequent years are also guided by the results of this Audit Impact Analysis[xxiii].

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SUPREME AUDIT INSTITUTION PAKISTAN: A HISTORICAL PERSPECTIVE

Hasan Masud
Director General, SAI Pakistan

Background

Office of the Auditor General of Pakistan (AGP) is the Supreme Audit Institution (SAI) of the country. This office is at the heart of the public sector accountability and transparency regime. The Pakistan Audit Department is headed by the Auditor General of Pakistan, with a fixed term of four years, which is non-extendable. There are 30 Field Audit Offices (FAOs) with well-defined audit jurisdictions working under the Auditor General. During the last audit year Office of the AGP produced Certification Audit Reports of 276 entities, developed 135 Compliance Audit Reports, 48 Performance Audit Reports, 53 Special Audit Reports and 183 other Audit Reports (including Reports on Foreign Aided Projects and Environmental Issues). The department also recovered Pakistan Rs. 127.27 Billion, in addition to presenting key Audit findings to the Public Accounts Committee of the Federal and Provincial Legislatures.

In case of SAI Pakistan, the audit cycle begins with field audit teams visiting various auditee formations, drafting observations, discussing with management, re-examination by the main field office and then finalization by AGP office after a thorough analysis and examination. An audit report which is tabled before the Public Accounts Committee (PAC) of the Parliament passes through many quality control and assurance stages.

The British Experience

Office of SAI Pakistan emerged out of the colonial administrative structures raised during the British rule in the South Asia. British governance practices in India in turn flew from the experiences in the home country and European Continent. The French King Louis XIV in the age of absolute monarchies in Europe claimed to be state himself (as he famously once said, 'I am the State'). This concept of Kingship was based on what was known as the Divine Right of Kings. The kings based their authority on a divine right to rule and were thus as a consequence not answerable for their actions.

The European experience in early modern period, however, was that greater degree of fiscal transparency resulted after every period of absolutism. In England there were objections to taxation without representation. John Locke (1632–1704), a leading political thinker, argued that kings could govern and tax only with the consent of the majority. In 1600s, when kings sought to raise taxes for increasingly expensive wars, the English parliament gradually established its right to control taxes and review public spending.

In 1610, it claimed the right to discuss revenue from certain taxes the king could levy without parliamentary approval. In 1624, English Parliament made the spending from taxes

[1] *Annual Report 2017-18, (Islamabad: Department of the Auditor General 2019), p. iv.*

collected to be approved by a commission whose members were accountable to the parliament. In 1628, it asserted that the king could levy no taxes or forced loans without its consent. And in 1667 (after the restoration of the monarchy following a civil war caused in part by disputes over the power to tax) it established a commission to investigate the new king's accounts.

In 1665, parliament passed an act that required the king to keep his accounts in a prescribed format and gave lenders the right to view the accounts. After the Glorious Revolution of 1688, in which James II was overthrown and replaced by a new king, parliament strengthened its right to audit spending. The Bill of Rights of 1689 provided "that levying money for or to the use of the Crown by pretence of prerogative, without grant of Parliament, for longer time, or in other manner than the same is or shall be granted, is illegal." In early 1700s, the Public Accounts Committee of the parliament undertook a detailed investigation of the government's accounts and disagreed with the proposal of levying of additional taxes to meet the government's expenses.

Once the principle of openness was established there arose issues regarding the form and manner of accounting information. For instance, Bentham, a leading thinker, had objected to the adoption of commercial accounting in the UK in the 1820s due to its difficult terminology. Thomas Jefferson, America's founding father and the third president, however, wanted the government finances 'as clear and intelligible as a merchant's books'. But that was not the case everywhere. In India, for instance, Dutch East India Company was very reluctant to share accounting and financial information even with its shareholders.

The origins of the public sector auditing

The British East India was the oldest amongst several East India Companies from Europe operating in South Asia. The British East India Company traded with India and Qing China by the late eighteenth century. To protect its trading interests in India, armed units consisting of English and native troops were raised. In January 1750, the First Pay Master was appointed by the British East India Company for paying the Garrison at Fort Williams, Calcutta.

After war of independence in 1857 the British Crown assumed the direct control of India. The British introduced a series of administrative reforms in the nineteenth and twentieth centuries. British created the post of 'Accountant General of India' which later became Accountant and Auditor General, Comptroller and Auditor General of Accounts and finally the Auditor General. The Office of Auditor General under the British raj was independent of the government in audit jurisdiction even before the major constitutional reforms of 1919. The position of the Auditor General was secured vis-à-vis the Governor General by the Secretary of State. However, with the introduction of the 1919 constitutional reforms office of the

[2] *Timothy C. Irwin, 'Shining a Light on the Mysteries of State: The Origins of Fiscal Transparency in Western Europe,' IMF Working Paper WP/13/219, (Washington: Fiscal Affairs Department, October 2013), pp 14-31.*

Auditor General was for the first time statutorily recognized as an independent entity. This independence was further strengthened under the 1935 constitutional reforms including appointment by the Governor General and removal on the like grounds of a judge3.

This office by the 1920s had in addition accounting and auditing functions, additional responsibilities like administration of the currency department, administration of coinage, the control of ways and means, the custody of securities, and disposal of public debt questions.

A few examples of the kind of audit rulings that were given by the Auditor General of India under the British will help us understand the traditions this department inherited. For instance, a 1928 Ruling regarding the adjustment of the cost, both civil and Military, of what was known as the Mangal Expedition (of 1908), and incidentally of the necessity for obtaining the sanction of the Secretary of State for the expenditure. It was decided that:

i. The Government of India is competent to remit a fine imposed by itself on an Indian State, even though the remission may have the effect of throwing some military expenditure on Indian revenues.

ii. The sanction of the Secretary of State is necessary, not only to the commencement of hostilities, but to the use of troops which might lead to hostilities.

After independence in 1947 Office of Auditor General in Pakistan continued to operate within the statutory provisions of 1935 and later 1952 Audit and Accounts Order. The independence of Auditor General was recognized in the constitutional reforms of 1956 and 1962.

Institutional arrangements in SAI Pakistan under 1973 Constitution

Article 170 of Constitution of Islamic Republic of Pakistan (1973) delineates the authority of the Auditor General of Pakistan for prescribing the form, principles, and methods of accounts of the Federation and of the Provinces with the approval of the President. The office of Auditor General of Pakistan directs, monitors and controls all activities connected with Audit & Accounts and lays down the long term vision, mission and goals of the Audit and Accounts Departments. It also sets the policies, audit standards and systems and approval of all Audit Reports.

The mandate of Auditor General of Pakistan (AGP) is laid down in Articles 168 to 171 of the Constitution of Islamic Republic Pakistan and Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

[3] *An Introduction to Government of Pakistan Accounts and Audit, (Karachi: Government of Pakistan Press. 1954), p. 12.*
[4] *An Introduction to Indian Accounts and Audit, (Calcutta: Central Publication Branch, 1930), pp. 14-15.*
[5] *Compilation of Audit Rulings, (Calcutta: Government of India Press, 1928) pp. 2-4.*

The office of the Controller General of Accounts (CGA) has been entrusted with the preparation and maintenance of the Accounts of the Federal, Provincial and District Governments through CGA ordinance of 2001. It also empowers CGA to authorize payments from the Federal Consolidated Fund and Public Account against the approved budgetary provisions, after applying pre-audit checks as prescribed by the Auditor General of Pakistan. Section 5 of Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 delineates the Functions of the Controller General to authorize payments and withdrawals from the Consolidated Fund and Public Accounts of the Federal and Provincial Governments against approved budgetary provisions after pre-audited checks as the Auditor-General may, from time to time, prescribe; and to lay down the principles governing the internal financial control for Government departments in consultation with the Ministry of Finance and the Provincial Finance departments as the case may be. The pre-auditing functions assigned to CGA are performed by the Accountant General officers in provinces, AGPR in case of Federal Government and Military Accountant General in case of Defence Services.

Under the 1973 administrative reforms Accounts Group (renamed as Pakistan Audit & Accounts Service in 2002) was established as an Occupational group, a civil service cadre under the Auditor General to assist him in discharge of his constitutional duties as provided in Articles 169 and 170 of constitution with respect to Accounts of Federation and the Provinces and the Audit of the organizations under the Governments. Later the two functional streams of Accounts and Audit were crystallized under Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 and the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The CGA and the Auditor General both are assisted by the officers of Pakistan Audit and Accounts Service (PA&AS) to perform Accounting and Auditing functions.

The PAC of Parliament is at the centre of the legislative accountability process. Rules of Procedures and Conduct of Business in the National Assembly define the basic working of this Committee. These rules specify that the 'PAC should look into the legality and regularity of income and expenditure of government departments along with the reports of the Auditor-General'. The Auditor-General of Pakistan submits audit reports on the accounts of the Federation and Provinces to the President and Governors respectively in line with the relevant constitutional provisions. The 'President/ Governor cause them to be laid before the National/ Provincial Assemblies, which in turn refer these reports to the respective Public Accounts Committees'. The Principal Accounting Officers are to appear before this Committee to 'satisfy the public representatives with reference to the

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

observations of the Auditor General made in his reports with regard to the public spending incurred through them'.

Way Forward

Supreme Court of Pakistan in a historic judgment in constitutional petition CP No 102 of 2012 has further expanded the mandate of the office of the AGP stating that 'The Constitution does not recognize any exception to the provisions of Article 170(2). In this view of the matter, the Consolidated Fund and Public Accounts cannot remain unaudited'. Even before the introduction of Article 170(2) in 2010, the Auditor General's (Functions, Powers and Terms & Conditions of Service) Ordinance, 2001, made it 'abundantly clear that where the amount is charged on the Consolidated Fund or relates to the Public Accounts of the Federation or the Provinces, the same must be audited by the Auditor General without exception'.

People around the world now expect governments to manage their scarce financial resources in a prudent, transparent and cost-effective way. Governments raise revenues, largely through taxation, and in return are expected to deliver in social sectors like education, health, infrastructure and social transfers for the benefit of current and future generations. In this regard role of SAI, in giving the assurance to the people that public money is well spent, is critical.

An SAI which is independent in performance of its functions, supported by professional staff is critical. SAI Pakistan has to be at the heart of the reform and accountability process in the country. Keeping Office of the AGP relevant in today's world is a challenging task. Development literature is now talking about 'techniques of successful failure' that make reform extremely difficult to implement. It is argued that more often development schemes in the developing countries are examples of what is described as 'isomorphic mimicry'. The concept of mimicry in natural sciences is widely known as many animals use camouflage techniques to survive. For instance, the 'scarlet kingsnake has the same yellow, red, and black banded coloration of the deadly poisonous eastern coral snake, but without the bother of actually having venom'.Office of the AGP needs to work with strategies 'that begin with generating locally nominated and prioritized problems, and that work iteratively to identify customized “best fit” responses' and create as a result 'expanding community of practice to share and learn at scale'.

[7]*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 2017), P. 3.*

[8]*Andrews, Matt, Lant Pritchett, and Michael Woolcock, Building State Capacity: Evidence, Analysis, Action, (Oxford: Oxford University Press, 2017), p. 31.*

[9]*Ibid, p. 5.*

SUPREME AUDIT INSTITUTION AND PUBLIC TRUST



Fahim Khan
Assistant Audit Officer, SAI Pakistan

A Supreme Audit Institution – SAI – is the national agency, which is responsible for auditing the government revenue & spending, oversees the management of public funds, and determines the credibility of reporting of the government's financial data, this is the universally accepted role of the SAI. The only difference that arises in this is the result of the legal mandate, reporting relationships and effectiveness, which is a result of the governance systems and government policies. In simple words the function of the SAI is to check whether or not the usage of public funds are being utilized efficiently, effectively, and economically for intended purposes in compliance of existing rules and regulations. It is very critical for the SAI to report in a reliable and objective manner to ensure accountability and transparency in public management. This fulfillment of responsibilities and functioning is what fosters public trust in the SAI.

Trust means a strong belief in the honesty or reliability of a person. The auditor, as the recipient of that belief from the general-public, has an obligation of moral and ethical behavior in order to meet the expectations bestowed on his work. Trust is a quality attached to the audit services to the extent that the purpose of auditing the financial statements may be lost when there is no trust among the public. A lack of trust in the auditor's abilities to guard the public interest leads to questioning his legitimacy. Thus, the SAI is the collective epitome of this trust.

Auditors act as an intermediary between the public and the government, resultantly, the SAI also holds this position. The fact is that auditors (and SAIs) respond to a number of stakeholders simultaneously by only performing the one major responsibility of keeping eyes on usage of public funds, which places the SAI itself in a position of accountability by these stakeholders. In this sense, the auditors are the legitimate guardians of public interest, because they in a way, as a moral duty, act on behalf of the public while holding the government and its offices accountable for their actions and decisions – these actions and decisions may affect the people and sometimes these are also taken for the benefit of people. In this way, the auditors may gain trust from the people for themselves and their work. Trust is buildup when ethics provide a strong foundation to the role and work of auditors.

Ethics and trust

Ethics undertake a critical role in making sure that the interests of the auditor do not mire his responsibilities towards his work, performing of functions and in maintaining the trust that has been placed in him. At this

point, they have to be extra careful and vigilant so that their professional judgment may not be weakened by any pressure or incentive from the management of the respective government's institutes/the auditees. The auditors, through their profession, validate the finances, the performance, the decisions and the results of the institutions they audit to be reliable and trustworthy. This is the responsibility of an auditor to comment on the work and activities of an institution, of which he has never been an integral part. This is the reason that an auditor should avoid pursuing his own personal interests while doing his job. Thus, any situation of conflict of interest, which could affect auditor's professional judgment that cause auditor to compromise on ethics, the auditor should keep himself neutral from such conflicts so that auditor may act with confidence and work as an agent of trust.

INTOSAI – P 12 – The Value and Benefits of Supreme Audit Institutions, Making a Difference to the Lives of Citizens (formerly known as ISSAI 12) revolves around conducting audit to make government institutions believe in responsibility and their accountability for their decisions and actions over the utilization of public resources. Thus, it is all about ensuring belief over usefulness of an SAI to the stakeholders and Citizens, in other words on public interest. It is for this reason an SAI and its auditors have to be seen as trustworthy. One way of doing so is by following a strong code of ethics within the SAI as well as in performing the functions of the SAI. In all this, it can be reiterated that the auditor as well as the SAI must follow a specified code of ethics to maintain the trust that the people, the citizens have placed in them.

