

**Minutes of the 13th Meeting of INTOSAI
Working Group on Fight Against Corruption and Money Laundering
(WGFAFACML).
Nanjing – China (25-26 April 2019)**

The 13th Meeting of the INTOSAI Working Group of WGFAFACML was held in Nanjing –China 25-26 April 2019 .

The meeting was presided over by **ACC. Mrs. | Mona Tawheed** (ASA Vice President) on behalf of **Counselor / Hesham Badway** the President of the Egyptian SAI (ASA) and the Chairman of the Working Group.

The meeting was held in the Audit Academy of CNAO , which was established on 29th August 2011 . Now ,the Academy is the biggest –sized training institute affiliated to CNAO .

The following is a list of the participants of the meeting:

	Name	Position	Organization
1.	Mrs. Mona Tawheed	ASA Vice president on behalf of the Chairman of WG-FACML	Accountability State Authority - Egypt
2.	Mrs. Nihal Mahdy	General Manager	Accountability State Authority - Egypt
3.	Mr. Islam El-Afifi	General Manager	Accountability State Authority - Egypt
4.	Mr. Rene Wenk	Director	Austrian Court of Audit
5.	Mr. Rogerio Correa	Director of Research and Strategic information	Tribunal de Contas da Uniao of Brazil
6.	Ms. Pang shufen	Director General	National Audit Office of China
7.	Mr. Wang xiaosheng	Director	National Audit Office of China
8.	Mr.Xing Jianfeng	Director	National Audit Office of China
9.	Ms.Han Ningyi	Principal Auditor	National Audit Office of China
10.	Mr. Jiri Kruta	Head of Unit	Supreme Audit office of Czech Republic
11.	Ms. Blanka bolerazka	Head of unit	Spreme Audit office of Czech Republic
12.	Ms.Maria valenina Zarate	Secretary General	Contraloria General del Estado of Ecuador
13.	Mr. Pineshwar Prasad	Director of Audit	Fiji
14.	Mr. Mitieli nawaqavou	Senior Auditor	Fiji

15	Mr. Herald Klein	Senior Auditor	Bundesrechnungshof (Germany)
16	Ms.Keerti Tewari	Director General	India
17	Mr. Dwi Sabardiana	Deputy Director	Audit Board of Indonesia (BPK)
18	Mr. Riki	Auditor	Audit Board of Indonesia (BPK)
19	Mr. Wathib Toma Orah	Director General	Federal Board of Supreme Audit of Iraq
20	Mr. Majeed harkan marzooq Al-Fatla	Counsel	Federal Board of Supreme Audit of Iraq
21	Ms.Aseel Khalid Ibrahim Al-Itbi	Legal	Federal Board of Supreme Audit of Iraq
22	Ms.leena Saad Faaik Al-Abbaichy	Translator	Federal Board of Supreme Audit of Iraq
23	Mr. Ahmed Ibrahim Al Maawali	Director	Supreme Audit Institution of Oman
24	Mr. Khaild Saif Khalaf Al Kharusi	Director of Vice Chairman Office	Supreme Audit Institution of Oman
25	Mr. Andrzej Panasiuk	Director of Regional Branch	Supreme Audit office of Poland (NIK)
26	Mr. Lukasz Jarocki	Senior Public Auditor	Supreme Audit office of Poland (NIK)
27	Mr. Mwawa Bakari Mageuza	Assistant Auditor General	National Audit Office of Tanzania
28	Mr. Samson David Mwamwembe	Forensic Auditor	National Audit Office of Tanzania
29	Ms. Eva Salmon Odunga	Auditor	National Audit Office of Tanzania
30	Dr. Sutthi Suntharaurak	Head of Academic Division	State Audit Office of the kingdom of Thailand
31	Mr. Pitikhun Nithanom	Head of International Development Division	State Audit Office of the kingdom of Thailand
32	Ms. Triana Mcneil	Acting Director	US Government Accountability Office
33	Mr. Abubaker Alsaggaf	President	Central Organization for Control and Auditing (COCA)
34	Mr.Fahmi Mansor Mohamed	Deputy President	Central Organization for Control and Auditing (COCA)
35	Mr. Ahmed Ashayban	Advisor	Central Organization for Control and Auditing (COCA)
36	Mr.Masiye W.Banda	Deputy Director	Office of the Auditor General of Zambia
37	Mr. John Mulenga	Principal Auditor	Office of the Auditor General of

			Zambia
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First Day : April 25, 2019.**1- Item 1 : Welcome Speech.**

Mr. Hao Shuchen, Deputy Auditor General of the National Audit Office of China , opened his speech by welcoming the WG members and conveying the greetings and congratulations from Mme. Hu Zejun, Auditor General of the National Audit Office of China (CNAO) , he also conveyed her gratitude to the working group for choosing China as the meeting venue, and a warm welcome to all the distinguished guests present today.

He also mentioned that the WG under the leadership of Counselor / Hesham Badawy, president of the Accountability State Authority (ASA) of Egypt, has made remarkable progress in promoting international cooperation, knowledge sharing and experience sharing in the fight against corruption and money laundering field.

Then he highlighted , the role of the CNAO Audit Academy (the place of the meeting) that has made many contributions to the capacity development of the INTOSAI community.

After that he highlighted corruption as a social plague , and the efforts of the government to fight it through taking out tigers and swatting flies (namely senior and low ranking officials) , these efforts have been fruitful and hailed by the general public.

CNAO pays close attention to the improper use and management of funds and assets, especially acts in violation of laws and disciplines including corruption, embezzlement, dereliction of duties, illegal fundraising, etc. In the mean time, systemic problems are studied based on individual cases, so as to make sure institutions and systems are abused to breed corruption

He also previewed the efforts of CNAO against corruption, in 2015, CNAO led and completed the ASOSAI research project titled ***"Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering"***, which was a successful practice for INTOSAI regional organizations to conduct research on corruption and money laundering.

At the end of his speech , he wishes the meeting a complete success and a pleasant stay in China.

He also thanked counselor / Hesham Badway (WGFA CML president) and his team as the WG has made remarkable progress in promoting international cooperation, knowledge sharing and experience sharing in the fight against corruption and money laundering.

2- Item 2 : Opening Speech.

ASA Vice President *Acc .Mona Tawheed* On behalf of *Counselor /Hesham Badawy* the ASA President and Chair of the WG started her speech by conveying Counselor /Hesham Badway best regards to the hosting team and all the attendees , she also stated his deep sorrow for not being able to attend due to urgent commitments .

