

IV. Action Plans

<i>International standards issue</i>	<i>Current status</i>	<i>Activity decided to move towards international standards</i>
STATUTORY FRAMEWORK FOR ACCOUNTING		
1. Does the Public Sector Accounting Law adopt IPSAS?	The current budget law (Article 55) specifies international accounting principles and allows IPSAS to be applied. It also specifies other information e.g. on certain assets and liabilities that should be provided in the financial reports.	For the immediate future the cash basis IPSAS standard will be used but some liabilities and assets are already brought to book. Notes to the annual financial statements can be used to show these details. An accrual accounting system would be the best way for the future to collect credible, auditable information for these accounts.
TRAINING AND ACCOUNTANT COMPETENCE		
2. Does education and training of accountants' conform to IFAC International Education Standards?	No. Assistance from an international professional distance or other learning institution is needed to build local education and training facilities.	A working group to be formed of relevant stakeholders to come up with an approach, and this should go hand in hand with the establishment of a national accounting profession covering Afghan accountants and auditors practicing in government and other sectors. The Cabinet has recently formed a Committee of Ministers to ensure progress in accounting and auditing issues.
TRAINING AND ACCOUNTANT COMPETENCE		
3. Does the Code of Ethics match international standards?	No. Relevant parts of the IFAC Code should be adopted for accountants.	The proposed Afghanistan Accounting Association (AAA) together with other stakeholders it considers to be relevant should examine this issue (and other training issues) for the accounting and auditing profession to serve both the public and private sectors. Additional training academies may be needed.
SETTING ACCOUNTING STANDARDS		
4. Is there a body to prescribe public sector accounting standards?	The law already specifies that international accounting principles should be used.	A body needs to be delegated by Ministry of Finance to provide guidance on implementing the international standards rather than create other standards. The AAA is likely to be the appropriate body. The private sector standards should also be covered by this body or a sister body. The adoption of accrual standards needs to be addressed early so that implementation is practical and this body should also examine this issue.

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FINANCIAL REPORTING		
5. Are the financial statements in accord with the IPSAS standard?		
6. Is the statement of cash receipts and payments in IPSAS form?	No. IPSAS reporting format needs to be used.	Ministry for Finance should mandate the adoption of the IPSAS international requirements as soon as practicable.
7. Are accounting policies and explanatory notes required?		
8. Are other disclosures in accord with IPSAS?		
9. Does the government issue a consolidated financial statement which consolidates all controlled entities?	Not feasible in the short term.	A Central Government Cash Flow statement can be developed immediately and consolidation of controlled entities left for a later time. The controlled entities should be identified and listed in a note to the accounts so that the reporting entity is fully identified. A plan should be put in place to require reporting for these controlled entities as individual entities. The longer term plan to consolidate these controlled entities should be the second step in the process leading to Afghanistan complying with IPSAS more fully. The Treasury is addressing these issues and may be assisted by an Advisory Board to assess the steps that should be taken.
STATUTORY FRAMEWORK FOR AUDITING		
1. Is the SAI statutory framework in accord with the needs of the INTOSAI Auditing Standards?	No. A new Audit Act is needed.	The latest draft is to be revised by Audit Advisor with CAO, to take account of the UNDP guidance.
SETTING AUDITING STANDARDS		
2. Is there a body to prescribe public sector auditing standards?	No. The new Audit Act should adopt IFAC ISA.	The Advisory Board to be established to provide advice on accounting standards is to advise on the adoption of the guidance currently being prepared by INTOSAI and IAASB.
3. Have INTOSAI and IFAC audit standards been adopted?	CAO has adopted INTOSAI Auditing Standards. An audit manual should follow IFAC ISA.	Audit Manual under preparation needs to provide guidance on compliance with these standards and what is needed to comply with IFAC ISA.
4. Has a code of ethics equivalent to the INTOSAI standards been adopted?	Yes. All staff have signed the existing COE in the SDP	COE will be reviewed by CAO to ensure it is Best Practice.

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ENSURING INDEPENDENCE OF THE AUDITOR		
5. Is the accountability process in the SAI in accord with INTOSAI Auditing Standards?	No. The Strategic Development Plan will introduce the process.	INTOSAI tests will be applied and actions included in SDP.
6. Does the SAI legal framework meet the INTOSAI standards for independence and powers?	No. A new Audit Law is needed.	New law drafted, but constitution is silent on independence, and change in the short term is unlikely. However CAO should, when practicable, approach the constitutional committee on issues such as independence, immunity from prosecution, and financial autonomy.
TRAINING AND AUDITOR COMPETENCE		
7. Does the education and training of auditors accord with INTOSAI and IES standards?	No. Assistance from a professional distance-learning institution to impart local training is required.	New training offered should take account of the IES guidance.
8. Is the SAI equipped with the audit methods and technologies to meet the INTOSAI Auditing Standards?	No. The Strategic Development Plan will assist but additional resources will be needed.	Options are needed for developing additional IT training. Methodology for IT audit is to be adopted and training developed. Options for using computers to improve audit and administration of audits will be examined. Numbers of computers available also to be examined.
QUALITY ASSURANCE		
9. Does the SAI have the quality assurance programs to meet international standards?	No. The Strategic Development Plan will introduce the process.	Current actions are considered sufficient
AUDIT PLANNING AND CONDUCT		
10. Does the process to plan the audits meet international standards?	No. The Strategic Development Plan should introduce the processes.	Current actions are considered sufficient
11. Does the process to supervise the audits meet international standards?		
12. Does the process to evaluate the reliability of internal control meet international standards?		
13. Does the process used in audits to assess compliance with laws meet international standards?		

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14. Does the audit process used to obtain evidence to support conclusions meet international standards?		
AUDIT REPORTING		
15. Does the audit analyze the financial statements for compliance with acceptable accounting standards for financial reporting and disclosure?		
16. Does the auditor prepare an audit opinion in a form that accords with international standards?	Yes, broadly.	Current intended actions are considered sufficient
17. Does the consideration of fraud and error in an audit of financial statements accord with international standard?		
RESPONSE TO AUDIT REPORTS		
18. Is the process for taking action on audit recommendations sufficiently effective to meet international standards?	No. Follow up is inadequate. The Audit Law should arrange for reports to be tabled and made public when tabled. Stronger scrutiny processes are needed.	Recommendations should be risk-based and deal with the causes of deficiencies. The establishment of Ministry Audit Committees and a Parliamentary Committee focused on reviewing audit findings is to be encouraged. A very good audit process must be in place for proper acceptance and development of a cooperative relationship.