As is apparent from the discourse so far is to maintain a certain level of ethical standards and adhering to those ethics is important in building trust between the citizens and the SAI. Keeping abreast of this bonding relation between the SAI and the citizen with ethics as the foundation stone of this trust, INTOSAI community developed a complete standard of ISSAI 130 in itself that the member SAIs are expected to follow. The ISSAI 30, now recalled/renamed as ISSAI 130 – Code of Ethics presents the SAIs and all those working on behalf of the SAI, with a complete set of guidance as to the set of values and principles that should underlie a behavior. It furthermore gives a detail on what comprises as an ethical behavior in a particular situation and how those values and principles are to be embedded in the daily work life, more specifically while conducting an audit. So for an auditor, if a situation arises that threatens the fundamental values of ethics of the SAI, appropriate safeguards should be put in place to reduce the risk to an acceptable level. When the stakeholders, especially citizens observe such principle based approach of the SAI and its auditors towards dispensing of the duties in such a manner, their trust level increases.

Conclusion

The underlying characteristics of audit are trust and independence and while performing an audit, an ethical conduct is an essential element to ensure that these characteristics are not compromised. Reflection of ethical behavior occurs when auditing standards, auditing guidelines in conjunction with code of ethics are followed. Public trust can be ensured when auditors prioritizes their professional judgment over personal interests. It is this trust that measures the degree of confidence that public places in the SAI. An SAI can only provide value and benefit to the citizens and to the public at large, if itself is found as trustworthy. This trust further contributes to economic sustainability. In the end, it is about the SAI acknowledging its responsibility towards the community.

STRONG AUDITOR GENERAL'S INSTITUTION: A KEY TO GOOD GOVERNANCE IN PAKISTAN



Muhammad Raza Shah
Director General, SAI Pakistan

Public Auditing is a cornerstone of good public sector governance. An effective public sector audit activity strengthens governance by materially increasing citizens' ability to hold their public sector entities accountable. By providing unbiased, objective assessments 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 citizens and stakeholders. The public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight.

Department of the Auditor General of Pakistan (DAGP) is the Supreme Audit Institution (SAI) of the country. The history of this institution can be traced back to as early as mid-19th century when the first Comptroller & Auditor General was appointed in sub-continent in 1860. So far thirty-four (34) Auditors General have served since 1860 and nineteen (19) Auditors General have served since 1947 i.e. after independence of the country.

The duties and mandate of Auditor General of Pakistan is laid down in the Constitution of Islamic Republic Pakistan which prescribes a unique role for the Auditor General in assisting the Parliament to enforce accountability. As per Article 170 (2) of the Constitution (as amended vide 18th constitutional amendment), the Auditor General of Pakistan has been entrusted the audit of Federal/Provincial Governments and all corporations/ authorities or bodies established there under.

The honorable Supreme Court of Pakistan in its landmark judgment has also held that under Article 170 (2) of the constitution, the AGP enjoy a strong constitutional mandate to audit all public expenditures without exception, moreover, the autonomous public bodies which do not receive any government funding but are established by the government or are under its control are also not beyond the AGP's duty and power to audit.

The Auditor General of Pakistan has the authority to decide the extent and nature of the audit to be carried out, which includes mainly Compliance, Financial and Performance audits as well as Special audits etc. Similarly, all areas of operation of the government like public procurements, contracts, public works, collection of taxes, subsidies etc. are required to be audited by the Auditor General in fulfillment of its constitutional mandate. This is to say that all public financial operations, regardless of whether and how they are reflected in the

national budget, are subject to audit by the Auditor General of Pakistan.

This constitutional mandate of Auditor General of Pakistan is in line with international public sector audit developments/standards. Pakistan has adopted global ISSAI Standards for external/public audit issued by International Organization of Supreme Audit Institutions (INTOSAI), which is a worldwide affiliation of governmental audit entities and has special consultative status with the Economic and Social Council (ECOSOC) of the United Nations. ISSAI 1 (Lima Declaration) constitutes the founding principles for the Supreme Audit Institutions (SAIs) across the globe which stipulates that the concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust and Audit is not an end in itself but an indispensable part of a regulatory system. ISSAI standards require of the Auditor General of Pakistan to conduct an extensive and detailed audit including an independent, objective and reliable examination of whether government undertakings, systems, operations, programs, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

Similarly, the federal government has recently enacted the Public Finance Management Act, 2019, wherein, the Principal Accounting Officers i.e. Secretaries of the Ministries/Divisions have been made responsible for exercising financial propriety in management of public funds and having accountability to Parliament for the economic, efficient and effective use of resources.

Thus, through statutory audit by the Auditor General, not only compliance with law and rules/regulations is observed, but the economy, efficiency and effectiveness of the operations of the government is also examined in line with the constitutional mandate and established international practice across the SAIs. The whole dispensation of Audit is established by Constitution and law on the premise that the Auditor General of Pakistan has been assigned a role to perform as an agency, to function on behalf of the Legislature.

The audit staff of the Auditor General of Pakistan has the requisite qualifications and expertise to assist the Auditor General of Pakistan in performing his auditorial functions. The auditors of DAGP are selected through a rigorous competitive process followed by extensive pre-service and in-service training in Public Sector Financial Management, Public Finance, Cost & Management Accounting, Financial Accounting, Auditing, IT, etc. All audit staff of the DAGP are either Fellow or Associate members of Pakistan Institute of Public Finance Accountants (PIPFA) which is the premier professional body providing professional excellence to public accountants in Pakistan. It is pertinent to mention that PIPFA was jointly established by

Institute of Chartered Accountants of Pakistan (ICAP), Institute of Cost and Management Accountants of Pakistan (ICMAP) and Auditor General of Pakistan (AGP) in 1993. Linkages and strong association with PIPFA, help the auditors of DAGP to constantly update their auditing and accounting knowledge and skills.

It is also worth mentioning that a Policy Board was constituted by the Auditor General of Pakistan in November, 2015 to provide suggestions/recommendations on the strategic issues of government auditing and accounting and public financial management. The Policy Board consists of members including Governor State Bank of Pakistan, Secretary Finance, Chairman Federal Board of Revenue, Chairman Securities and Exchange Commission of Pakistan (SECP), President Federation of Pakistan Chamber of Commerce and Industries (FPCCI), heads of professional accounting bodies and representatives from NGOs. The policy board provides suggestions and recommendations on a number of issues including the role of DAGP in establishing effective public financial management as well as technical opinion on audit approach, methodology, techniques, etc.

The Auditor General of Pakistan has undertaken a number of wide-ranging initiatives and reforms in recent years to make DAGP a model Supreme Audit Institution of the country. These initiatives include Audit management Information System (AMIS), creation of Specialized Audit Unit (SAU), Objective performance appraisal of the staff and a new draft Auditor General's Act. There is no second opinion that the role of the Auditor General's institution is immensely important for efficient public financial management in the country and a strong institution corresponds to the hopes and aspirations of all the stakeholders more so of the poor segment of the country for whose benefit exists the whole process of transparency and accountability.

IMPLEMENTATION OF MTBF IN PUNJAB: ISSUES, CHALLENGES AND WAY FORWARD



Muhammad Umer
Director, SAI Pakistan

Many budget decisions have impacts that extend well beyond the current budget year or even arise mainly in later years. To make rational budgetary decisions, decision-makers must focus on their medium- and long-term implications. Most importantly, new spending initiatives often kick in only after the budget year in which the decision is taken. Conversely, essential saving measures usually take longer than a year to take effect. This realization has prompted many countries to introduce medium-term budget frameworks (MTBF), a set of institutional arrangements for prioritizing, sequencing, and managing revenue and expenditure in a multi year perspective.

MTBF enables governments to demonstrate the impact of current and proposed policies over several years, signal or set future budget priorities, and ultimately achieve better control over public expenditure. An effective MTBF is not solely focused on numerical revenue and expenditure projections presented alongside the annual budget. Instead, it should provide the systems, rules and procedures to ensure that the government's fiscal plans are drawn up concerning their impact over several years. Therefore, the MTBF requires a participatory effort by all parts of government, not just the Ministry of Finance.

In comparison with Annual Budgetary Framework (ABF), MTBF provides fully integrated policy objectives, planning methodology, and resource allocation over a medium-term horizon and allows mid-course correction to circumvent the effects of macro-economic uncertainties.

Evidence shows that to revolutionize the country's investment environment with reposed confidence in public policies and investment horizon, reasonable annual budgets, reliable macroeconomic projections, resilient fiscal policy, robust financial controls regime are significant and MTBF framework helps in achieving this stability. However, successful MTBF implementation has certain pre-conditioned for success like high-level public servant integrity, robust administrative accountability, and political discipline lacking in developing countries. MTBF has been adopted and mainstreamed in developed and developing countries like the UK, Australia, New Zealand, Bangladesh, India, etc. It has produced mixed results depending upon the adoption level and creating a conducive environment for political and legal initiatives.

International review of implementation and impacts of MTBF across 132 countries further reveals that such implementation has

generated mixed results, over the last two decades. Analysis indicates that implementation thrives in a unitary form of government with strong democratic norms, sustained GDP, economic and financial data accuracy, and legislative cover to support budgetary changes like New Zealand, UK and Bangladesh. Whereas in all countries showing low statistical accuracy, low GDP, inconsistent policies face difficulties in successful implementation and aligning budgeting with policy objectives such as Pakistan and Argentina.

MTBF Implementation in Punjab Province, Pakistan:

MTBF was introduced in Punjab its budget documents in 2003 as its incentive to strengthen fiscal discipline. This decision was taken to remove deficiencies of ABF like a disconnect between medium to long term policies and strategies of the government and budget preparation process. However, with the increased realization of its importance and advice from donor agencies, on 22nd December 2005, the Government of Pakistan and the Asian Development Bank (ADB) entered into a Loan Agreement for developing Punjab's Public Sector Resource Management Program (PRMP). It was introduced to counter this situation on international financial institutions' advice and remained part of various donor-assisted loan programs through Disbursement Linked Indicators (DLIs). Presently, MTBF is a part of the Sub National Governance (SNG) Program-II.

Furthermore, the Finance Department is again scheduled to sign the Punjab Resource Improvement and Digital Effectiveness (PRIDE) Program loan agreement which also includes MTBF among one of its deliverables. The past decade has shown no political or bureaucratic ownership of MTBF. However, no substantial impact of MTBF is seen on the policy.

There are two parts to successful implementation. At the macro level, the political process is intact, and policies are in place. MTBF is introduced at the federal level in Public Financial Management Act, 2018, but no cover is available at the provincial level. Resource position in the form of National Finance Commission Award is predictable, and hence, predictable policy and its integration into budget planning over the medium term are possible.

From 2005 to 2019, the Finance Department issued separate MTBF Budget Call Circulars as implementation strategy at the micro-level, but it was discontinued. No such MTBF Budget Call Circular in practice instead of a composite annual budget call circular is reintroduced. Budget Call Circular for FY 2020-21 has mentioned preparation of one year's estimates with "two outer years' estimates" without MTBF format and requirement. It shows a rollback or back shift

as far as Punjab province is concerned.

Major issues linked with this low implementation level of MTBF in Punjab are:

i. No legislative cover is provided as yet to MTBF in Punjab
ii. Absence of political-will to use MTBF as a tool of policymaking and monitoring
iii. Ease in incremental budgeting and avoidance of responsibility on the part of line departments
iv. MTBF is still not covered under any act of parliament or required to be ensured under any legal enactment
v. Isomorphic mimicry of FD and window dressing to ensure respective DLIs in loan agreements.

Revitalizing MTBF in Punjab will require the following action plan:

i. Revitalization of concept through consultative process and motivation within government departments and political leadership
ii. Change from within by introducing team-building and development of an integrated approach towards implementation
iii. Moving from ABF to MTBF with gradual integration and assimilation
iv. Provide legislative cover through legal enactments and covers

AUDITING IN THE AFTERMATH OF COVID-19

Muhammad Kashif
Director to Auditor General of Pakistan
SAI Pakistan

Pandemic Covid-19 jolted the world over the last year. It forced the governments worldwide to reshape their public policy measures towards combating emergencies never seen in the previous 100 years. World Health Organization (WHO) issued a Strategic Preparedness and Response Plan to address the pandemic situation. Consequently, the national governments worldwide made their Preparedness and Response Plans Covid-19 and announced relief packages worth massive amounts.

The enormous expenditure on relief activities, restoration of the economy, and health measures within a brief period provided the national, sub-national, and local governments with opportunities to learn robust financial management system that ensures accountability, transparency, and efficient public service delivery. It also offered SAIs a chance to re-align themselves with new realities on modern lines.

Covid-19 expenditure audit provided SAI Pakistan with an opportunity for remaining relevant to the contemporary issues of national and international importance. It also offered SAI Pakistan an opportunity to re-organize and re-align itself to further take-up future challenging audit issues. SAI Pakistan focused on examining the preparedness and response of the government entities during the pandemic situation.

It highlighted significant public service delivery issues, contract management, procurement, financial management, internal controls, and mismanagement. It made an objective introspection to bring reforms into the organization for playing its influential role in promoting accountability, transparency, and adding value to the national resources.

Auditing of public sector entities in the post-Covid-19 scenario shall be based on the top public sector auditors' experiences and lessons across the globe. SAI Pakistan faced several risks and challenges during the execution of pandemic audit activity related to access to record and data, audit coverage, health conditions of its employees and capacity issues, etc. SAI Pakistan will address these risks in the next audit year planning. More focus will be on more desk audit activity using modern technological tools like Audit Command Language (ACL), capacity building of its auditors, effective coordination mechanism with auditee organization, and Audit Management Information System implementation.

SAI Pakistan, under the auspices of Mr. Javaid Jehangir, Auditor General of Pakistan, has taken a giant leap towards modernization in recent days when it has awarded a contract to a world-renowned firm for computerizing all its business processes. Audit Management

Information System (AMIS) will ensure real-time monitoring of audit activity, improved coordination between Field Audit Offices and the SAI Headquarter, better coordination with Public Accounts Committee, quality audit planning, and quality audit reports. SAI Pakistan introduced a Continued Professional Development Program (CPD) to build its human resources last year. Now CPD is being revamped by incorporating new courses to train its auditors in Covid-19 expenditure audit areas. Quality Management Framework is being overhauled to enhance the quality of reporting.

The approach of issue-based auditing is being adopted, on the Covid-19 expenditure audit pattern, along with the traditional mode of transaction-based auditing. The citizen participatory approach is being adopted to identify audit areas of public interest. A framework for ethics has been implemented to ensure the integrity of the auditor. SAI Pakistan is on a rapid path of modernization in the light of international best practices and its experiences of dealing with emerging and challenging environment like Covid-19.

SAI Pakistan will complete its regularity, financial attest, and covid-19 expenditure audit reports by the end of February 2021 and send them to the President of Pakistan for laying before the Parliament. SAI Pakistan will enter into the planning phase in March to plan the audit activity for the next audit year starting from Ist July.

Auditor General of Pakistan will chair a national-level conference of heads of all 30 Field Audit Offices (FAOs) of federal, provincial, and local governments to outline broader contours of the post-Covid-19 audit activity next audit year. The conference will provide a platform for the heads of FAOs to share their experiences and lessons learned during the audit of pandemic expenditure. The conference will set the following year's audit activity direction based on which audit activity will be planned. The successful SAI Pakistan experience in conducting and producing quality reporting of Covid-19 expenditure will undoubtedly help add value to next year's audit activity.