After that she expressed her sincerest thanks and gratitude to the National Audit Office of China and the organizing staff for hosting the meeting and the generous hospitality and reception.

Then she previewed the efforts of the Egyptian government to fight corruption , especially the National Strategy for fighting corruption 2014-2019 ,which encompasses various principles, the most important among which are ; the enhancement of transparency , non-biased accountability principles and to deliver a clear message that fighting and deterring corruption is a common obligation and responsibility among all State's entities and the Egyptian people.

The second version of the said National Strategy to combat corruption 2019-2022 was set as the general Strategy of Egypt country in this field after considering the challenges that encountered the 2014-2019 strategy ,that was addressed after reviewing international practices on means of fighting corruption and determining best implementation approaches to apply it in Egypt.

Then , she addressed the way to eradicate the phenomenon of corruption and money laundering , that is through developing similar legislative rules in various countries . The cooperation among countries, entities and organizations will limit the existence of corruption acts.

At the end, she highlighted the great role of SAIs to play to implement SDGs especially those concerning good governance to promote anti corruption efforts.

3- Item 3 : Group Photo .

After the opening ceremony and welcoming speech , the participants went to take the meeting group photo in the lovely scenery of the Audit Academy .



4- Item 4 : Reviewing Meeting Agenda .

Mr. Islam khaled from the WG General Secretariat previewed the meeting agenda , and a presentation on behalf of the SAI of Mexico has been added on the second day .

5- Item 5 : PROPOSAL GUIDE “STANDARDS FOR THE SOCIAL CONTROL AND PUBLIC FUNDS”

- SAI of Ecuador:

Ms. Maria valenina Zarate from the SAI of Ecuador previewed the proposal of the guide concerning : **“STANDARDS FOR THE SOCIAL CONTROL AND PUBLIC FUNDS”**.

At the beginning *Ms. Maria* stated that the guide seek to set mechanisms that SAIs adapt in their own audit processes in order to generate a direct relationship with external actors (citizens) that support and strengthen the development of the audit processes.

The guide is based on the principle 6 of ISSAI 12: "Communicate with stakeholders effectively". In this framework communication process between SAIs and external actors is an important matter in the auditing process.

She noted that there are three identified mechanisms to apply Social Control of Public Funds to the auditing processes:

- Public Hearings
- Citizen Oversight
- Citizen Complaints

Then she mentioned them in a kind of more details , as follows:

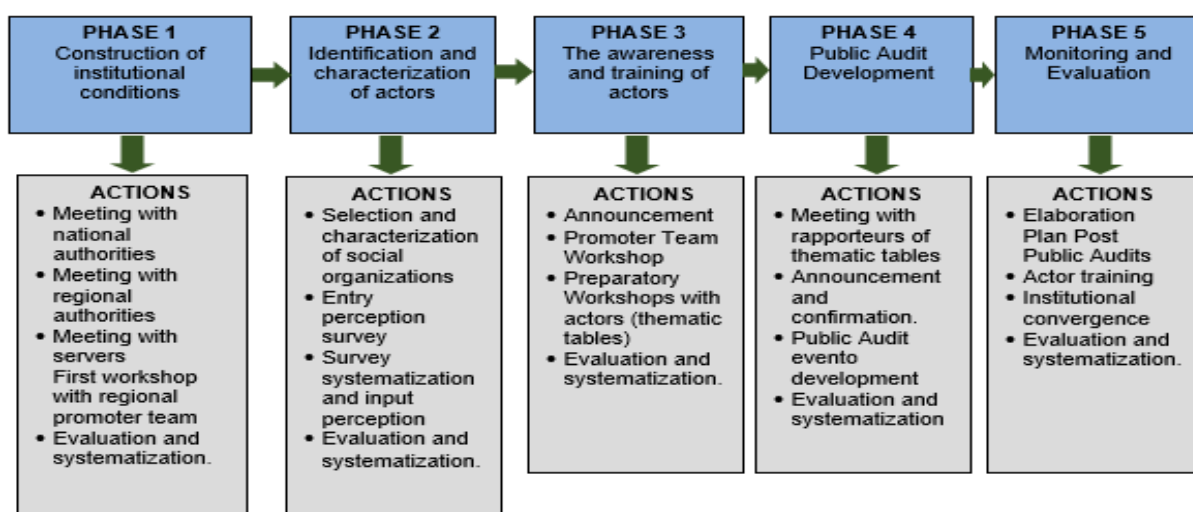
1- Public Hearings

This mechanism strengthen the transparency and accountability by incorporating the citizen perspective in the control actions based on citizen priorities.

❖ PRINCIPLES OF PUBLIC HEARINGS:

- a) Respect
- b) Providing spaces
- c) Contrasting
- d) Conceptualization
- e) Promoting commitments
- f) Permanent technical support
- g) Delivering information
- h) Socialization
- i) Evaluation

❖ PUBLIC HEARINGS PROCESS



2- CITIZEN OVERSIGHT

The direct presence of the citizens in the auditing processes gives legitimacy to them, as well as enhance the principles of democracy, transparency and efficiency.

