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## ACTION PLANS

<b>Standards Issue</b>	<b>Current status</b>	<b>Steps to be taken to move toward international standards</b>
<b>ACCOUNTING</b>		
1. Has the Public Sector Accounting Law adopted IPSAS?	Not formally. The Finance Department has since 2002 been preparing annual accounts increasingly in accordance with the Cash Basis IPSAS. However there is no current prescription by law for the adoption of IPSAS.	<p>Need for a financial management law adopting IPSAS full accrual by a specified date, and for the Department of State Accounts to develop a transition path<sup>7</sup> first through the requirements of the Cash Basis IPSAS then to accrual IPSAS. Improvements in technology will be needed to support the system.</p> <p>No act is required at this time. Financial Regulations could be appropriately amended to adopt IPSAS. <i>Dept. of Public Finance of the MOF&amp;P to take the initiative by mid 2007 in consultation with all stakeholders.</i></p>
2. Does the education and training of accountants' accord with IES?	Substantially but not formally. Government accountants are required to hold a university degree in accounting or its equivalent. Further training is also provided but not in strict accordance with the IES.	<p>The proposed improvement of accountancy training institutions should be used to strengthen public sector accounting and auditing skills.</p> <p>A proposal for WB funding for collaboration with CIPFA is in progress and is under consideration by MOF. Implementation is likely during 2007. <i>DG State A/Cs could prepare a proposal to explore possibilities of including IPSAS in efficiency bar exams for service progression and also inclusion of IPSAS in the curriculum of universities and INQAF/SLIDA to meet IES. Progress is expected during 2007.</i></p>

<sup>7</sup> IFAC Public Sector Study 14 'Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities' provides transition guidance.



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3. Does the Code of Ethics match international standards?	No. There is a Civil Service Code but this is not specific to accounting.	A specific code based on IFAC or the ICASL should be prepared and adopted for use by public sector accountants. <i>A Public Sector Committee could explore the possibilities (see point 4 for setting up a PSC) during early 2007.</i>
4. Is there a body to prescribe public sector accounting standards?	No. ICASL provides standards for commercial accounting.	The Ministry of Finance and the ICASL should establish a public sector committee to establish standards for the government sector.  <i>By mid 2007 DG State A/Cs to initiate a proposal for setting up a Public Sector Committee.</i>
5. Are the financial statements in accord with international standards?	Government accounts are substantially in accord with Cash Basis IPSAS. SOE accounts follow IFRS but the accounts are usually qualified by the auditors on serious grounds.	Audit Committees in public sector entities should assure better compliance. A more effective supervisory regime is needed for SOEs.
6. Is the statement of Cash Receipts and Payments in IPSAS form?	Substantially. Third party payments are not shown separately	
7. Are accounting policies and explanatory notes required?	Yes.	The transition path should make the improvements that are needed. <i>WB arranged a workshop on IPSAS on October 27, 2006.</i>
8. Are other disclosures in accord with IPSAS?	Substantially.	
9. Does the government issue a consolidated financial statement which consolidates all controlled entities?	No. Only the Central Government Sector is covered. Public enterprises, SOE and statutory boards are not included in the accounts.	Further steps will be needed to include controlled entities.  <i>WB to discuss the support required with DG State A/Cs by mid 2007.</i>
<b>AUDITING</b>		
1. Is the SAI statutory framework in accord with the needs of the INTOSAI Auditing Standards?	Partly. There is constitutional support, but there is no Audit Act that deals specifically with the Auditor General and provides adequate administrative and financial arrangements to ensure proper support for PFM	A specific National Audit Act is required that meets international standards. <sup>8</sup> The new Act should provide a broader base to undertake all forms of audit. The Audit Act should contain an adequate offences clause.  <i>A draft audit act has been prepared and is awaiting approval. A decision is in prospect by end 2007.</i>

<sup>8</sup> Guidance is provided by "A Model National Audit Office Act," *The Association of Chartered Certified Accountants, United Kingdom, 2004.*

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2. Is there a body to prescribe public sector auditing standards?	No.	The Auditor General and the ICASL should establish a public sector committee to establish standards for the government sector. <i>AG and the DG State A/Cs will coordinate the proposal for setting up of a PSC by mid 2007.</i>
3. Have INTOSAI and IFAC audit standards been adopted?	Yes, but there is no document that lists out the public sector audit standards.	The National Audit Act should specify arrangements to adopt INTOSAI and IAASB International Standards on Auditing. Action awaits the approval of the new Audit Act as above.
4. Has a code of ethics equivalent to the INTOSAI standards been adopted?	No. The Code of Conduct for Public Sector Accountants is mainly based on the Establishment Code for Public Servants.	A code of ethics equivalent to the INTOSAI Code needs to be adopted. The proposed IDP implementation will address the adoption of INTOSAI code with guidelines for compliance. Implementation is likely during 2007.
5. Is the accountability process in the SAI in accord with INTOSAI Auditing Standards?	Yes.	
6. Does the SAI legal framework meet the INTOSAI standards for independence and powers?	No. For example, greater independence is needed in the areas of administration and resources.	The new National Audit Law should provide for all of the eight core INTOSAI principles of independence. The draft act addresses most of the principles.
7. Does the education and training of auditors accord with INTOSAI and IES standards?	Not sufficiently. Peer reviews of the AG Department have shown inadequacies.	Draft legislation has been prepared to establish a Public Sector Professional Accountancy Institute which merges two current public sector training institutes. This institute should follow IES requirements. A skills analysis is required for the AG Department and a review of training and performance management systems. <i>A proposal for funding CIPFA collaboration is under discussion between MOF and the WB. The IDP implementation will address skills analysis during 2007 and 2008.</i>
8. Is the SAI equipped with the audit methods and technologies to meet the INTOSAI Auditing Standards?	No. The current audit methods are attuned to budget compliance checking. Major changes to audit methods are needed to support certification audit. Greater technology is needed.	The AG Department needs to improve training, building in-house capacity for financial, performance, fraud, environmental and IT audits. An audit management system is needed for the AG Department. <i>An Institutional Development Plan has been prepared but not yet implemented. Implementation of this plan will deal with this issue and the deficiencies outlined in the items following.</i>

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9. Does the SAI have the quality assurance programs to meet international standards?	No.	A quality assurance program should be introduced.
10. Does the process to plan the audits meet international standards?	Partly. Audit planning is not sufficiently tailored to the audit client.	
11. Does the process to supervise the audits meet international standards?	No. Working paper systems are insufficient to support proper supervision.	The Institutional Development Plan prepared by the UK and The Netherlands SAIs will correct these deficiencies, if implemented.
12. Does the process to evaluate the reliability of internal control meet international standards?	No. The orientation is to identify deficient transactions rather than verify the systems of control.	
13. Does the process used in audits to assess compliance with laws meet international standards?	Yes.	
14. Does the audit process used to obtain evidence to support conclusions meet international standards?	No. Working paper systems are insufficient.	The Institutional Development Plan prepared by the UK and The Netherlands SAIs will correct these deficiencies, if implemented.
15. Does the audit analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with?	Yes.	
16. Does the auditor prepare an audit opinion on the financial statements in a form that conforms to the international standards?	Yes.	
17. Does the consideration of fraud and error in an audit of financial statements accord with the international standard?	Yes.	
18. Is the process for taking action on audit recommendations sufficiently effective to meet international standards?	No. The system of response is inadequate.	<i>Introduce a system of recommendations and methods to monitor that the recommendations are implemented, and report on the process in an annual AQ Activity Report.</i>