IMPACT OF ACCOUNTABILITY ON GOOD GOVERNANCE IN PAKISTAN



Alif Jan
Director, SAI Pakistan

Good governance has dramatically impacted our state as the problems of corruption, red-tapism and inefficiency crept into our country's internal structure. Today, good governance occupies a central place in our state and is regarded as a crucial element in building a nation. The nation cannot flourish in the absence of good governance. It is the need of an hour. Without the presence of good governance, no country can play a pivotal role in the globe. It is regarded as the soul of the country. Governance is very pertinent in every sphere of life, whether it is a house or office, good governance is needed to perform effectively. It provides a strong foundation for the developmental process.

According to the World Bank Report of 1989, Good Governance is an efficient public service, a reliable judicial system, an administration that is accountable to the public". Similarly, another report was presented by the World Bank in 1992. According to this report; good governance includes public sector management, Accountability, legal framework, information and transparency.

Political commotion plays a very negative role in every state. No country in this world can survive easily in political turmoil. Lack of Accountability at a different level of governance is the root cause of all evils. From the very inception, Pakistan has been facing the threat of political uproar. It created a significant gap in the economic development and progress of society. It gives a platform for several other problems. The condition of Pakistan is not commendable. It faces bundles of threats because of political instability. The government should play an influential role to curb this menace. Several miscreants are taking benefits from this self-created political instability. For the survival of their existence, politicians are trapping in the nets of trouble makers. Good governance cannot establish in the presence of political commotion. Politicians have become power greedy. Lust for power has tightly closed the curtain of the brain. They cannot have the potentials to comprehend the shrewdness of trouble makers. They are habitual of perks, privileges and power.

Presence of public participation plays a very influential role in the establishment of good governance. It revolves around the decision-making process. Public support and cooperation possess great importance in good governance. When people joined hands together, no power can defeat them. So, in this regard, national integration is very pertinent. Constitutional supremacy is fundamental in this regard. It provides a framework for policymakers.

On the same lines, institutional supremacy is also very much important. This clash has

erupted in the absence of mutual consensus. Negotiation is a better way to curb this clash. Socio-economic development provides a strong foundation for governance. It includes the followings; controlled population, massive employment opportunities, proper education system, the effective rule of law, improved law and order condition, robust design of Accountability, removal of corruption and so on.

Accountability has positive impacts on individual life, social life, political life, and economic life. It spreads the environment of peace and prosperity. An individual feels secure when all his/her necessities of life would be fulfilled. It removes the feeling of self-deprivation and insecurity. When individuals feel secure, ultimately, the whole society feels secure. Society is made up of groups, and groups are formed from individuals. Groups formed nation. When the government is satisfied, it ultimately brings gratification around the whole country. All are interconnected and intertwined. It eventually brings satisfaction in political and economic spheres. Both democracy and good governance are interconnected.

According to Abraham Lincoln; democracy is for the people by the people and through the people. Active participation of people has been required in the decision-making process. Thus, good governance is regarded as the heart of every country. It brings management. It is essential for the operation of functioning. It boosts the development process. It gives foam to the socio-economic foundation. It creates an environment of perfection. Necessities of people are fulfilled in an organized manner. According to Etounge Manguella, "Good Governance implies the presence of the rule of law, safeguard of human right, the existence of honest government, Accountability, transparency, predictability and openness.

Public Accountability and anti-corruption generate strong interest and are of vital importance to the public and effective governance. In Pakistan, public Accountability is often reduced to mean only anti-corruption and thus associated with criminal activity. However, the layered checks and balances that constitute public Accountability for achieving an efficient and honest administration in Pakistan are very complex.

The Auditor General of Pakistan (AGP), Public Accounts Committees (PACs) of National and Provincial Assemblies, National Accountability Bureau (NAB), Federal Investigation Agency (FIA), Federal and Provincial Ombudsman, Provincial Anti-Corruption Establishments, Federal and Provincial Services Tribunals, Federal and Provincial Public Services Commissions, Prime Minister's and Chief Ministers' Inspection Commissions/Teams, Establishment Division and Services & General Administration Departments in provinces are all part of the administrative edifice developed over the years to ensure Public Accountability.



ROLE OF THE SAI PAKISTAN IN PUBLIC DEBT MANAGEMENT

Lal Muhammad Khan
Director General, SAI Pakistan

Article 166 of the Islamic Republic of Pakistan's Constitution deals with public Debt within such limits that the Parliament may set. Article 167 deals with the provincial borrowing which has been amended vide Article 167(4) with the provision for the provinces to directly raise domestic Debt cumulatively up to 0.85% of the national GDP. The individual ceiling for each province is fixed according to its share in the National Finance Commission formula.

In pursuance of Article 166, Fiscal Responsibility and Debt Limitation Act, 2005 was promulgated. Section 3(3) of the instant Act provided Principles of sound fiscal and Debt management with certain limitations like;

i. To limit the federal fiscal deficit, excluding foreign grants to four per cent of the GDP during three years, beginning from the Fiscal year 2017-18 and maintaining it at a maximum of 3.5 % of the GDP.

ii. To ensure that within two financial years, beginning from the F.Y 2016-17, the total Debt shall be reduced to 60% of the GDP

iii. To ensure that within five years, from F.Y 2018-19, the total public Debt shall be reduced by 0.5% every year and from 2023-24 and up to 2032-33 a reduction of 0.75% every year to reduce the total public Debt to 50% of the GDP

iv. From there onward it will be maintained at the same or lesser rate.

Despite, the legal framework and fiscal limitations, Public Debt and its liabilities amount to approximately Rs 44 trillion with Debt to GDP ratio of 106% are becoming an alarming situation across the country. Being an essential organ of the accountability cycle, the SAI Pakistan has a pivotal role in Public Debt Management.

Debt need assessment is the starting point of raising the public Debt which needs to be assessed by SAI, to ascertain whether;

i. The need assessment for raising Debt has been done accurately and professionally

ii. It meets the borrowing requirements of the government

iii. The lowest possible cost has been ensured for the borrowing

iv. Due to prudence and diligence have been observed while borrowing

v. Risk assessment for Debt portfolio adequately carried out

vi. Authorization of the legislature with Finance Ministry at national and the Finance department at the sub-national level was

available for raising the Debt

vii. The objectives for raising Debts were clearly outlined and a proper Debt management strategy developed

viii. Annual reports are presented to the respective legislatures about the Debt management

xi. Primary legislation was supplemented by delegated legislation (rules & regulations) for effective Debt management

x. The Debt servicing is carried out according to the Debt repayment schedule

The auditing process will begin with the review of financial statements, loan agreements, recent publications of stocks and flows, Debt statistical bulletins, annual evaluation reports, reports provided to international organizations and reports on the physical and financial progress of contracted projects.

Debt servicing is as essential as Debt in itself, which needs efficient management by the Ministry of Finance's Debt office. It pertains to all repayment activities of the principal and payment of interest, commission, commitment fees, service charges and other fees, and, possibly, late interest payments.

The SAI has to see whether the payments were made on time in the correct amounts and whether the related transactions were recorded accurately and completely. To ascertain from available record whether the public Debt database is complete and accurate, to check the Debt service process adhered to the relevant laws and agreements and repayments made according to agreements.

Debt reporting is another milestone in inefficient Debt management with objectives to present Debt information completely and accurately, fairly disclosed according to prevalent accounting standards.

Ministry of Finance Debt management unit has a key role in Debt management, which a robust Debt Management Information system must support. An ideal Debt Management Information System must have security features in data processing and access safeguards, walled against accidents and threats, effective and in conformity with required standards. Auditors have to check the design and implementation of controls and compliance with laws and departmental SOPs for its operation.SAI has to report to the Finance on inadequacies in recording and record-keeping, deficiencies in the Debt Management Information System and overall internal control environments with plausible recommendations for effective and efficient Debt Management.



CORRUPTION IN THE PUBLIC SECTOR: HOW TO CURB IT?

Sharifullah Khan Dawar
Director, SAI Pakistan

Corruption has become a pandemic and is deeply rooted in every facet of human life. It has taken such a rough shape to be feared of. Nothing is left unaffected. Everybody wants to get rid of but no remedy, being practicable, can be discerned to root it out. It's not a social evil of the developing countries but a menace that obliterates the developed countries' socio-economic fabrics. Stringent rules are being framed, and new investigative agencies are being established to curb it but to no avail. The irony is that corruption as an illness is attributed to the impoverished and weak segment of the society instead of the people at the helms of affairs.

Corruption means giving or taking of cash money instead of getting or offering any favour. Oxford Dictionary defines corruption as a widespread moral deterioration, bribery, fraud and irregular alteration of text or language etc. It doesn't involve only cash but malpractices and misuse of authority as well. In the public sector, the irregular award of contracts for kickbacks and commissions, misappropriations of public funds, illegal appointments and nepotism/favoritism fall under the ambit of corruption and corrupt practices. Suppose the definition of corruption is further narrowed down. In that case, misuse of the official vehicle, wrong claims of TA/DA, medical bills and other arrears come within the premise of corruption and corrupt practices. Simply put, corruption is an injustice perpetrated by an individual in official matters in official capacity instead of some gain for himself or in respect of someone else.

Bribery/corruption is so rooted in many cultures that it has been ascribed with special terms. It is called mordida (small bite) in Latin America. The French call it pot de vin (jug of vine). In Italy, la bustarella (the little envelope) is left on the bureaucratic desk to cut the red tape. South Korean uses the term ttuk kab (rice cake expense) for it. There is no society which has escaped this curse. Corruption is rampant everywhere, but it is not used as hush money to get some unlawful favour/gain but to eliminate the bureaucratic red-tapism. In developing countries in general and Pakistan, this way of corruption is familiar to all officers/officials they call speed money, but the problem doesn't end here. They have fallen in the worst form of corruption and corrupt practices which become the causes of low economic growth and development. For instance, in financial services, officials are involved in tax evasion, tax avoidance and inadmissible payments which result in billions of revenue and expenditure losses to the public exchequer. In police and other law enforcement agencies, culprits are left scot-free, and innocents are put behind bars. First Investigation Reports are not filed or filed but against the innocents for a bribe. On the

military and executive side, the modes Operandi adopted for earning black money are commissions, kickbacks, embezzlement in the Annual Development Plan and other administrative expenditures.

Politicians have a hybrid method of making ill-gotten money. They receive kickbacks, commissions and bribes on appointments, postings and transfers. They also get involved in drawing loans from banks at low-interest rates. These loans are then invested either in foreign countries or deposited in foreign banks at higher interest rates, resulting in capital flight; thereby causing the current account deficit. In most of these loans, the borrowers have declared defaulters and their loans written off. That's the reason that the landlord and industrialist turned politicians spend millions of rupees during elections to influence the incumbent government in their favours.

A question arises, why people do corruption? The problem looks simple but difficult to answer. Corruption in public sector officials can be divided into four categories. First, those officials who are impoverished enough to meet their needs from their legal income. They are not in-built corrupts but have recourse to corruption due to the growing needs of their families. They don't get involved in severe malpractices and earn as much as possible to solve their emergent financial problems. Secondly, those officials who don't indulge in financial corruption of cash and avail only the official facilities they are not entitled. Thirdly, they grant favours to their relatives in awarding contracts, employment and postings/transfers etc. And finally, those officials who are innately corrupt. They accumulate wealth by all means. They resort to every injustice to realize their motives and are least bothered by ordinary people's tribulations. They are mostly those who are sitting in the middle or top echelons. They are the worst category of corrupts who are incorrigible and responsible for the overall national economic problem against whom it is necessary to fight.

There are officials at the ministerial level who have hands in glove with the top brass and are involved in corrupt practices, but it would be out of place to say that every low paid public servant play duck and drakes with the public money. Their corruption is like a grain of salt in the meal and doesn't affect the overall economy. With their ill-gotten money, they try to make both hands meet in the growing inflation. Their earnings don't become liquid assets to be deposited in their foreign banks' accounts but circulate in the country in the form of consumption on the use of daily commodities.

Notwithstanding, the incumbent government has come to power to eliminate corruption in the country and recover the looted money. Still, the evil of corruption persists and has multiplied as is evident from the Transparency International's corruption index in February 2021. Pakistan has been shown as 124th in the world ranking. The valid

reason might be the ineffective and vindictive policies adopted by the respective governments to curb corruption. No doubt, corruption cannot be eliminated absolutely but can be minimized through effective policies; hence, the following ideas can be highlighted in this regard:

- Any policy regarding eliminating corruption should be formulated with open heart and mind to cross the board accountability. It should not be vindictive to terrorize the opponents. All foes and friends who are corrupt should be brought to book.

- There are people in all services and groups who are more than humans but have been relegated to peripheries based on their honesty and sobriety not to be the source of nuisance for those who run the show of corruption. Suppose those people are brought to the fore-front and handed over the responsibility of having surveillance on the malpractice in the system with some extra fringe benefits. In that case, the system can be overhauled to a greater extent. They can be assured of service safety and complete authority of taking action against the culprits.

- The vaccine of improving financial conditions can inoculate those who fall in the first three categories of corrupts. They have less income with substantially extended families to cope with inflated expenses; therefore, if their salaries are enhanced, it is expected that they can be put on the right track.

- Most of the appointments and transfers are made based on bribery and Sifarish. Those who pay money on assignments or transfers would earn back the money he/she has been paid. Therefore, all appointments and transfers must be made based on merit so that he/she may not carry the motive of bribery while entering the public offices.

- It is also desirable in the public sector services to improve the 'conduct' of the employees. Together with the teaching of the personality building taught in capacity building programs, the public servants should also be taught character building such as honesty, patience and tolerance etc.

The procurement mechanism needs to be overhauled so that the system's inherent loopholes can be plugged in and no undue favour can be granted to the services and goods providers. The concept of e-tendering can be introduced across the country to avert any direct contact between the procuring agency and the service/goods provider.

PAKISTAN PFM ACT-2019 – A YEAR INTO ITS ENACTMENT

Co-authors : (Muhammad Afnan Alam, Director International Relations & Coordination) and (Fahd Haider Buzdar, Director Finance, PIMS)

Pakistan's extensive legal and institutional framework for Public Financial Management (PFM) is evolving. Still, gaps have existed between actual and projected expenditures and revenues, thus reducing predictability and necessitating in-year adjustments in allocating expenditures. In June 2019, in line with the constitutional requirements to strengthen public finances Pakistan's Parliament approved the Public Financial Management Act-2019 later amended in June 2020. The PFM Act sets the mechanicam to establish a Treasury Single Account for a unified government bank account structure.

Other mandatory provisions of the legislation include the compulsory publication of mid-year budgetary performance reports and development of budget strategy paper to be presented in March [three months before the budget presentation] allowing sufficient time to scrutinize budgetary proposals.