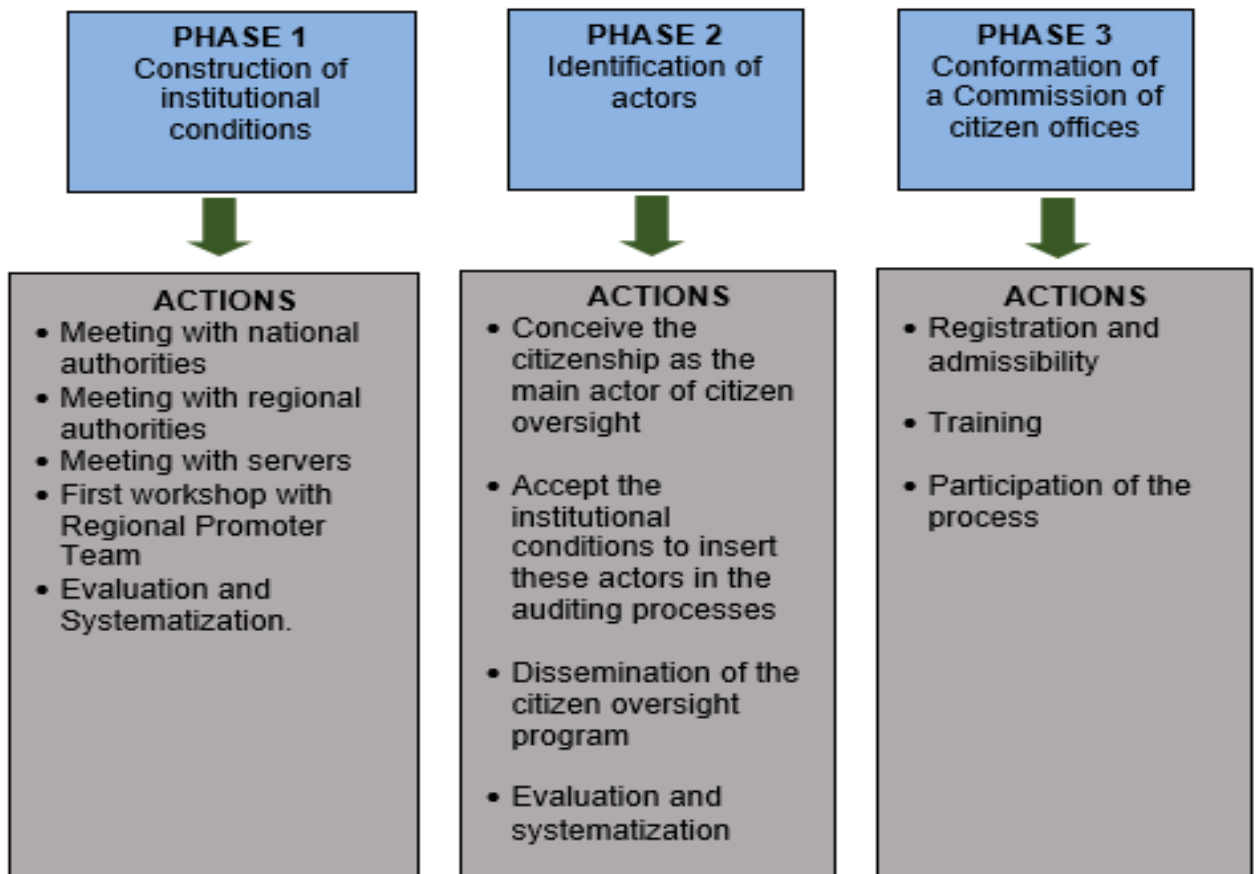
❖ PRINCIPLES OF CITIZEN OVERSIGHT:

- a) **Responsibility and co-responsibility**
- b) **Objectivity**
- c) **Transparency**
- d) **Efficiency**

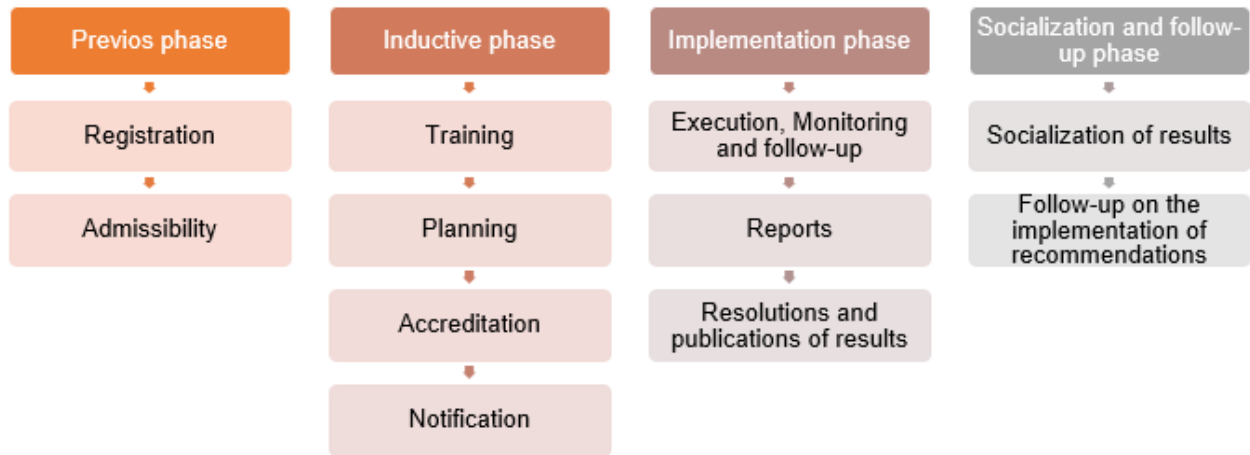
❖ CITIZEN OVERSIGHT PROCESS HAS TWO STAGES:

1. **Initiation**
2. **Implementation**

1- Initiation



2- IMPLEMENTATION



Then she moved to the third mechanism:

3- **Citizen Complaints**

She defined them as Actions through which a citizen formally shows disagreement to an irregularity or crime. This is a way by which citizens can establish a direct relationship with a competent authority or unit, in order to improve public management.

❖ **PRINCIPLES OF CITIZEN COMPLAINTS:**

- a) **Responsibility and co-responsibility**
- b) **Objectivity**
- c) **Transparency**
- d) **Efficiency**