Through this Act, the government has shown its commitment to set-up an internal audit function to address the insufficient authority given to internal financial control and audit units within line ministries. The legislation earmarked a timeline to develop a Budgetary Manual.

The June 2020 legislative amendment contains an additional chapter on policy formulation and administration of non-tax revenue. The recent amendment also binds the government to place its performance monitoring report before the Parliament. The report will comment on the budget and expenditure by outputs and an explication on the planned and delivered vital performance targets.

Recent Progress on PFM Act 2019 (as amended):

i. Strengthening the PFM system for budgetary discipline and transparency. Some of the government's key policy actions include preparing the first fiscal risk statement, finalizing the budget manual, developing a PFM Reform Strategy and putting in place budget checks on GFMIS in line with Section 23 of the Act.

Aligned with section-43 of the PFM Act-2019, Finance Ministry in January 2020 made the Budget Manual publically available. The Budget Manual elaborates the legal provisions, principles, policies, procedures and methods, and formats and forms to prepare the budget estimates for revenue, expenditure, and financing. This first edition of the Budget Manual 2019 is based on performance-based budgeting and aims to improve the Public Financial management institutional framework efficiency and effectiveness.

The government has launched the required analytical work and data-gathering exercise to prepare a mid-year budget review and a strategy paper for Parliament approval.

Since, March 2020, the Finance Ministry has without interruption published Monthly Economic Update & Outlook. In the Economic Survey 2019-20, the government presented the macro-economic impact assessment of CoVID-19 outlining the economic and fiscal policy vulnerabilities amid recognizing the more significant challenges in the next fiscal year.

ii. Rollout of Treasury Single Account (TSA): Aligned with Section 42 of the PFM Act, the Finance Ministry [in July 2020] notified the Cash Management, and Treasury Single Account Rules 2020. In August 2020, the government concluded the inventory of government accounts and established a dedicated TSA implementation team in the Ministry of Finance (MoF). The accounts of line ministries, autonomous organizations and arm-length agencies have been brought into the TSA architecture.

MoF replaced Assignment Accounts [independent drawing facility for development projects and allied activities] procedure-2008 with Assan (Easy) Assignment Account Procedure-2020 (AAAP 2020) and made them part of the TSA structure. The revised procedure disallows the government entities from transferring public funds [other than payments related to pension, provident fund and retention monies of contractors] to any other bank account. The successful rollout of AAAP-2020 will ensure MoF full control over budget allocations and strengthen the budget appropriation authority.

iii. Streamlining tax policy and administration for expanding tax net and fiscal space: MoF is in the process of establishment of a macro-fiscal unit to identify and monitor selected macroeconomic and budgetary risks correctly. The unit will guide general tax design, perform revenue, guide tax reforms and coordinate tax policy between governments.

Key required Policy intervention areas

i. Improvement in Statistical Capacity, economic forecasting and cash management: Effective implementation of the PFM Act will require a concerted effort in upscaling the country's national statistical capacity. Pakistan's World Bank Statistical Capacity Indicator for 2019 was 71.1 and higher than the South Asian average of 69.9. The country's score has remained on a decline since 2016. Substantive efforts are required to improve the statistical human capital (cross-country knowledge and skills), coordination between statistical stakeholders and data systems and technologies. World Bank estimates an average length of upscaling of the statistical capacity-building requires three to eleven years.

The MoF also needs to upscale efforts to finalize the data entry points from which cash forecasts will be required; development of a

functional specifications document to include projections in the GFMIS to configure the systems, applications, and products to start the cash-forecasting system. Otherwise, an ineffective cash management and forecasting system will hinder the accurate understanding and management of liquid financial assets and shortages and, consequently, predictability in budget execution.

ii. Establishment of a Fiscal Council: PFM Act puts an immense focus on improving macro-economic forecasting, public reporting of budgetary progress, and encouraging sound fiscal policies. The government needs to place softer institutional arrangements of an Independent Fiscal Council mandated to conduct international or supranational institutions' routine surveillance activities and enrich the public policy debate through analysis, information, and advice.

As vast literature suggests, fiscal councils are uniquely positioned to foster transparency and accountability and trigger reputational effects. The mandate also carries a degree of legitimacy that could encourage the government to "comply or explain," even if it is not legally compelled to do so. For instance, in the United Kingdom, the Institute for Fiscal Studies analyses are highly visible and discussed. In Austria, the government generally uses the forecasts provided by the WIFO, a privately funded and reputable research institute.

iii. Roadmap for Commitment Accounting and Reporting: Aligned with Section -26 of the Act, MoF in consultation with the Auditor General of Pakistan needs to expedite the Commitment control system. The development of a commitment control system needs to be supported by concomitant measures in other PFM areas, significantly improving the budget formulation process and the overall credibility of the budget, and strengthening cash planning and management.

Amid the ongoing financial and economic crisis due to CoVID-19has proved to be quite a test for Pakistan's PFM framework. It has revealed how many reforms were far from being well-entrenched. Finally, with the hallowing fiscal deficit, the related need for budgetary adjustment has increased the government's incentives to engage in activities that cloud the actual state of its public finances.



QUALITY OF AUDIT AND PROFESSIONAL DEVELOPMENT- PAKISTAN'S EXPERIENCE

Mrs. Raheela Saad
Director General, SAI Pakistan

Supreme Audit Institutes as per their mandate supervise the implementation of government budgets and evaluate the use of administrative resources to ensure that public funds are used wisely, economically, and effectively. Quality government audit involves reviewing policies according to local and international standards and providing insight, predictions, and warnings to related organizations. The feedback of governmental auditing services not only reflects how the government functions but also influences how people view the government and its executive branches. Thus, ensuring audit quality becomes an important approach to enhance the value of resources, stimulate economic development and give direction to development. SAIs audit quality also plays an essential role in enhancing the quality of public sector governance and public service for the benefits of their citizens. Therefore in today's dynamic and demanding economic environment, professional auditors need to maintain competence and knowledge of current developments alongside auditing skills to enable them to act with due skill and care in providing this feedback.

Professional development is a learning process that can promote personal growth, improve auditing skills, revolutionize working procedures, and increase audit report quality as the same depends on the quality of auditor judgments during all stages and procedures of audit. The maintenance of professional judgment and hence competence requires a continuing awareness and understanding of relevant technical, professional and business developments. It is no longer about learning of audit techniques but also developing industry specialization which has become an element to not only enhance audit quality but also maintain competitiveness. An organization can promote long-term efficacy and survival development through proper knowledge management as knowledge is essential for maintaining competence.

As stated by David Megginson[1] in his book Continuing professional development, some of the key principles for CPD include the following;

- Professional development is a continuous process across the working life.
- Individuals are responsible for controlling and managing their professional development.
- Learning targets should reflect the needs of employers, clients as well as the individuals themselves.
- Learning is affective only of integrated in the work activity, rather than making it

[1] David Megginson, Vivien Whitaker, Continuing Professional Development, Kogan Page Publishers, 22-Jan-2007 Business & Economics - 176 page

additional burden.

Auditors can advance their professional development through continuous learning to increase their knowledge, open-mindedness, sensitivity to fraud detection, to set career goals, and to promote peer learning. Continuing professional development (CPD) enables a professional auditor to develop and maintain the capabilities to perform competently within the professional environment[2].

The Department of the Auditor General of Pakistan (DAGP) - the Supreme Audit Institution (SAI) of Pakistan- is entrusted under Constitutional provisions, with the audit of all the revenues, receipts and expenditures of Federal and Provincial Government departments, autonomous bodies, corporations, institutions, etc., financed by or working under their administrative control. The Reports of the AGP are discussed/deliberated upon by the respective Public Accounts Committees.

To honor these responsibilities in a befitting manner, the DAGP has been striving to upgrade its capabilities, improve quality of audit and maintain competence in line with challenging demands of accountability and expanding governance environment. In 2012-14, SAI Pakistan undertook a comprehensive review exercise in the backdrop of these challenges coming from the ever changing complex governance environment and growing reliance on information and communication technologies (ICTs) employed in the public sector. Also emerging areas such as privatization, public debt management, disaster management, energy management, gender issues, public private partnerships, enhanced accountability demands, etc. needed to be considered for the meaningful audit. The review was conducted in accordance with the INTOSAI's Strategic Planning Handbook framework that suggested needs assessment by a Supreme Audit Institution (SAI) before strategic planning. The DAGP completed needs assessment, according to the detailed road map given in INTOSAI's Capacity Building Needs Assessment (CBNA) 2009. This included taking stock of the prevailing situation and identification of gaps with the involvement and participation of all tiers of DAGP. The CBNA identified performance gaps that served as the base line for first Strategic Plan 2015[3] which is being implemented presently. Goal 2 of the plan focuses on Development of professional and institutional capacity. The key activities planned under the Goal 2 included building capacity and competency in current, emerging and future issue areas in public governance and audit methodologies; training in use of existing audit manuals, guidelines, Code of Ethics; and developing capacities in IS auditing. Professional development and training being a cross-cutting activity, also appeared under Goal 3: **Developing communication and cooperation with internal and external stake holders,** and Goal 4: **Use of modern audit**

[2]: Vivian Kloosterman, The importance of continuing professional development, https://continuingprofessionaldevelopment.org/why-is-cpd-important/
[3]Strategic Plan 2015-21, Department of the Auditor General of Pakistan

techniques and technologies.

To promote long-term efficacy, competency and survival concerted efforts were made towards proper knowledge management. The natural outcome of this reform was development and implementation of continuous professional development (CPD) program, focusing on understanding which skills and experiences were needed by a SAI's staff, what skills and experience they already had and what needed to be done to build on current capability and bridge any gaps. The program included professionalization not just of audit staff but all staff in a SAI.

The portfolio CPD program represents the entire gamut of the SAIs operations across present and future challenges. Besides supporting the SAIs in core audit disciplines and computer related skillsets, the program covers areas like Strategic and Operational Planning, Management and Leadership Development, Human resources, ethics etc. The proposed CPD Program is divided in to three parts, namely:

(a) Mandatory CPD Training
(b) Training for bridging skill gaps
(c) Training in emerging audit areas

DAGP started operationalization of the CPD program in 2020. A total of 76 professional courses were identified which were required to be developed. With focus on internal capacity enhancement and mentoring, officers having relevant degrees in the subject from reputable institutions were identified. Following INTOSAIs model, these officers after being given professional training as master trainers and course designers were asked to design the courses. The course design and content were then reviewed by Subject Matter Experts. Even in the times of COVID, 28 courses have been designed and 8 courses conducted by these training experts. By providing a mix of mandatory and optional professional development courses, the CPD empowers the officers to develop expertise in areas of their interest while maintaining the minimum professional benchmark. So far 08 courses have been conducted. All these courses have been conducting through the Zoom software as COVID related precautionary measures does not allow face to face interaction.

The CPD program follows all the principles as stated above. It provides a range of courses for not only different seniorities but also for all cadres within the department. The mix of mandatory and non-mandatory courses ensures that there is flexibility yet minimum bench marking, thus making the individual responsible for steering her/his professional development. Trainings in emerging audit areas provides an opportunity to be client focused. All these courses, with all relevant training materials have been made available at the Audit and Accounts Training Academy

[4]INTOSAI, AFROSAI-e. Developing Pathways for the Professional Development of Auditors in a Supreme Audit Institution (SAI): Utilising the INTOSAI competency framework to develop public sector audit professionals in the most context-appropriate way
[5]Brown, R , A framework for continuing professional development for library and information services staff, 1992. British Library, London (United Kingdom), Research and Development Dept

to ensure their continuous availability to the staff of the SAI as and when required.

The professional development of auditors is central to the work of Supreme Audit Institutions (SAIs). In describing the role of SAIs, International Standards for Supreme Audit Institutions (ISSAI) 12 introduces public sector auditing "as championed by the Supreme Audit Institutions (SAIs), is an important factor in making a difference to the lives of citizens and represents an early milestone in INTOSAI's quest for further professionalization. One of the 12 principles of ISSAI 12 confirms the importance of ongoing learning and knowledge sharing as a means of ensuring that each SAI has (and continues to have) appropriately competent people to handle its unique mandate and therefore professional development becomes a core activity[4].

However the success of any professional development program is linked directly to its relationship with rewards and promotions[5]. SAI has to strive to compensate staff in a manner that is fair, consistent and reflective of the effort in personal and professional growth. The CPD program being implemented by SAI Pakistan focuses on esteem and self-actualization as the primary drivers of trainings where the trainers are expected to design and conduct courses as they are considered to be the most professional in that specific skill or knowledge area. However, Maslow's hierarchy of needs places self-actualization as the last point of the pyramid[6]. Unless these are linked to rewards that fulfills lower level needs. This includes steps such as linking professional development to lucrative/ high profile assignments, promotions and placements[7].

Performance is used to refer to the individual's ability to be creative, innovative, inspiring, and take on challenging tasks to achieve organizational goals for the greater good. Therefore, audit authorities must create an environment where achieving high quality through professional performance is valued and supported. A learning organization embraces a culture of lifelong learning, enabling all employees to continually acquire and share knowledge[8]. SAI Pakistan has taken an initiative to become a learning organization through the CPD program with the hope that this initiative contributes to the objective of providing high-quality audit services as per our mandate.

[4]INTOSAI, AFROSAI-e. Developing Pathways for the Professional Development of Auditors in a Supreme Audit Institution (SAI): Utilising the INTOSAI competency framework to develop public sector audit professionals in the most context-appropriate way

[5]Brown, R , A framework for continuing professional development for library and information services staff, 1992. British Library, London (United Kingdom), Research and Development Dept

[6]Douglas T. Kenrick, Vladas Griskevicius, Steven L. Neuberg and Mark Schaller Renovating the Pyramid of Needs: Contemporary Extensions Built Upon Ancient Foundations, Perspect Psychol Sci. Author manuscript; available in PMC 2011 Aug 25.

[7]Human resource Strategy 2016. Department of the Auditor General of Pakistan

[8]Raymond A. Noe, Employee Training and Development, 2010, McGraw Hill

SETTING A NEW INTERDISCIPLINARY RESEARCH AGENDA: AGRI-FORENSIC ACCOUNTING CAN PREVENT FOOD FRAUD

Attique ur Rahman
Deputy Director (Forensic Audit) Office of the Auditor General of Pakistan



The author is a Chevening Scholar and holds an M.Sc. Forensic Audit & Accounting from the University of South Wales, UK

Abstract:

Food fraud is a new discipline but the problem is not. The control of food fraud requires interdisciplinary approach. However, many singular disciplines have worked on post-fraud measures like identification and deterrence after the damages have already been done to consumers. Whereas, forensic accounting has potential to counter food fraud before damage is done. Therefore, an interdisciplinary approach is required to address this global issue. Hence, to find a holistic solution, the agenda necessitates a researcher to possess a diverse academic background primarily in agriculture plus forensic accounting (agri-forensic accounting) or a team of researchers with aforementioned area of expertise. The work is topical, futuristic and holds relevance to every consumer in the food system. This interdisciplinary endeavor would contribute to laying foundation of food fraud prevention discipline and would advance the agenda for future research. The topic fits well into interpretivism paradigm and would use mix of quantitative and qualitative approach in data collection. The large data set on food fraud like the EU's Food Fraud Network (FNN) would be required. The Data analytics tools including sophisticated software like SPSS and IDEA are worth considering.

Keywords: Food Fraud, Interdisciplinary, Forensic Accounting, Fraud Prevention, Agri-Forensic Accounting

1. Introduction:

The forensic accounting discipline can be used for detecting vulnerabilities in the food system and can prevent food fraud before it happens. The discipline enables identification of the risk areas in firms' accounting systems liable to exploitation and determines anomalies in those systems (Spink et al., 2019). The range of strategies in forensic accounting includes identifying out how and where fraudsters may be operating and what they may be aiming for in the future. This type of warning system tends to look at where economic incentives exist to deceive people (Bouzembrak, Y. & Marvin, H.J.P. 2016). The early warning system thinks like fraudsters and identifies which supply chains may potentially be abused (Addy, R., 2015). For example, the EU developed Food Fraud Network (FFN) in 2014 as a response to the horsemeat scandal (Montanari et al., 2016) and emphasized development of new discipline of food fraud (European

Commission, 2013). In addition to these measures initiated in Europe, other countries including the United States and China (especially after melamine scandal in 2008) have also put in place various programs directly to tackle the problem of food fraud (Spink et al., 2016).

Moreover, Dr Donarski, coordinator of 'FoodIntegrity' (a food fraud solutions project in EU) explained that in an attempt to detect odd financial signs such as unusual prices and amounts, the project examined a wide variety of variables like data from over 5,000 internationally traded goods in over 200 countries. The model was tested against documented cases of food fraud reported to the EU's special warning system. **It was reassuring to find that 80 per cent of food and drink scams were correctly predicted by the system** (Addy, R., 2015). Due to such reasons, food fraud got prime importance in food safety management system too (ISO 22000) as illustrated in the fig 1.



Fig 1: Food Safety Management System (ISO 22000)

Food fraud is not a recent phenomenon but it has a long history as reference to food adulteration can be found in documents from the days of the Roman Empire (CAFIA, 2015; Shears, 2010; Lotta & Bogue, 2015). However, it has recently come under major limelight as demonstrated in the number of scientific publications on the subject (Huck et al., 2016). It led to take several initiatives by public and private organization to prevent food fraud globally. Since the increasing globalized food supply chain suggests that repercussions of food fraud may have far-reaching implications beyond the borders (Spink, J. et al., 2017). Therefore concerns have been raised that food fraud threats could be more serious than typical food safety risks because food security systems are not equipped to prevent the potentially infinite number of fraudulent activities (Spink & Moyer, 2011).Therefore, the food fraud prevention has gained more attention as a primary tool to address food risk and is thus, treated as a top priority at the agenda of both regulators and stakeholders in the food industry (Bouzembrak & Marvin, 2016).

2. Food Fraud Prevention Necessitates an Interdisciplinary Approach:

Agriculture Forensic Accounting Food fraud is emerging as a distinct discipline by taking interdisciplinary way and its research work is continuously evolving. Since single-discipline approach has many limitations therefore, multi disciplinary approach better copes with food fraud. For example, food lawyers look at food fraud with legal liability only; food safety experts approach it with health and safety risk only; food scientists examine standards and testing only; criminologists finds its motivation in economic gains etc. (Spink, J., et al., 2019). Therefore, food fraud discipline is interdisciplinary in nature. Moreover, there is a growing consciousness of the need to take a broader and more comprehensive look at the root causes of food fraud. Therefore, the researcher coins the term 'agri-forensic accounting'. It is an amalgamation of agriculture and forensic accounting disciplines that are put together to find solution of food fraud especially the preventive aspect of fraud control.

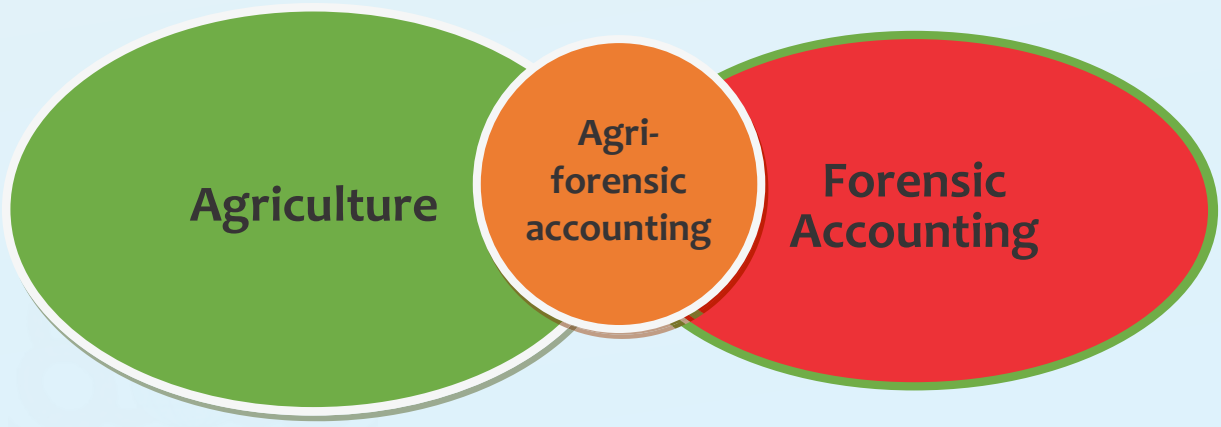


Fig 2: Agri-forensic Accounting (Source: Term coined by the author)

> Prevention is as important as the pursuit of the wrongdoers….that targeting the reduction of opportunities for such fraud to exist is a paramount focus… and on the 'who is likely to commit it' pattern of thought (Spink, J. et al, 2019).

3. The rationale of using forensic accounting as preventive tool to food fraud:

It is important to understand the rationale of using forensic accounting as a preventive tool against food fraud and its significance an as an instrument of enhancing food accountability and governance. It is pertinent to mention that several disciplines are exploring measures to food safety management especially in detection and deterrence but it is the forensic accounting which could be used to 'prevent' food fraud and at the same time making detection and deterrence less desirable (Spink, J. 2019). For sake of explanation, let's have a look on just a few instances that would establish rationale of using forensic accounting as an arsenal against food crime:

(1) The examination of company documents and accounting procedures will demonstrate vulnerability areas, such as unnecessarily complicated supply chains, contradictory payment terms, business processes and fees.

(2) "There are tests you can run that can pick up things like abnormal payments and kickbacks to suppliers. There are tests that, out of the transactions you have, say 'this needs to be investigated" (Gillman, S., 2018).

(3) Lack of internal controls, management override and poor financial discipline makes a company vulnerable to fraud. Beside, chances of procurement fraud can easily be identified and prevented through random checks to establish how the management and supplier relationships had been and what is expected in future (Popoola et al., 2015).

(4) One big chronic accounting problem in the food industry is that companies frequently operate on wafer-thin margins, not taking into account overheads. Large companies are especially vulnerable to this because by 'creative accounting', they offset their overheads with revenue in other fields, complicating budgets, and increasing pressure to meet costs. Therefore, this setting favors perpetrating fraud by the senior management of the company (Addy, R., 2015).

(5) Another issue with big corporations is that they had built chaotic, uncoordinated IT processes in the supply chain that buyers and procurers had no confidence in. It not only discourages various stakeholders but also offers itself as a piece of cake for fraudsters because messy processes make it difficult to identify the occurrences of fraud and necessary measures thereafter (Bouzembrak, Y. & Marvin, H.J.P. (2016).

(6) Red Flags indicate vulnerabilities and predict areas potentially liable to get perpetrated by fraudsters.

(7) While in an interview to 'Food Manufacture' Mag. Dr. Liza Jack (2016) explained that:

"If you are going to do an assessment, you have got to look at management systems. The problem you have at the moment is that

vulnerability assessments are being done by food safety experts, not by forensic accounting experts. The danger is this is just going to be tacked onto the technical team".

(8) Forensic Accounting can be used as a tool for Anti-fraud Governance and Leadership in Food Industry. To control fraud, it is crucial to the top leadership of an organization to set unequivocal 'tone' at the top and reiterate its resolve to champion its anti-fraud and accountability policy time and again (Hammerschmid, G., et al., 2019).

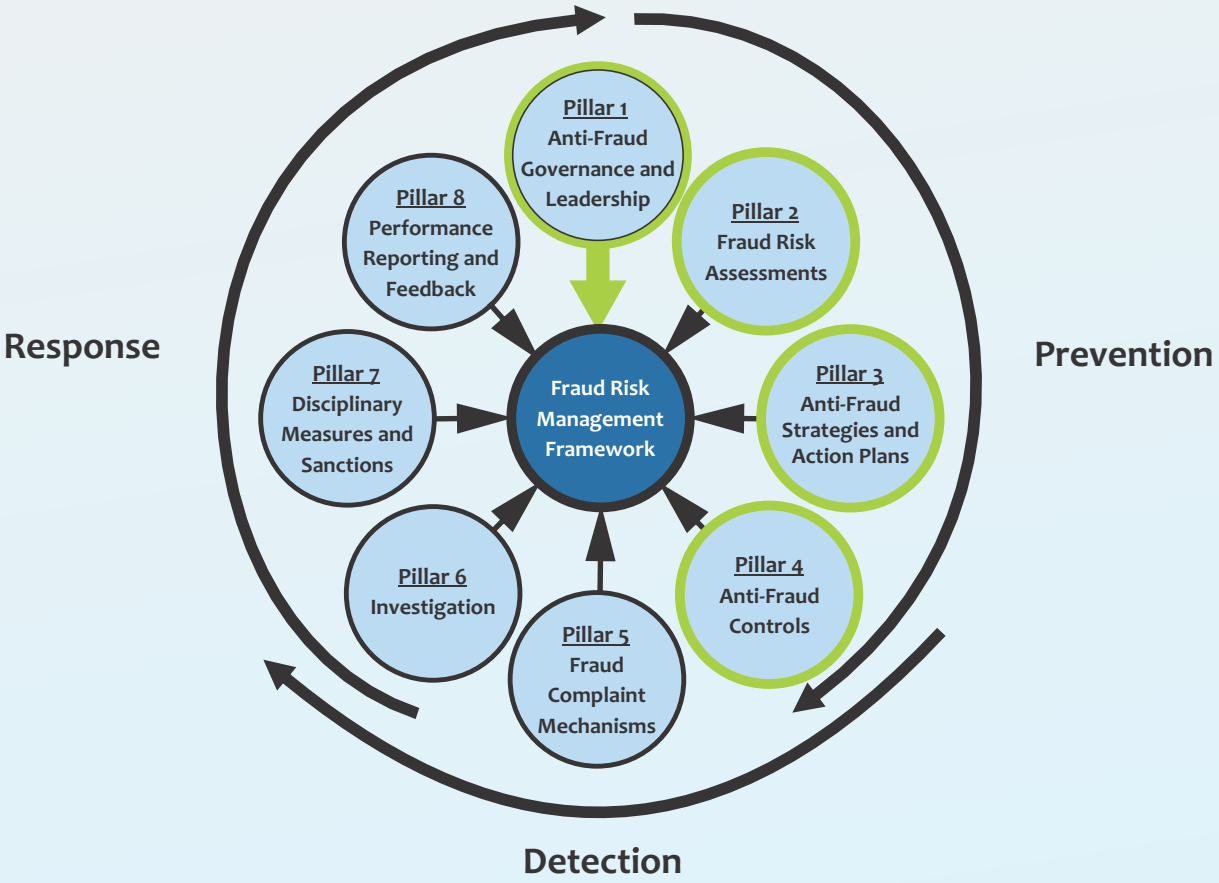


Fig 3: Adapted from Joint Investigation Unit (JIU) of UN, 2016

The top executive plays pivotal role in creating anti-fraud culture by putting in place robust anti-fraud program including anti-fraud awareness initiatives and capacity building of the employees in congruence with the organization's accountability and compliance framework (Joint Investigation Unit of UN, 2016). The fraud prevention mechanism will enable leadership and policy makers introduce better accountability and good governance in an organization.

3. Review of Theoretical Frameworks for Control of Food Fraud:

Just a few research projects have been undertaken so far to develop the possibilities of forecasting and thus preventing future fraud events. Table 1 will provide a summary of this ongoing research and highlight the important models and theoretical concepts of food fraud prevention to date.

Name of concept	Theoretical Framework	Authors
Food Fraud Prevention Cycle (FFPC)	Routine Activity Theory and Situational Crime Prevention	Spink, J. (2019)
Food Fraud Vulnerability Concept	Routine activity theory	van Ruth et al (2017), van Ruth et al. (2018)
Food Fraud Vulnerability Assessment		Cavin et al. (2016), Silvis et al. (2017), Wu et al. (2017)
Threat Assessment		National Food Crime Unit (2016)
Food Fraud Initial Screening model (FFIS)	Enterprise risk management (ERM) framework	Spink et al. (2016)
Bayesian Network model to predict food fraud type	Bayesian Network (BN) approach	Bouzembrak and Marvin (2016);Marvin et al. (2016)
Qualitative food system vulnerability matrix	Systems approach	Paloviita et al. (2016)
Early Warning system for identification of potential health risks and fraudulent practices in the food sector	Horizon Scanning & Root Cause Analysis	Bavarian Health and Food Safety Authority (LGL), Müller et al. (2015)
NSF Fraud Protection Model	Fraud Triangle	NSF (Safety and Quality UK Ltd) (2014)
Product-counterfeiting incident cluster tool	Routine Activity Theory and Situational Crime Prevention	Spink et al. (2013)

Table 1: Theoretical Frameworks related to food fraud prevention
Source: Author's own compilation

The literature also reveals that some disparate and scant work has been done to identify and control food fraud by developing some data bases and meta-analysis. Therefore, a review of these tools is essential to get a meaningful insight.

Category	Provided by	Geographic coverage
Meta-Analyses		
Media analysis of reported food fraud incidents (N=1553)	Zhang & Xue (2016)	China
Analyses of seafood mislabeling (N=51)	Pardo et al. (2016)	Global
Databases		
USP's Food Fraud Database 2.0	The United States Pharmacopeial Convention	Global
Food Adulteration Incidents Registry (FAIR)	Food Protection and Defense Institute (FDPI) at the University of Minnesota	Global
FPDI Economically Motivated Adulteration (EMA) Susceptibility Database	Food Protection and Defense Institute at the University of Minnesota	Global
Rapid Alert System for Food and Feed (RASFF) database	The European Commission	EU/Global
Others		
JRC's Food fraud Alerts	Joint research Centre of the European Commission	EU/Global

Table 2: Review of existing tools of food fraud prevention

Source: Adapted from Tuber, R. (2019)

4. Research Gap:

As discussed food fraud is emerging as a distinct discipline by taking interdisciplinary approach and research work is continuously evolving. Since single-discipline approach has many limitations therefore, multi discipline approach better copes with food fraud. The review of literature reflects that some efforts have been made in areas of food fraud controls particularly in areas of fraud identification and deterrence. But little effort has been made in area of food fraud 'prevention' Moreover, the research work in food fraud prevention by using forensic accounting as a fraud preventive tool has to be initiated yet (Spink, J. et al, 2019).