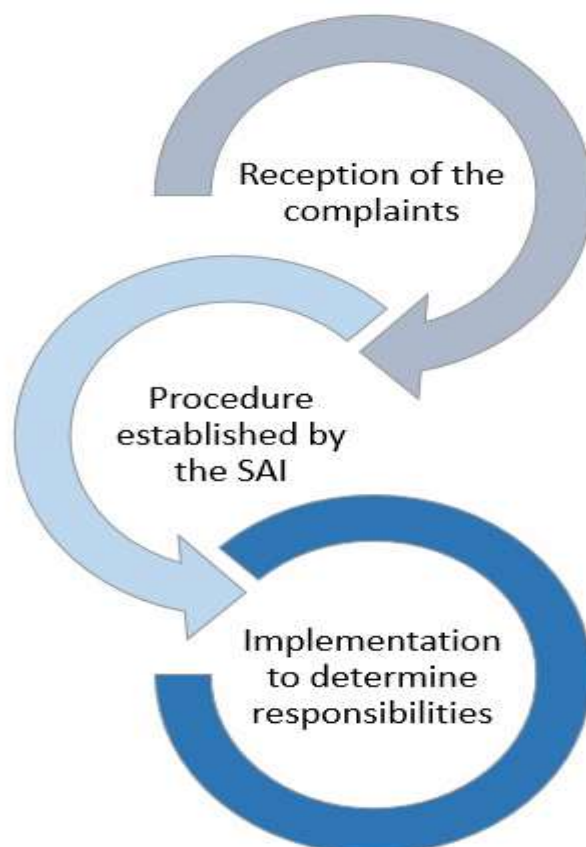
❖ **CITIZEN COMPLAINTS PROCESS HAS TWO STAGES:**

1. **Initiation**
2. **Implementation**

1- **Initiation**

Initial phase	Means to receive complaints	Requirements for citizen complaints	Principles of complaints
<ul style="list-style-type: none"> Identify the citizens, units and relevant authorities, as actors in the development of the process. Promote this mechanism public and invite to participate in it. 	<ul style="list-style-type: none"> Website Personally Direct phone line (1-800) Correspondence 	<ul style="list-style-type: none"> Should be related to the competences of the SAI. Match criteria and formal requirements established by the SAI. Avoid duplication of cases and inefficiency. Submit valid inputs to verify veracity of the complaint. 	<ul style="list-style-type: none"> The complaint should answer: Where? , What? And When? Respond to Public Interest. Non-exclusive nature.

2- Implementation



At the end of her presentation ,she affirmed on the commitments of the SAIs and their importance , those commitments are :

❖ **COMMUNICATION AND NOTIFICATION TO THE COMPLAINANT**

1. Receipt and communicate the result of the qualification of the complaint.
2. Communicate the evaluation made to the complaint.
3. Information on the status of the complaint.

❖ **PROTECTION OF THE IDENTITY OF THE COMPLAINANT**

The identity of the complainant will be protected under the current regulation of each SAI, in order to safeguard the his/her integrity and security along the process.

6- Item 6 : second guideline “Stolen Assets Recovery”

USA- GAO

Ms .Tirana Mcneil from the GAO of USA previewed the second guideline concerning stolen assets recovery.

She started her presentation about by reviewing the history of the guideline initiation and the work done so far.

The guideline was approved to be developed with WGFA CML Work Plan 2014-2016 along with other guidelines.

The current subgroup members are USA (Chair), Egypt, Poland and Tanzania.

The goal of the guideline is to be a practical toolkit for SAI auditors. It is based on best practices, strategies and actions. It contains a lot of information from the US GAO Green Book, best practices and information from SRAR (Stolen Asset Recovery Initiative). Ms. McNeil promised that the guideline will be short and clear. It will be well supported, with high quality and consistent with other work concerned with asset recovery and with other documents produced by our international partners.

During the 11th WGFA CML meeting in Arusha, 2017, the OAG of Tanzania presented an outline for the guideline. The US GAO has worked closely with the OAG of Tanzania mostly either meeting in person or via video teleconferencing making sure that the Appendix Toolkit (Questions for SAI Auditors to supplement existing procedures) is being developed in a timely manner. The appendix includes about 80 questions that different SAIs can use to support any of their audits related to Asset Recovery.

The guideline subgroup’s goal for the next WGFA CML meeting is to have a full draft of the guideline.

The guideline is organized to have information about:

- Importance of asset recovery and SAI role
- Asset recovery steps
 - Identifying, Freezing, Seizing assets
 - Confiscation/Forfeiture

- Repatriation

- Agencies within the SAI's country that have responsibilities related to asset recovery efforts
- How do these agencies collaborate (within the country) to implement asset recovery?
- Do the agencies involved have sufficient resources and expertise?
- Has the SAI country been involved in working with the STAR initiative? And have they ever requested any technical assistance? Star provides a lot of training and help especially for countries that do not have a lot of experience with asset recovery.
- To what extent are there clear policies and procedures for seizing assets? (i.e., initiating asset seizure, gathering and tracing assets, securing assets, and setting and enforcing court orders)
- To what extent has the SAI's country been involved in repatriation? e.g. are there any available cases for review?
- What legislative measures are in place to enable the return of confiscated/forfeited property?

The guideline will also provide some case studies as the subgroup has been doing some research in Guyana and Brazil, for example. Ms. McNeil called for case studies contributions from other SAIs about successful asset recovery and repatriation. Examples of failure are welcome, too.

Ms. McNeil indicated that the SAIs of Tanzania and Poland have been extremely valuable partners to the US GAO in developing this guideline. Also, the ASA of Egypt helped initially to get this guideline moving. The US GAO will be happy to receive any additional support and assistance from other member SAIs.

7- Item 7 : Third Guideline “Audit of Corruption Prevention in Public Procurement “

Germany – Austria

Mr. Rene Wenk from the Austrian court of Audit the co-chair of subgroup 2 .

He started his presentation with mentioning the members of the subgroup ,and that Austria became co-chair since April 2018.

After that he highlighted that we have ISSAI 5700 (Audit of Corruption Prevention), but this guideline focuses on the audit of corruption prevention measures in public procurement ,taking into account:

- Avoidance of duplication
- Specialities of the public procurement process
- Already existing international documents

After that he moves to the structure of the guideline :

1. Introduction (SAI of Austria)

- Scope of the Guideline
- Reference to “The Fundament” – ISSAI 5700
- Explanation of “The Amendment” – actual guideline

2. Corruption in Public Procurement (SAI of Poland/Austria)

- Definition
- Types of corruption
- Typical risks
- Impact of corruption

3. Public Procurement (SAI of Czech Republic)

- Principles of public procurement
- Types of award procedures
- Stages of procurement processes

4. Corruption Prevention on organizational level (SAI of Austria, Malaysia, Poland)

- Requirement of professional management
- Supporting instruments and tools (e.g. e-procurement)

5. Corruption Prevention in simplified procurement processes (SAI of Oman) (NEW CHAPTER)

- Procurement below a certain threshold
- E.g. market research – value for money – quotation

6. Corruption Prevention In the different stages of the Procurement Process (SAI of Germany, Oman, Iraq, Namibia)



He affirmed that every stage has the same structure:

Risk	Red flags	Likely consequences	Preventive Actions
Understatement of the need	Considerable deviation compared to previous purchases	Purchase of unsuitable product or service Need not satisfied	Profound and unbiased analysis of needs
Overstatement of the need	Considerable deviation compared to previous purchases	Waste of funds	Profound and unbiased analysis of needs

At the end of his presentations he previewed the following next steps :

- Minor amendments to be made
- Request for approval of the project proposal and the exposure draft from FIPP
- Publication of exposure draft
- Evaluation of comments and remarks
- Meeting in Egypt next year (2020)

8- **Item8 : new proposal for the WG plan “Public-private partnership (PPP) SAI of Poland**

Mr. Andrzej Panasiuk from the supreme audit office of Poland (NIK) previewed a new project proposal a guideline for “*Anti corruption practices in concession and public private partnership projects*”.

- **Project aim:**

The main aim of the project is to draft practical guidelines, to assist the public sector auditors in the fight against corruption in the concession and public-private partnership projects.

- **Project objectives**

- To define the role of SAIs in the fight against corruption in the concession and public-private partnership projects;
- To develop methods for the identification of the areas at risk;
- To draft practical guidelines on how to plan and conduct audits related to the fight against corruption;
- To prepare practical guidelines for auditors on how to conduct audit activities in course of audits related to the fight against corruption

Then he mentioned that we have 2 endorsed INTOSAI documents ,they are ISSAI 5220 “ *Guidelines on best practices for the Audit of public /private finance and concessions* “ it was endorsed in 2007 , the other document is ISSAI 5240 “*Guideline for best practice for the Audit Risk in public /private partnership (PPP)*”, it was endorsed in 2004.

Then he mentioned the most related issued documents ;



He also highlighted *the Directive 2014/23/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL* of 26 February 2014 on the award of concession contracts. This directive is responsible for law harmonization in European states.

At the end of his presentation , he assured that the NIK has implemented that kind of audit before.

9- **Item9 : Lesson learned from literature review about SAI fighting against Corruption**
SAI of Thailand

Dr. Sutthi Suntharanurak - Head of International Academic Division within the State Audit Office of the Kingdom of Thailand previewed a Literature Review about SAI and fighting against corruption and when does the matter emerged .

- 1- The paper of *Vinod Sahgal (1996) from World Bank* which seemed to be the first paper to discuss the role of SAI and control corruption.

Box 10: The SAI and the Control of Corruption

Vinod Sahgal (1996) has identified the following steps that an SAI can take to improve its capacity to curb corruption:

- Clarify its mandate and mission statement regarding its role as a catalyst for combatting corruption
- Proactively promote policies that encourage ethical behavior in the public service
- Actively promote improvements in the quality of the public service
- Strengthen their Reporting and communication strategies
- Raise the public's awareness about ethics and corruption
- Work with educators to enhance communications in schools and homes on the subject of corruption

- 2- However, the awareness of SAI in fighting corruption was appeared firstly in *the 16th INCOSAI meeting* which held in *Montevideo*, Uruguay in 1998.
- 3- In 1998 Dye and Stapenhurst (1998) issued a paper that discussed the role of SAIs in promoting accountability and transparency within government and highlights the linkages between the audit institutions and other "pillars of integrity," notably the media and Parliament.
- 4- In 1999 Magnus Borge stated that SAIs should evaluate internal control structure to identify and correct weakness in order to maintain a preventive environment. Meanwhile, the detective role should be relevant to identify fraud indicators.
- 5- **In 2007 Kenneth Dye** pointed that the 16th INCOSAI meeting concentrated on the role of SAIs to fight against corruption especially the sharing SAIs experiences in preventing and detecting fraud and corruption also sharing methods and techniques for preventing and detecting fraud and corruption.
Dye mentioned that SAI should **strengthen investigative power** as well as **establishing forensic audit**.
- 6- **In 2005 & 2008 respectively , Modena and Evan** supported that SAI should create **a specialized unit for detecting fraud and corruption**.
- 7- **In 2010 Schelker and Eichenberger** proved the fact that external public audit in Switzerland can improve policy transparency and reduce wasteful spending.
- 8- Interestingly, three studies have explored the effectiveness and efficiency of government audit in China ;
 - The study of **Wei Qin, and Tang (2010)** discussed how the sanctions and penalties transfer of cases, **presentation of audit reports within news affect the operational security of public financial funds**.
 - **Li, Miao and Liang (2011)** examined the extent to which public external audit by **economic accountability can prevent acts of corruption**.
 - **Liu and Lin (2012)** show empirically how public external audit can help reduce corruption, using data from the provinces in China from 1999-2008. This paper analyzed the role of government audit in controlling corruption in China.
- 9- **In 2004 Darija Fabijanic** in his study focused on the important connections between introducing independent audits and anti-corruption mechanisms. Audits prove to be an important tool in preventing as well as in detecting corruption. However, not every type of auditing is suitable as an anti-corruption measure.
- 10- In 2015 ASOSAI issued a big study

**“Audit to Detect Fraud and Corruption
Evaluation of the Fight against Corruption and Money Laundering”**

Mentioning five roles for SAIs in fighting corruption & money laundering ;



Figure 2

Five roles of SAI to anti-corruption and anti-money laundering under SAI mandates

11-In 2015 **Reichborn-Kjennerud et al.** issued a paper ; The purpose of this paper is to explore this paradox by documenting SAIs' understanding of their role in relation to detection and prevention of corruption, and analyze the rationale behind their understanding. The research method involved case study analysis of documents and interviews of SAI staff.

12-In 2016 **Gherai et al.** made a study , this study concentrate on analyzing the influence of institutions in reducing/control corruption in the state of EU. Using an statistical method we built the econometric model is of simultaneous equations to examine interactions between the existence and the activity of the Supreme Audit Institutions and the control of corruption.

The result indicated that after controlling other factors, the more extensive the work of the Supreme Audit Institutions, the more it contributes to reduce corruption.

13-In 2018 **Assakaf and Samsudin** explored in their study the latest trends and gaps in the literature that investigate the link between corruption and public sector auditing.

The study is based on reviews of the academic literature and draws general conclusions on the status of the latest findings. The authors reviewed several literature on corruption focused on economic and political perspectives.

At the end of his presentation , **Dr. Sutthi Suntharanurak** assured that there is a growing awareness of the potential of involving SAIs in the fight against corruption. **Successful approaches include focusing audit planning on areas at high risk of corruption, cooperation and coordination with other anticorruption bodies, and engaging civil society in audit processes.** Training and capacity building activities are also important means of developing the anti-corruption expertise of public auditors as well as promoting knowledge sharing and cooperation between SAIs.