5. Objective of the Agenda:

The agenda advances food fraud prevention as a unit of analysis wherein principles of forensic accounting would be used to develop a strategic approach to fighting food fraud globally. It will provide useful tools to reduce the food fraud 'opportunity' and protect consumer health and interests. It would enhance accountability and good governance in food system. The agenda highlights the objective as, ***"Development of food fraud prevention framework".***

The agenda aims to tailor food fraud prevention framework rooted in agri-forensic accounting. **To the best of my knowledge, this study would be the first of its kind in the world.** It will contribute to laying foundation and setting direction for future research in the discipline of food fraud prevention. It will also improve accountability and dynamic governance in global food system through preventive fraud measures.

6. Methodology of Developing Conceptual Framework of Food Fraud Prevention

A conceptual framework is not just a set of concepts but a construct in which each concept plays an essential role. According to Miles and Huberman (1994), a conceptual framework "lays out the key factors, constructs or variables, and presumes relationships among them (p. 440). It does not provide knowledge of "hard facts" but rather, "soft interpretation of intentions" (Levering, 2002, p. 38).

6.1. Philosophy and Research Design:

The proposed research fits well into the paradigm of interpretivism/constructivism which assumes that "social phenomena and their meaning are continually being accomplished by social actors" (Stake, 1995). This paradigm construes that "reality is socially constructed" (Mertens, 2005, p.12). Consequently, the researcher assumes that understanding the food fraud and developing its prevention framework is embedded in the disciplines of forensic accounting and agriculture.

6.2. Methods of Data Collection

a. **Survey** (web-based confidential and anonymous) would be suitable to the employees of the participating organizations (food industry, academia, regulators) as well as a second confidential survey to the senior managers of the organizations may be sent.

b. **Questionnaires** should be kept fatigue free by developing short and crisp questions

c. **Interviews** with the leadership and management at participating organizations. Semi-structured interviews should be preferred so that rapport could be developed with the interviewees to get maximum truthful answers.

d. **Review of literature** and critical analyses as well as reports of oversight bodies.

6.3. Design of Interviews and Surveys:

The sample size should be determined as per requirement to make it representative of the whole population. Important considerations in quantitative data collection including population size, confidence level, precision level and the degree of variability should be taken due care of. The sample size should be computed using the formula as below:

$$Sample\ Size = \frac{\frac{z^2 * p(1-p)}{e^2}}{1 + \left(\frac{z^2 * p(1-p)}{e^2}\right)}$$

Where **p** = population size; **e** = margin of error; and **z** = statistic relative to the confidence level chosen.

It should lead to conduct verification of statistical validity.

7. Data Analysis Technique:

Big Data Analysis tools and techniques should be used to analyze large set of data. Moreover, thematic analytical tool may also be employed to analyze the data from interviews, documents and surveys. This tool is appropriate because of its ability of examining, emphasizing, highlighting, and recording pattern (theme) within data (Power M. K. and Gendron Y., 2015). Additionally, this tool impregnates with flexibility to analyze data gathered through various frameworks and answer to various questions.

8. Research Ethics:

The agenda also advocates due compliance with code of conduct and research ethics including maintaining anonymity, confidentiality, integrity, transparency, honesty and others.

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OVERSIGHT MECHANISM FOR SUPREME AUDIT INSTITUTIONS

Safwan Ullah Khan
Assistant Auditor General SAI Pakistan

Overview:

In this brief article we are going to discuss that how accountability or oversight can be done over Supreme Audit Institutions (SAI) vis-à-vis their statutory role of accountability/oversight over governments and allied establishments. This topic is important because just recently we have seen reports of turf war between SAIs and other pillars of states such as judiciary, executives, parliament, etc., over the jurisdiction and role of SAIs particularly those SAIs where parliamentary oversight is involved. There is rift on this issue and efforts by judiciary and executives are underway to keep check on SAIs compromising their independence in order to have control over SAI and put pressure on SAI. So in this article we will try to explore through researchers opinions that how SAIs maintains their independence and how they maintain quality control and ensure internal checks. So first we briefly discussed the definition and scope of SAIs. Then we learn about different types of SAIs. Then we tried to understand the essential features of SAIs. Then last but not the least briefly discussed the limiting factors for independence of SAIs as well as principle for independence of SAI.

Definition and Scope of SAI:

So let's first ponder over definition or scope of SAI. This definition is taken from a handbook issued by Sustainable Development Goal Accountability Handbook. According to them "Supreme Audit Institutions (SAI) are independent national oversight bodies, largely responsible for auditing a government's revenue and spending, helping to ensure full transparency and accountability, and even the performance of government bodies and ministries in using public funds efficiently and effectively. Structures, mandates and reporting relationships of SAIs vary, and thus, these institutions can play different accountability roles in different countries. Many SAIs independently support parliaments in performing oversight of government budgets and spending. However, many of them are playing an even larger role in accountability – including some with judicial authority – to ensure that government programmes are in compliance with laws and regulations, or even undertaking performance assessments to determine the effectiveness of a government's activities (1)".

Further OECD in their recent update on external audit has further elaborated SAIs in following words "An independent and professional Supreme Audit Institution (SAI) is an important actor in a country's accountability chain. It is a government entity whose external audit role is established by

the constitution or supreme law-making body. SAIs are traditionally known for their oversight of public expenditure, which remains a core part of the audit portfolio. SAIs undertakes:

- Financial audits to assess the reliability and accuracy of public entities' financial reporting and,

- Compliance audits to assess a public entities' compliance with its governing authorities.

But the role of SAIs is evolving, as they are increasingly taking a broader, more comprehensive view on reliability, effectiveness, efficiency and economy of policies and programmes. SAIs have untapped potential to go beyond their traditional oversight role and contribute evidence for more informed policy-making"[2].

DIFFERENT TYPES OF SAIs:

There are various models or types of SAIs based on their output or relationship with legislatures and executives. Various studies has summarised them into following three types[3],[4]:

- **Westminster Model:** In this model SAI is a core element of parliamentary oversight mechanism. Here parliament's whole reliance is on SAI to audit public accounts. Parliament review SAI reports by a multiparty public accounts committee (PAC) primarily headed leader of opposition. PAC thus presents its reports to the full parliament. Recommendations or instructions issued by PAC requiring follow-up actions.

- **Board System:** In this model the SAI called Audit board, presents its annual report to the cabinet. Cabinet then submits the deliberated report to parliament. SAI/Board staff attends all deliberations on fiscal accounts.SAI/Board staff is expected to explain the board's opinions on such matter as required by cabinet and parliament.

- **Court of Accounts/Napoleonic System:** In this case Court of Account/SAI's annual report is presented to parliament and submitted to the country's president. Contrary to other two models, parliaments do not automatically receive the auditors' reports. It is the President of the court/SAI's head discretion to pass the court's findings to parliament's finance committee or not. Further there is provision of specific management audit upon Parliament's request in this system. Separate document prepared by the court as an annual report for

[1]Utilising Supreme Audit Institutions, 2020.SDG Accountability Handbook.https://secureservercdn.net/166.62.112.219/9bz.99d.myftpupload.com/wp-content/uploads/2019/05/Utilizing-Supreme-Audit-Institutions.pdf
[2]https://www.oecd.org/gov/external-audit-supreme-audit-institutions.htm

[3]Features and functions of supreme audit institutions. June 2002. World Bank Findings. http://www.worldbank.org/afr/findings
[4]The Relationship between Parliament and Supreme Audit Institution (SAI) in Strengthening External Auditing. 2018. Dr. Mustafa BİÇER. ECOSAI SEMINAR-2018, Istanbul.

parliament on the use of the resources.

ESSENTIAL FEATURES OF SAI: Now as we have briefly mapped out the definition and scope of SAIs based on their working and functions let's see what the conditions for a successful SAI as narrated in article published by knowledge group of World Bank[5]. According to that article following are essential conditions for a successful SAI such as:

- Supportive environment,
- Clear mandates,
- Independence,
- Adequate funding, facilities and staff,
- Sharing of knowledge and expertise

These are of course essential features in my opinion too and during my career I have observed that SAI cannot work until supportive environment is provided for its working through mandatory provisions in statute as well as ethical and moral provisions. Further a clear mandate actually strengthen the audit particularly that of public sector. Next is independence which is most important feature of success of an SAI without independence, an SAI is nothing but failure so independence is an essential and utmost importance feature. Independence of SAI is only guaranteed through statutory provisions as without this independence is impossible. Further by independence we mean independence from executives and even for budget and other administrative decision making and power to make decision. Other factors such as adequate funding, facilities and staff are also important for success of an SAI. So is the sharing of knowledge and expertise is important as without this an SAI can neither evolve nor it can enhance its quality and output in terms of public sector audit. So a public sector audit success depends upon the features explained above.

There are of course limitations for SAI to work in the field if above mentioned essential features are not coupled with full executive commitment and support. These limitations may lead to either poor audit quality and/or less significant audit reports and also give rise to distrust among masses over SAI as well as corruption among executives. This definitely is a big issue for SAI and its repute as well. So for an SAI to achieve targets, it has to ensure the persistence of essential features. Among limitations, one feature that was not mentioned or discussed is possibility of poor control within SAI which ultimately will give rise to deterioration in SAI such as unethical practices among officers/official and generation of useless and misdirected audit reports

INDEPENDENCE OF SAIs: David Goldsworthy in an article in 2014 has highlighted 13 factors which work as limiting factors for SAI independence as well as narrated 8 principles for strengthening working of SAIs as per Lima Declaration which are as follows[6]:

- How the SAI budget is determined and agreed
- How the SAI is held accountable and to

[5]Features and Functions of Supreme Audit Institutions, 2002-2006. Knowledge Notes, published by World Bank. https://openknowledge.worldbank.org/bitstream/handle/10986/9766/multiopage.pdf?sequence=1&isAllowed=y
[6]Making SAI independence a reality – some lessons from across the Commonwealth. 2014. David Goldsworthy

whom

- SAI's right to hire, promote, fire and set remuneration packages
- Appointment of the SAI's external auditor
- SAI's capacity to retain income
- SAI's freedom to say no to requests to carry out work
- SAI's right to follow public money to the final point
- SAI's legal immunity
- Types of SAI audits
- Tenure of SAI Head
- Transparency of appointment process of head of SAI
- SAI's right to publish
- Follow-up of SAI audit recommendations

Above are the limiting factors which will decide about the nature of independence of SAIs. Further the author also discussed the principles of independence and strength of SAIs such as[7]:

- Principle 1: The existence of an appropriate and effective constitutional/ statutory/ legal framework and of de facto application provisions of this framework
- Principle 2: The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties
- Principle 3: A sufficiently broad mandate and full discretion, in the discharge of SAI functions
- Principle 4: Unrestricted access to information
- Principle 5: The right and obligation to report on their work
- Principle 6: The freedom to decide the content and timing of audit reports and to publish and disseminate them
- Principle 7: The existence of effective follow-up mechanisms on SAI recommendations
- Principle 8 Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

CONCLUSION: So SAIs in order to have independence and to be free of control of executives and legislature must have some policy as explained in above lines particularly the 14 limiting factors and 8 principles, pre-requisite for independence of SAI. But this also needed thorough study of SAIs working mechanism, and scope and essential features in order to make the effort of independence successful based on the working model prevalent in the country.

[7]Making SAI independence a reality – some lessons from across the Commonwealth. 2014. David Goldsworthy

IMPACT OF EXTERNAL FACTORS ON AUDITS AND TRANSITION TO PERSPECTIVE WAYS IN CRISIS SITUATIONS



Shamoniev Ahtamjon
Chief Specialist of Department for Standards, Analysis, Development and International Cooperation
Chamber of Accounts of the Republic of Tajikistan

Today the world community is facing with a serious situation. Pandemic Covid-19 has already negatively affected the economies of many countries. It is the one of the biggest epidemic threats in the century that theworld has faced. We should not underestimate what is happening. No one knows yet when will over and what will the consequences be. It is quite obvious that during the first wave pandemic the huge losses were felt in many countries. Despite all efforts, the second wave of pandemic started at the beginning of autumn in many countries. We see that till now the pandemic has affected and is still affecting in whole or in part the activities of all industries, the goals and plans of many countries. We can say that Covid-19 influenced this year and complicated the activities of all Supreme Audit Institutions.

During the pandemic, the auditors have to act according to new methods,keeping sanitary measures, which partly complicate their task. Like other developing countries, Supreme Audit Institutions (SAI) – the Accounts chamber of Tajikistan, which faced suchcomplexities too.Our SAIworks within the framework of domestic andINTOSAI Standards on the basis of the annual plan. SAI of Tajikistanis also faced a difficult situation. After the announcement of first cases of Covid-19 at the second quarter in Tajikistan, the number of audits decreased and it complicated the fulfillment of duties of auditors, keeping the rules and procedures of sanitary conditions.

The virus is one of those poorly predictable threats that is written about in all risk management textbooks. The threat is unpredictable in the sense that it is not known in advance when an event that carries a threat will occur. But it is well known that this sometimes happens and you need to be prepared for this in order to minimize possible losses. This is where good risk-management lies. If you observe that management is not ready for the situation that has arisen, it is necessary together with the leadershiphold discussions and suggest perspective action ideas. And when we overcome the current crises situation, it will be time to review and assess risk management systems, rationality of action plans, and keep effectiveness of procedures to support regularity developmentof SAI activity. The SAI of Tajikistan began to act remotely in order to prevent infection of their employees with Covid-19.

How should SAIs operate today? What kind of tasks should be put at the forefront and how to solve them, how to function in current conditions? What and how to do it?

We don't have a universal answer. But there is a clear answer to the question that what should not be done now? You need not to act as if nothing has changed. SAI as an independent audit body conducts audits with the aim of obtaining reasonable assurance that the financial statements of an economic entity are free from material misstatements, and expressess opinion on this in the form of auditor's report. External government audit can be carried out in accordance with legislation. And now the SAI of Tajikistan should try to enhance the economy in the country, act through effective ways to increase the amount of state budget revenues and raise the economic growth, which hasdecreaseddue to the pandemic. Therefore, it is necessary to put the questions "how can we help?", "where can we be most useful?" And it is here and now that all the strength, experiences and audit skills are necessary in order to maximize our inner capacity toplay the role of a consultantin this difficult situation.

1. You should try to help leadership assess the situation, observe and assess the risks. Some obvious facts are: illness of employees, impossibility to carry out planned audits in time. There are less obvious risks, such as outages in storage and data centers. These risks should be discussed with leadership and offered solutions. I it is highly desirable that auditors should be well informed in this regard, and also quickly adapt to the upcoming tasks. But in current crises, it will be sufficient to use the breadth of outlook and common sense – qualities inherent in any external auditor.

2. Amendments to existing regulations. It is necessary to introduce a change to the acting standards, instructions governing auditing activities of a SAI, which do not provide situations to force majeure situations. They need to be gradually supplemented and improved for further work, which the employee would not have to face with difficulties.

3. We should think about long term solutions. Now the leadership of the institutions focuses on current events of crises situation. It is quite understandable. We should help keep acting not to loose perspective. The virus will recede and we should plan to make up for what has been lost and reach new success. So now it is also a good time to think about the opportunities that are opening up.

It should be remembered that the main asset of any SAI surely is people. Ability to protect people and to work with them in crisis situation depends on the well-being of a SAI. It's necessary to take appropriate steps for it. One of the these steps is the transition to remote audit works. It is facilitated to provide with laptops, necessary electronics, network equipment and servers for most auditors, take availability of remote access to the services of the SAI through network drives and special programs, and to set up a clear work plan for employees for the future.



FORENSIC AUDIT[1]

Mehmet Balioğlu
Principal Auditor, International Relations Department of the TCA

Forensic is derived from the Latin word forensic, meaning" of the court". As a term, it refers to the disciplines that help to clarify the incidents which involve criminal activity and contribute to the enabling of material facts to be uncovered. In this context, forensic accounting and forensic auditing are sub-disciplines that aim to discover and elucidate financial crimes.

Forensic audit and forensic accounting are closely related concepts. Forensic accounting is for the purpose of providing the courts with an analysis of financial transactions that are allegedly criminal. Forensic audit may be considered one of the functions of forensic accounting. From the public audit perspective, forensic audit is aimed at detecting financial crimes including corruption, embezzlement, extortion and bribery.

The mind-set, approach and methodology of forensic audit are fundamentally different from those of financial audit. While financial audit may be defined as rendering an opinion on the reliability and integrity of financial reports and statements; forensic audit is a type of activity carried out in order to reveal the evidence that will constitute the basis for criminal cases involving financial transactions of individuals or institutions. The concepts of materiality and reasonable assurance which constitute integral parts of financial auditing, are set aside in forensic auditing as every financial transaction which is deemed to be connected to fraud is investigated regardless of materiality threshold if there is an element of criminal activity. Another crucial point to note is that forensic audit inevitably entails a relatively more adversarial stance compared with financial audit and therefore requires a different mind set. It may be psychologically challenging for an auditor to conduct these two types of audit simultaneously.

Although criminal elements may be encountered as a result of traditional financial audits, the central theme of forensic audit is to reveal financial crimes. The Turkish Penal Code imposes a duty on public officers to report any crime they are witness to or those reported to them. Similar regulations exist in many countries[2]. Confronted with such a situation, the auditor should notify the relevant authorities before continuing with the audit procedures. By definition, the audit service that starts at this stage and is carried out for the sole purpose of collecting evidence falls within the scope of forensic audit.

[2]*Kenneth M Dye, Corruption and Fraud Detection by Public Sector Auditors (2007) 36 EDPACS 6, 309.*

Forensic Audit and the Legal Mandate of SAIs

Not all financial irregularities warrant a forensic audit, but all financial crimes eventually and invariably distort integrity and accuracy of financial statements. SAIs in general have broad mandates to ensuring compliance with regulations[3] and forensic audit is one of the ways to achieve this. Article 36(2) of the Law No. 6085 on Turkish Court of Accounts establishes, inter alia, "determining whether revenues, expenditures and assets of public administrations, as well as accounts and transactions pertaining to those are in compliance with laws and other legal arrangements" asan element of regularity audit.

According to Article 78 of said law, "In the event of encountering an action involving crime in the course of audits and examinations; the evidence shall immediately be identified, and the case shall be reported to the Presidency of Turkish Court of Accounts by the auditor." Per the Article, the process of collecting, identifying and analysing evidence fit squarely into the very definition of forensic audit.

INTOSAI Standandards:

INTOSAI standards do not specifically and explicitly mention forensic audit. Most closely connected INTOSAI document is the GUID 5270 Guideline for the Audit of Corruption Prevention, yet this Guideline does not cover fraud investigations.

International Cooperation in the Field of Forensic Audit in the Public Sector

a) The INTOSAI Working Group on Fight Against Corruption and Money Laundering

The INTOSAI Working Group on Fight against Corruption and Money Laundering (WGFACML), is the most prominent international cooperation platform in forensic audit in the public sector. The Working Group held its 14th and last meeting virtually on 24 November2020. 32 SAIs are currently members of this Working Group.

b) A UN-INTOSAI Joint Project: Collection of Important Literature on Strengthening Capacities of Supreme Audit Institutions on the Fight against Corruption

The cooperation of the INTOSAI with the United Nations produced a collection of literature on the role of SAIs in the fight against corruption. This publication comprises of practical examples of best practice guides, audit types and methods, displaying how SAIs respond to fraud and corruption. In this publication, a whole section is devoted to forensic auditing in which SAIs of Japan, Italy, Brazil and Russia share their experiences, highlight prerequisites and lay out challenges with respect to forensic audit.

[3] *International Journal of Government Auditing January 2000, Vol 27, s.8*

c) "Enhancing Compliance with International Standard of Supreme Audit Institutions and Forensic Audit" Workshops

The Asian Development Bank organized three regional workshops on forensic audit for SAIs. First Regional Workshop on "Enhancing the Roles of SAIs in Selected ASEAN Countries" was held in Vietnam in March 2016, second Regional Workshop on "ISSAI Compliance and Forensic Audit" was held in place in October 2017. During these workshops, the participating SAIs exchanged views and experiences on forensic audit, among other topics.

d) Status and activities of some SAIs regarding forensic audit

- SAI India has a dedicated training institute as Centre of Excellence in Audit of Fraud, Fraud Detection Techniques and Forensic Audit[4].

- United States General Accountability Office has established in 2005 its Forensic Audit and Special Investigations Unit (FSI). [5]Compared with other units, it has not only more extensive data-analysis capabilities but also utilizes more creative techniques in order to uncover financial crime.

- Tanzania, Philippines and Zambia SAIs have forensic audit units.

[4]https://www.asosaijournal.org/role-of-sais-in-detecting-fraud-and-corruption-sai-india/
[5]https://www.hsgac.senate.gov/media/majority-media/chairman-and-ranking-member-applaud-creation-by gao-of-forensic-audit-and-special-investigations-unit-fsi



INDEPENDENCE: A PREREQUISITE FOR SUPREME AUDIT INSTITUTIONS[1]

Nilüfer Kibar Bilginli
SeniorAuditor, Planning and Reporting Group of the TCA

Independence is vital for Supreme Audit Institutions(SAIs)in providing citizens with assurance that there are functioning accountability mechanisms in public management. Independent SAIs are essential and valuable for governments, citizens and international community as they promote good governance, better public management and a transparent, accountable and responsible use of public funds as well as the rule of law, integrity, economic growth, social justice and equity enhanced performance of the public sector and fight against corruption, waste and inefficiency.

Lima Declaration

The importance of independence was first identified in the ***Lima Declaration***[2] in 1977. The Lima Declaration states that SAIs can accomplish their tasks only if they are independent of the audited entity and are protected against outside influence. The principles laid down in sections 5 to 7 of the Declaration cater for following three dimensions of SAI Independence:

Organisational independence: It is ensuring the independence of SAI members, supreme authority of the Head of SAI in staff-related matters and protection of auditors from interference by external sources.

Functional independence: It is providing such powers to an SAI that are necessary to ensure its independence in conducting audits. SAIs should be free to decide about methodology and scope of audit, its timing and reporting

Financial independence: It is ensuring the independence that SAIs can obtain and spend funds without interference from the external sources. It provides the SAI with the powers to make its own budget estimates and directly apply for the required funding to the body adopting the state budget (Parliament) and freely spending the appropriated budget.

Mexico Declaration

Adoption of the ***Mexico Declaration***[3] on the Independence of Supreme Audit Institutions (2007) laid out eight basic pillars of SAI independence.

For an SAI to be an effective part of public oversight mechanism there is more to the term 'Independence' than the de-jure independence, i.e., manifestation of the set

[1]Nilüfer Kibar Bilginli, SeniorAuditor, Planning andReportingGroup of the TCA
[2]Formerlyknown as ISSAI 1: The Lima Declaration. Declarationendorsed in 1977, republished in 1998. Withtheestablishment of theIntosai Framework of Professional Pronouncements (IFPP), relabeled as INTOSAI-P 1 witheditorialchanges in 2019.
[3]Formerlyknown as ISSAI 10: MexicoDeclaration on SAI Independence. Declarationendorsed in 2007, preambleamended in 2018. Withtheestablishment of the INTOSAI Framework of Professional Pronouncements (IFPP), relabeled as INTOSAI-P 10 witheditorialchanges in 2019

of rules in practice.

The Mexico Declaration regards this additional requirement as "de facto independence" in its statement of the Principle 1. The de-facto independence refers to SAIs consolidating their independence in their day to day operations. This practical independence is reflected through:

- the ability to be protected when the SAI's independence (or that of its Head) is challenged;
- the ability to have access to resources when needed, and the willingness to be held accountable for their use;
- the ability to recruit and be supported by professional and well rewarded staff
- ensuring the SAI is led and staffed by people of impeccable character, leadership and integrity; and
- the effective use of the SAI's powers to select and conduct audits, make and follow up on its Reports, and communicate its work to stakeholders

Eight principles of Mexico Declaration cover both de-jure and de-facto aspects of independence. The same are depicted as eight pillars defining the independence of Supreme Audit Institutions in INTOSAI Strategic Plan 2017-2022 under "Crosscutting Priority 1-Advocating for and Supporting the Independence of SAIs".

The eight pillars of SAI's independence along with respective principles as given in Mexico Declaration are as under:



The Eight Pillars of SAI's Independence

The regular and timely release of credible and high quality audit reports by SAIs provides reassurance that governments are accountable to their parliaments and their electorates. However, such assurance is difficult to obtain if the SAI's independence is compromised.

SAIs across the globe face a multitude of challenges towards strengthening their capacities and performance to deliver value and benefits for citizens. They often operate in constrained environments, with legislatures that do not fully support and use their work, and where basic systems of transparency and accountability are lacking. Many SAIs face significant independence challenges.

According to triannual *Global SAI Stocktaking Report2017* prepared by IDI to report findings from the INTOSAI global survey and other data on capacities and performance of SAIs ;



- 52% of SAIs report that they have a legal framework in place that fully protects their independence



- 50% of SAIs publish at least 80% of their audit reports (70% in 2014)
- As many as 27% of SAIs do not publish any audit reports at all (15% in 2014)
- 10% of SAIs have no freedom to publish reports and 31% of SAIs face restrictions in publishing
- 30% of SAIs are not in a position to obtain timely, unconstrained and free access to information
- 48% of countries do not hold any public hearings to review their SAIs' audit reports



- In the case of 54% of SAIs the budget process is overseen by the SAI's auditees and not by legislature
- 64% of SAIs reported an interference by the executive in the budget process (41% in 2014)

(INTOSAI Handout; https://www.intosai.org/fileadmin/downloads/focus_areas/independence/EN_0219_Handout_Independence.pdf)

Peer Review of Turkish Court of Accounts on Independence

Enhancing audit quality and coverage, particularly implementing the International Standards of Supreme Audit Institutions (ISSAIs), is a major long term challenge. However, there is gradual adoption of the ISSAIs and slow but improving implementation, though here is need to implement quality control and assurance systems to gauge actual levels of implementation.

The role and importance of the peer review as one of the foremost capacity building tools was underlined in the first INTOSAI Strategic Plan 2010 – 2016.This position was also underlined in the Goal 2 and Goal 3 activities within INTOSAI Strategic Plan 2017 – 2022, which stated that"INTOSAI also will continue to encourage SAIs to undergo periodic peer reviews that provide vital external validations of an SAI's quality assurance processes."

International Standards for Supreme Audit Institutions (ISSAIs) 5600[4] state that the term **"Peer Review "**refers to an external and independent review of one or more elements of the organisation and/or operations of an SAI by a team of professional peers from one or more SAIs. It goes on to explain that Peer Review is not an audit but an assessment and advice provided voluntarily by peers. the decision to undergo a peer review, or to be involved in the peer review of another SAI, is always voluntary.



Within the scope of the Memorandum of Understanding signed between the Turkish Court of Accounts (TCA) and the Office of the Auditor General of Pakistan, a team from the SAI Pakistan conducted a peer review on the independence of the TCA and prepared the "Peer Review Report"[5].

The assessment covered an analysis on the criteria identified by INTOSAI Standards and other international manuals in relation to independence as well as on the current situation of the TCA.

In this respect, the peer review was conducted under eight separate titles identified in the Mexico Declaration as factors constituting the independence of supreme audit institutions.

At the end of the studies on legislation and field works conducted by the SAI Pakistan, the conclusions of the peer review can be summarized as follows:

[4]Endorsed in 2010 as ISSAI 5600 – Peer ReviewGuidelinesandappendix. Content revisedandrenamed Peer Review Guide in 2016. Withtheestablishment of theIntosai Framework of Professional Pronouncements (IFPP), relabeled as GUID 1900 – Peer ReviewGuidelineswitheditorialchanges in 2019
[5]Full report is available at:https://www.sayistay.gov.tr/en/Upload/files/TCAPeerReviewReport_22_09_2020.pdf

a. The legal mandate and legislation relating to the establishment and functions of the TCA are adequate to ensure its independence in fulfilling its duties,

b. There are no legal or physical barriers to the independence of the TCA while fulfilling its duties.

Consequently, peer review of TCA found that it has a robust basis to function as an effective SAI. Clauses relating to independence of TCA are laid down in legal framework and TCA is helped by an elaborate mandate with qualified staff to realize its objectives. With the legal and institutional support that TCA is enjoying it will continue to perform its assigned role effectively. Presented suggestions for the consideration of TCA will add value to the effectiveness of TCA further extending its benefits to public sector and citizens.



JUDICIAL FUNCTION OF THE TCA AS COURT OF ACCOUNT[1]

Hale Avcı
Senior Rapporteur of the 2nd Judicial Chamber of the TCA

The Turkish Court of Accounts (TCA) is a supreme audit institution equipped with a judicial function, which has many precedents in the continental Europe. This study gives general information on the trials performed by the TCA as n court of accounts.

General Information on the Judicial Function of the TCA

The TCA is tasked with auditing the public administrations on behalf of the Parliament and taking the final decision on the findings related to public loss at the end of audits. In this sense, it performs a judicial activity. This judicial activity is performed by the Chambers and Board of Appeals of the TCA.