Finally he concluded his presentation in three points and they are ;

The role of SAI and fighting corruption	<ul style="list-style-type: none"> • National Integrity System and Pillar of Integrity • Preventive and Detective role • Model and mandate of SAIs and fighting corruption
Case studies and Evidence based about SAIs and fighting corruption	<ul style="list-style-type: none"> • The role of SAI China • The role of SAIs in EU • SAIs and Comparative studies
Key success factors of SAIs for fighting corruption	<ul style="list-style-type: none"> • SAI Independence and good auditing system • Types of audit

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10-Item 10: The Role of Government Audit in fighting Corruption

CNAO of China

Mr. Wang xiaosheng from CNAO of China previewed the role of the government audit in fighting corruption

At the beginning he previewed the recent achievements in anti-corruption of national audit office of china (CNAO):

- In 2018 , Audit institutions audited 75000 entities.
- Audit institutions helped to realize revenue increase , expenditure –cut and loss recovery by about 270 billion yuan .

Then he mentioned that Anti-corruption of China's audit institution has 4 pillars ,they are :

1.Standing higher to have a bigger picture.

- 2.Full coverage of Audit.**
- 3.Focusing closer on the key points.**
- 4.Digging deeper.**

Then he moved to the characteristic of Audit in Combating Corruption in China;

1.Taking advantage of professionalism.

In 2018, 18000 officials were audited all over the country, with a total amount of billions of Yuan held direct responsibility.

He also mentioned that "Regulations on the Selection and Appointment of Leading Officials of the Party and Government" stipulates on ;

“For the leading officials to be promoted and to be audited, the organization department shall entrust the auditing department to conduct audits in accordance with relevant regulations.”

In 2018, 18000 officials were audited all over the country, with a total amount of billions of Yuan held direct responsibility.

2.Establishing a synergistic mechanism.

- CNAO has established a system to strengthen cooperation in investigation stage which is the Central Commission for Discipline Inspection of the CPC .
- CNAO has established a consultation mechanism for case transfer and coordination, which is the Ministry of Public Security.

3.Strengthening defensive functions.

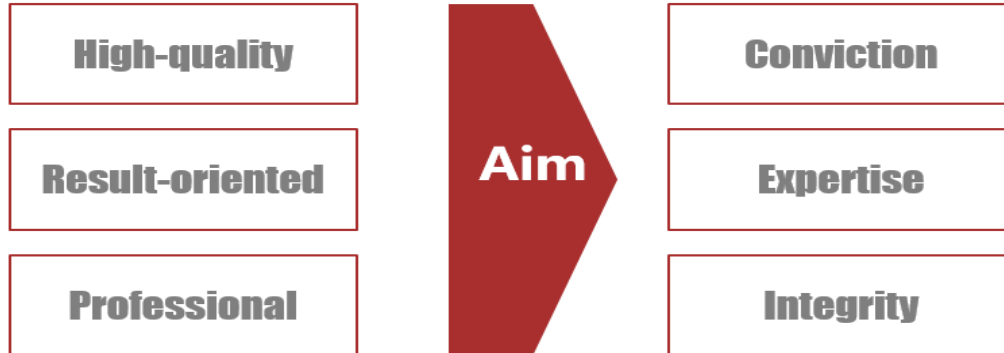
Focuses on treating minor illnesses and preventative treatment, while treating the illness that has occurred.

At the end of his speech ,he highlighted the importance of Experience Sharing that includes the following points :

1.Institutional mechanism building.

CNAO strengthened guidance for local audit institutions under a nationwide coordination system, optimized audit resources, and gave full play to the overall effectiveness of the audit work nationwide.

2.Capacity building.



3.Technology development.

- Conduct a comprehensive analysis of the data
- Discover the suspected clues during the analysis
- Conduct field audit to verify the clues

11-Item 11 : The Role of SAI Oman in Fighting Corruption

SAI of Oman

Mr. *Ahmed Ibrahim Al Maawali* from the SAI of Oman previewed the role of the SAI of Oman in fighting corruption . He started his presentation by affirming Oman commitment in fighting corruption through their commitment to ;

- United nations convention against corruption. (R.D 64/2013)
- Arab Convention against Corruption. (R.D 28/2014)
- Convention on combating bribery of foreign public officials in international business transactions. (R.D 41/2016)

He affirmed that fighting corruption in his SAI depends on two pillars which are :

- 1) Empowerment
- 2) Cooperation

1- The First pillar , **Empowerment** include many items , which are :

- Updated SAI law(2011/111)
- Members of SAI shall have the judicial authority”. (Art.7)
- Prevent conflicts of interest and financial or administrative violations”. (Art.8)

- “No investigations shall be initiated or public action filed against any member of SAI unless permission of the Chairman is sought based on the request of the Public Prosecutor”. (Art.18)
- New law (Protecting public money and avoiding conflict of interest (112/2011)
- “The government official must prevent misuse of public funds, and inform the authorities about violations related to public money”. (Art.5)
- “The government official is obliged to submit his Financial disclosure to SAI”. (Art.12)

Then he highlighted the tools used to implement those powers , those tools include :

- Review the complaints received by SAI on negligence or violation of applicable laws, regulations and decisions”. (Art.10)
- Direct reporting by visiting SAI headquarter or one of its branches.
- Send an e-mail to the SAI.
- Access to reporting service on the SAI website complaints .
- Calling toll free: 800000008
- Sending a fax to: 22070660
- P. O. 727 P. C 100 Muscat.
- Downloading smart phone application: SAI APP

2- The Second pillar , **Cooperation** depends mainly on cooperation between different government bodies fighting corruption and money laundry.

At the end of his presentation ,he previewed the main challenges that face their SAI and they are as follows;