Audit by the TCA covers:

- The financial audit on reliability and accuracy of financial reports and statements in accordance with results of the assessment of accounts and transactions of public administrations as well as their financial activities, financial management and control systems;
- The compliance audit pertaining to the examination of the compliance of accounts and transactions related to the revenues, expenditures and assets of public administrations with laws and other legal arrangements; and
- The performance audit, which is the measurement of results of activities with respect to objectives and indicators determined by public administrations with in the framework of accountability.

TCA auditors audit whether public administrations function effectively, economically, efficiently and in compliance with laws and whether public resources are acquired, preserved and utilized in accordance with foreseen purposes, targets, laws and other legal arrangements, and as a result, the audit results are presented in judicial reports and audit reports.

The judicial activity of the TCA is related to the task of taking final decision on the judicial reports of TCA Chambers as an "court of accounts", and this is called the "trial of account".

The "trial of account" of TCA Chambers on the judicial reports means taking final decision through the judicial procedure on whether the accounts and transactions of those responsible specified in laws are in compliance with the legislation and the legal remedies related to this. In this sense, the trial of account is a result of the compliance audit.

[1] Hale Avcı, Senior Rapporteur of the 2nd Judicial Chamber of the TCA.

Chambers of the TCA

Where a matter resulting in public loss is detected by auditors in the course of audits of the accounts and transactions of public administrations within the scope of the general government, the defense statements of those responsible is taken through an inquiry. After that the judicial report which includes the inquiry, defense and auditor's opinion is sent to the Chamber, which will perform the trial of account. The Chairmen of chambers take the written opinion of the Office of Public Prosecutor and one member on the judicial reports submitted to their chamber, and then the report becomes ready for trial.

TCA Chambers consist of a chairman and six members. Three fifths of TCA members are elected from among professional TCA personnel; the remaining members are elected from among other public officers such as Rector, Governor, Professor, Undersecretary, provided that at least half of these are from among the professional personnel of the Ministry of Finance. The Chairmen are elected from among TCA members by the General Assembly of the TCA. The chambers also include the TCA auditors assigned as Rapporteurs to handle the decisions, minutes, writs, opinions of chambers and carry out other actions required for those.

Trial Procedure and Writs

Trials are conducted with one Chairman and four Members. Verdicts and decisions are rendered by a majority vote. After the judicial reports are tried by the chamber, decisions can be made on:

a) The compliance of accounts and transactions with legislation,
b) Indemnification of public loss from those responsible,
c) Informing the relevant authorities on necessary matters.

A minute of verdicts and decisions accompanied by justifications are drawn up and signed by the Chairman and Members of chamber. The decisions are explained through the writs prepared by the rapporteurs in the TCA chambers. Those writs are communicated to those responsible, the public administrations to which these are affiliated, the Ministry of Finance for administrations within the scope of the general budget, relevant accounting unit and the Office of the Chief Prosecutor.

The writs prepared after the decisions made by the TCA chambers become final upon the decision of the Board of Appeals of the TCA if those concerned apply for appeal and upon the expiration of appeal period if no one applies for appeal or no application is made during that period. The writs, which become final upon the expiration of appeal period, should be fulfilled in ninety days. This obligation belongs to the senior manager of the relevant public administration.

What are the legal remedies against the decisions of chambers?

The legal remedies against the decisions of chambers are appeal, retrial and correction of decision. Requests for retrial are made to the chamber which performed the trial; requests for appeal and correction of decision are made to the Board of Appeals of the TCA with a petition.

Retrial

The writs are prepared after the decisions made by chambers; then they are communicated to those responsible, the public administrations to which these are affiliated, the Ministry of Finance for administrations within the scope of the general budget, relevant accounting unit and the Office of the Chief Prosecutor; after that the same parties can request retrial for those decisions. However, the chamber can also decide for retrial directly. The period for requesting retrials five years after the communication of the writ; this request does not prevent the execution of the writ. If the petitions of the parties indicate;

a) Existence of calculation errors, incorrect or incomplete record of names, incompleteness or duplication in accounts,
b) Detection of falsification in a document that has had an effect on decision,
c) After the judgment, detection of an incorrect or unlawful transaction which was not noticed during the audit or trial,
d) After the judgment, discovery of some documents, which were unavailable in the course of audit or trial and may have affected the decision,
e) Rescindment of a writ, which constituted the basis of the decision,
f) Discovery of the fact that the expert witness or the expert prepared an inaccurate report.

These justifications are assessed by the chamber, which then can decide for retrial. In this case, the matter is re-discussed in line with those justifications, and a new decision can be made, and a new writ is communicated to the same parties.

Appeal

Requests for appeal, which are made to the Board of Appeals of the TCA, are about the decisions made by TCA chambers. The writs of TCA chambers may be appealed for:

a) Violation of law,
b) Ultra vires action,
c) Failing to obey legal procedures of account trial,

Period for appeal is sixty days from date of notification of writ to those concerned. Board of Appeals can either approve the decision as it is or by correcting it or reverse or revoke it. In case of reversal, petitions are sent to the relevant chamber for re-decision.

Correction of Decision

Another legal remedy is the "correction of decision", and it can be used just once for the decisions of the Board of Appeals. The parties may request the correction of decision in the event that:

a) Claims and objections affecting the substance of the decision have not been satisfied,
b) Existence of contradictory decisions on the same matter,
c) Detection of fraud and falsification in the documents affecting the substance of the decision during the examination by the Board of Appeals,
d) Existence of at least one of the reasons for appeal.

Since this request is against the decision of the Board of Appeals, it can be accepted or denied by being assessed by the Board of Appeals.

What happens if a criminal act is detected during trial?

As the above-mentioned decisions indicate, neither the inquiry made by the auditor nor the decision made by the chamber find or decide upon the crimes under Turkish Penal Code. In the event of encountering a criminal act in the course of audit and trial, the auditor identifies the evidence immediately and notifies the TCA. As a result of the investigation to be carried out by the chamber assigned by the President of TCA, if the collected initial evidence is qualified as subject of public prosecution, the file is sent to the Chief Prosecutor of TCA either to be handed over to the responsible official's public administration forth necessary action to be taken, or to be sent directly to the Public Prosecution Office for an investigation in accordance with the nature of the offence

Conclusion

In conclusion, the judicial activity of the TCA is related to public loss entirely. The judgments to be passed are related to finding whether there is public loss, and if so, compensation of this loss or notification of relevant authorities of the matter. Those responsible for public loss are the civil servants who work in the auditee and who are related to the matter. The judicial process primarily starts when the auditors detect a public loss while auditing the legality of the accounts and transactions of the relevant public administration and report it in their judicial reports. The process ends when those reports, which cover the auditor's opinion, prosecutor's opinion and defenses of those responsible, are discussed in the chambers and Board of Appeals.



PRINCIPLES REGARDING THE JUDICIAL ACTIVITIES OF SUPREME AUDIT INSTITUTIONS[1]

Yusuf Sünbül
Senior Auditor, International Relations Department of the TCA

The structures of Supreme Audit Institutions (SAIs) are shaped in parallel with the political, managerial, legal and economic structures of their countries. These structures generally occur in office, judicial and collegiate models, and there are generally accepted international standards regarding their activities. There are several international standards regarding the judicial function performed by the jurisdictional SAIs (TCA), which we will discuss in this study. Those standards are included in INTOSAI's basic principles and implemented by INTOSAI as professional pronouncements (IFPP). Moving from the definition of individual responsibility, INTOSAI-P1-Lima Declaration, which is one of the main texts of independent supreme audit, talks about the possibility of compensating losses through the judicial power of SAIs. Similarly, INTOSAI P10 and P12 emphasize that SAIs, which has penalization or judicial powers, can have more powerful structures.

The project for "Forum of Jurisdictional SAIs Network of General Prosecutors" was accepted on 10-11 September 2014 in the 7th meeting of "INTOSAI Working Group of Value and Benefits of SAIs" (WGVBS) in Mexico. Then, the process continued with the 22ndINCOSAIand2015 Paris Declaration, and entered a new phase in 2019. The 23rd Congress (INCOSAI) of INTOSAI was held on23-28 September 2019 in Moscow, and a decision was taken there to accept the INTOSAI P-50 regarding the Principles of Jurisdictional Activities of SAIs.

This study will basically address the matters that are necessary to be able to say that an SAI has a judicial function based on the classification followed by INTOSAI P50.

Principles regarding the Judicial Activities of SAIs

INTOSAI-P 50 defines 12 basic principles regarding the judicial function of SAIs, and seeks the existence of all those principles to be able to say that a SAI has full and complete judicial power. These principles are classified under three titles and can be implemented differently based on the national legislation.

Principles regarding Prerequisites and Legal Framework

Legal Basis of the Responsibilities Regime: To be able to talk about the judicial power of a SAI, the law should define and clarify the liability regime and the persons accountable by law (i.e. those responsible) before the SAI. It seems that this basic legal principle, which is expressed as legality in crime and punishment (nullum crimen, nulla poena sine lege),is essentially reflected to the principles

of P50. The legal framework must specify on the one hand, the missions, powers and judicial procedures to be followed, and on the other hand, the liability regimes and obligations of the persons accountable by law.

Independence of the SAI's members involved in the jurisdictional activities: The members of the SAI involved in the jurisdictional activities (their working structure changes based on the organization style of the SAI) should benefit from guarantees legally spelled out, which explicitly ensure their independence toward the public authorities. This definition of independence includes the appointment of the ones who take part in judicial activities, their non-removability within their tenures and the establishment of legal guarantees that will ensure their neutrality. Any failure to ensure the full independence of judges poses the risk of harming the SAI's decisions regarding judicial activities. This principle is also expressed as the legal guarantee for judges, and it is a must for jurisdictional SAIs.

Freedom of Access to information: All hindrances should be removed for jurisdictional SAIs for their access to information and documents. Access to those should be legally guaranteed. With this principle, it should be easily possible for the SAI officials charged with crimes and accountable persons charged with crimes to transfer for and against information, documents and similar other matters to the judicial phase during the judicial procedures of SAIs. Judicial process itself is the important thing in fair trial. This freedom should be ensured for parties.

Statute of limitations: This principle states that an irregular fact may be prosecuted or sanctioned only before the expiry of a reasonable time from the moment it was committed or discovered. It is strictly linked to the protection of the legal guarantees of persons. It aims to remove permanent insecurity particularly for accountable persons. In addition, the presence of statutes of limitations for an SAI encourages it to act quickly, and detect and penalize the problems on time.

Appeal and Annulment of the Judgment: Any judgement of the SAI must be open to be objected and reconsidered and is subject to appeal or annulment in accordance with the national regulation. These legal remedies may concern accountable persons, public authority or a third person/party.

Principles regarding Internal Regulations and Organisation of SAIs

Right to a Fair Trial: This right refers to the legal guarantee that all "triable" persons within the jurisdiction of the SAIs or accountable persons, in a narrower sense, are entitled to an equal and fair trial. It is obligatory that all those responsible pass through an independent and objective trial process. Other legal principles that can be considered within the scope of the right to a fair trial and the right of defence such as the provision of the right of defence in an unrestricted manner with an adequate time, access to information and documents and using them in defence, defending oneself via a representative and access to justified decision should be assessed in this respect, as well.

Impartial Judgment and Decision-Making: The impartiality of the judgment process itself is as essential as the impartiality of those making judicial decisions. Therefore, there must be a legal framework setting down the principles and procedures related to the trial processes of SAIs in an open and clear manner. In particular, the decision-makers should avoid of comments reflecting bias and the disclosure of information to the public in a manner prohibited by laws should be strictly prevented.

Effectiveness of Jurisdictional Activities: It is essential that the attitude adopted by the SAI in fulfilling its jurisdictional activities and the decisions taken are legally competent. As a branch of the judiciary, the SAI staff working both in jurisdictional and other activities should display their jurisdictional competences and capabilities in an indisputable manner. The effectiveness of jurisdictional activity means that the decision has been taken within a reasonable time by adhering to the maximum legal requirements and this is shown to the persons to be affected by the decision. Strict adherence to this principle will support the implementation of the decisions taken by the SAIs.

Accumulation of Sanctions for the Same Irregularity: This general legal principle, which is also known as "non bis in idem", means that nobody could be judged twice for the same offence. Pursuant to this principle, a file that has been closed with final judgment cannot be reopened. Accordingly, for the SAIs as a branch of the judiciary, the jurisdictional activities conducted and concluded by them are meaningful for them. This is because of the fact that the unique judicial decisions of SAIs can, by nature, fall into the jurisdiction of another branch of the judiciary, as well. These decisions can sometimes turn into a penal sanction and sometimes into an administrative sanction.

Principles regarding Jurisdictional Procedures

Quality Control: SAIs must guarantee the quality of jurisdictional procedures through an efficient and systematic quality control. When all stages of the trial process are subject to quality control, jurisdictional activities are rendered effective for all parties. Although quality control is applicable to audits, as well, the quality control procedures regarding the trial process should be separately determined and conducted.

Judgment in a Reasonable Period: Excessively long jurisdictional procedures hinder legal security and fair trials of the accountable persons or others. Therefore, the durations of trials should be proportional to the complexity of the actions subject to the case. In particular, the jurisdictional principles and procedures supported by quality control processes contribute to the completion of trials in reasonable periods. This principle also requires that the appropriate instruments and procedures are used during the trials.

Communication to the Public: Like all other judicial decisions, the judgments of SAIs should be made public in line with the necessary confidentiality requirement and applicable limitations. Judicial institutions

take decisions in order to protect the rights of citizens. Thus, their decisions concern not only parties to the decision but also all citizens. As a result, SAIs should ensure that citizens have easy and unrestricted access to judicial decisions.

CONCLUSION

Thanks to their activities going back many years, SAIs have become specialised in financial audit and reasoning. While conducting audit on a public account, SAIs also benefit from the criteria specific to financial control and compliance and performance audits. In this respect, they conduct an integrated and comprehensive financial control in all aspects. Based on the results of this comprehensive financial control, the trial of a public official by the SAI or another branch of the judiciary due to public loss makes a significant difference in terms of specialisation, in particular. In other words, an SAI with jurisdictional function allows for the trial of public loss in a more accurate and swift manner.

In case of irregular expense, loss of income or any decrease in public funds, the judicial function has direct impact on the accountability of public officials who are directly responsible for these. Citizens expect public officials or those held accountable by law to spend public money in a proper manner. Thus, SAI decisions urge public officials to work more carefully and in an accountable manner.

On the other hand, one of the purposes of the activities conducted by SAIs is to try public officials in cases of public losses and compensate these losses. Contrary to the compliance and regularity audits, judicial function is a totally separate and complementary power. Using this power in case of any incompliance with financial legislation must be the duty of the SAI. For the public officials using public funds, knowing that they will be tried by the SAI all the time will always be a deterrent factor. The "raison d'être" of SAIs is to protect the interests of citizens. Fulfilment of this mission in a direct and rapid manner will be ensured through the jurisdictional activities of SAIs.

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