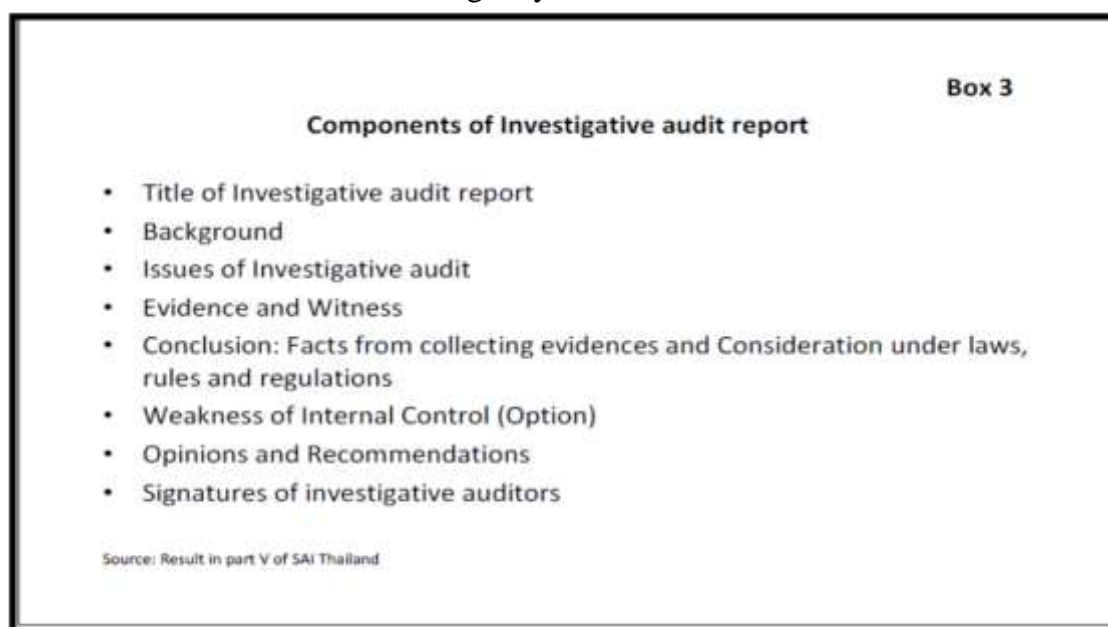
- Lack of experience.
- Lack of trust.
- Lack of work force

12-Item 12 : The Role of SAI Thailand and Fighting Against Corruption SAI of Thailand

Dr. Sutthi Suntharanurak - Head of International Academic Division within the State Audit Office of the Kingdom of Thailand previewed the role of the SAI of Thailand concerning fight against corruption.

At the outset , he previewed the development of rules and laws concerning fight against corruption :

- **In 1933** the State Audit Act has issued the role of government auditor to fight against corruption especially the corruption, embezzlement, and fraud in public financial management.
- **In 1979** the State Audit Act explained the anti-corruption process when the auditor found the audit finding which might be related to corruption. The auditor investigated the case and reported to the law enforcement agency. The special audit type is called as **the investigative audit**.
- **In 1999** the State Audit Act still clarified the anti-corruption process when the auditor found the audit findings which might be related to corruption. The investigative auditor reported the case to the State Audit Commission (SAC) to consider the investigative audit report. If SAC agreed with the report, SAC submitted the case to the law enforcement agency.



- **In 2018**, the State Audit Act 2018 has been enforced which issued the role of SAI Thailand and anti-corruption.
This act has extended the mandates related to anti-corruption. Interestingly, it mentioned the collaboration between SAI and anti-corruption agency in Thailand known as National Anti-Corruption Commission (NACC). Furthermore, the mandate covered anti-corruption in political issues like auditing the conflict of interest of Member of Parliament (MP) and issues related to the Electoral Commission.
This act focused on both preventive and detective roles of anti-corruption.

After that, he mentioned the following steps concerning the role of public sector audit and fighting corruption, he stated the following points:

- 1- **Performance Audit of Institutional Framework for Fighting Corruption (IDI approach)**

- PA could demonstrate lack of economy in resources allocated to the fight against corruption.
- PA could show lack of efficiency in systems and functions regarding institutional framework for fight against corruption.
- PA could emphasize lack of effectiveness of policies, programs, and government interventions designed to prevent and detect corruption.
- PA could show distortions in terms of equity in government's anti-corruption initiatives

2- Establishing Forensic Audit Unit

- In case of establishing forensic audit unit, we mentioned to the paper of Randolph Ivan Young (2011) who studied about the establishing an effective forensic audit unit function at OAG Belize.
- This paper proposed a strategy for establishing forensic audit unit in his office which determined the strategy in five steps.

3- SAI Engaging with CSOs in anti-corruption

- CSOs can support to build citizen literacy about the role of SAI in strengthening public financial management and fighting against corruption.
- SAI could make channels for CSOs based on its close with citizen, for example, create complaint mechanism for citizen and CSOs.
- SAI could encourage CSOs to share audit findings and monitor the auditee's follow up on an audit report and related legislative hearing.

4- Developing red flags for detecting corruption

- SAI should develop these audit findings for red flags in each sector especially audit findings in high risk area.
- In case of interesting audit findings, we should study them under academic research in order to find causes and solutions to prevent them.

At the end of his presentation ,he confirmed that fighting corruption has a great importance and need a political will ,he quotes one of the sayings of president XI Jinping:

"In order to fight against corruption, a person's life and death, personal praise or blame, do not matter,"

President Xi Jinping

13-Item 13 : The SAI of Zambia experience in fighting corruption.

SAI of Zambia .

Mr. Masiye W.Banda from Office of the Auditor General of Zambia previewed the experiences of their SAI in the field of fighting corruption:

At the beginning , he confirmed that the Office plays a very important role in the promotion of accountability and transparency in the management of public resources in the Republic of Zambia.

The Office works according to Article 250 of the Constitution of Zambia (Amendment) Act, 2016, Public Audit Act of 1980 and Section 45 (1) and (2) of the Public Finance Act No. 15 of 2004 . He affirmed that although the SAI having been carrying out its constitution mandate through audits, matters relating to fraud, corruption and money laundering were rapidly on the rise in the same entities they audited.

Thus , they need to make a change in course ,and that change started in fact ;

❖ ***Forensic Audits and Investigations Unit at OAG***

- *In 2005 they restructured the Office and introduced the Unit called the Forensic Audit and Investigations Audits.*
- *The Directorate was established in response to white collar crimes in Government agencies, especially in matters such as **occupational fraud, corruption and other related white collar crimes.***
- *The Forensic Audits and Investigations Unit's mandate is to conduct forensic audits and investigate fraud and other white collar crimes in the public sector in order to assist Law Enforcement Agencies for the successful prosecution of such and related cases in the Courts of Law.*
- *The Forensic audit reports are submitted to Law Enforcement Agencies and tendered in court as evidence and Auditors testify as expert witnesses.*
- *Successfully developed a manual that is used as a guide to initiate and execute forensic audits.*

❖ *Cooperation with Other Stake holders*

- In 2012, the Auditor-General's Office signed a Memorandum of Understanding (MoU) with Law Enforcement Agencies such as the Anti- Corruption Commission, the Financial Intelligence Centre, the Drug Enforcement Commission.
- This enables SAI of Zambia and the Law Enforcement Agencies to speed up investigations and prosecution of corruption cases in the country.
- The MoU ensures that the Auditor-General's office furnishes the ACC with its investigation findings before the Auditor-General makes the report public.

❖ *Legislation*

- *The Constitution expressly empowers SAI Zambia to conduct the Forensic and other investigative audits.*
- *Article 250 (1) (e) empowers the Auditor General to recommend to the Director of Public Prosecutions or any law enforcement agency any matter within the competence of the Auditor-General, that may require to be prosecuted.*
- *Other pieces of legislations that has strengthened our work include Proceeds of crime Act of 2012 and also the Whistle blowing Act of 2010.*
- **Hotline-** *they develop hotline numbers by the Zambia Information Technology Authority (ZICTA). This line will enable any persons to report issues of fraud , corruption and money laundering occurring in the Public Sector.*

At the end of his presentation ,he highlighted ***the Results*** of these efforts which include ;

- Developing many reports that have exposed very complicated financial matrices and they have testified in the Courts securing impressive convictions. In the process assets have been recovered.
- Successful prosecutions of persons named in the forensic audit reports.

14-Item 14 : New Working Plan**WG Secretariat .**

Mr. Islam Khaled from the WG Secretariat reviewed the status of work plan projects and the progress achieved in this respect.

The WG members suggested many projects ;

- 1) The first project is the “**Public Private Partnership**” , it was suggested by the SAI of Poland .
- 2) It was also suggested that Indonesia shall lead the guideline concerning “**fighting corruption**” , it was agreed to gather the documents and send them to Indonesia to settle the matter.
- 3) The SAI of Austria suggested to develop a guideline on “**Anti Corruption Risk Analysis Assessment**” highlighting the importance of this theme.
- 4) The SAI of Oman suggested to develop on “ **Whistle Blowers** “
- 5) The SAI of Iraq suggested to develop a guideline on “ fighting corruption in privatization processes” , and *Mr. Wathib* highlighted its importance especially in their country as they are undergoing a big privatization processes.

15-Item 15: Adjournment:

ACC. Mrs. | Mona Tawheed (ASA Vice President) on behalf of the Chair of the WG declared the first day of the meeting closed.

Second Day : April 26 , 2019.

16-Item 16: Forensic Audit Processes overview :
SAI of Tanzania .

Mr. Samson David Mwamwembe from the SAI of Tanzania previewed forensic audit processes within their SAI.

At the beginning of his speech , he affirmed that forensic audit derived its mandate from the constitution of United Republic of Tanzania (article – 143) and Section 27 of the Public Audit Act No.11 of 2008 (revised on 2010) .

All that make the SAI establishes the FORENSIC AUDIT UNIT (FAU) , it was formally established in 2015 , this unit has many functions , like :

- Receiving and handling fraud allegations;
 - Request from institutions
 - From General public – fraud-net window, letters
 - From other Audit – financial, performance or special
 - Allegation analysis and advise the CAG accordingly.
 - CAG determine proper course of action.
- Audit execution
 - Perceive it will end in the court
 - Evidence collection and analysis in forensically acceptable manner
- Reporting
 - Law enforcement agency – addressee
 - Copy Director of Public Prosecutor (DPP) – Mandatory
 - Copy Chief Secretary – Discretionary
- Appear as Expert witness
 - Testify on the audit report produced

At the end of his presentation , he highlighted the recent progress concerning forensic audit namely , ***Digital Forensic*** . That means that digital forensic tools are applied , he also affirmed that Tanzania evidence Act Cap 6 of 2002 – was updated to stipulate that information retrieved from computer system, networks or servers shall be admissible in evidence.

17- Item 17 : Efforts with IDI .
WG Secretariat .

Mr. Islam Khaled from the WG Secretariat previewed the efforts exerted with INTOSAI Development Initiative (IDI) concerning the WG works.

At the beginning , he mentioned that The WG Secretariat made a survey to acknowledge the WG members needs related to training programs and workshops in the field of fighting corruption and money laundering.

The WG Secretariat received some suggestions from the SAIs of Russia , Tanzania , Fiji and Yemen while the SAI of china and Mexico confirmed that they have no training needs in the field in the current time .

Also , the WG Secretariat contacted Mr. Einar Gorrissen the IDI executive manger , to study the capability of cooperation with The WG Secretariat in organizing and implementing the training programs within the framework of SAIs profession capacity building.

In 7th April 2019 , the ASA received an email form Mrs. Alian Memvuh manager of capacity building department in which she mentioned that the IDI welcomes cooperation with us in the field of training programs and workshops . After the meeting there will be another contact with them , thus we wish to submit any suggestions to be included in the WG new plan and in the probable cooperation with IDI.

As to the survey , it was sent to the WG members , but unfortunately 6 members only responded to us and the details are as follows:

- 1- 3 SAIs mentioned forensic audit (Fiji , Russia and Yemen)
- 2- 2 countries mentioned the role of the central banks and banking systems at large of the outcomes of money laundering.
- 3- Fiji mentioned their need to the theme of ; corruption in public procurement and building fraud investigation skills.
- 4- While Tanzania mentioned their need to the theme of ; mechanism of asset forfeiture and methods of recovering the cost of capital assets.
- 5- While China & Mexico affirmed that they don't have any training needs concerning the field.

The efforts exerted in cooperation with IDI:

- The 2014 Global Survey indicates that many SAIs face considerable challenges in fulfilling their mandates of preventing, detecting and reporting on corruption. 98 SAIs and seven INTOSAI regions have prioritized this area for support.
- The programme design has been developed and agreed upon with a wide variety of stakeholders at the planning meeting of stakeholders in 2015.
- To maintain the quality of support provided, the IDI has decided to limit the number of SAIs included in each round of cooperative audit to keep this manageable in terms of the resources provided.

Programme Implementation Strategy

- The programme envisages achieving this objective by supporting participating SAIs in enhancing results in the following three areas:
- **SAI Leading by example in implementing ISSAI 30- Code of Ethics.** Even as SAIs contribute to the fight against corruption in the country, they need to ensure that their own ethical practices are robust. SAIs are expected to undertake a review of their ethical practices based on ISSAI 30. Available tools in the SAI community will be explored to provide guidance in this regard. SAI teams will be trained to conduct such assessments. Participating SAIs are expected to conduct the assessments as a part of the programme.
This stage is ongoing now in the ARABOSAI region through a workshop that was held from 14-18 April 2019 , during the upcoming period the participants will assess their SAIs actual implementation of ISSAI 30 , then develop a plan to help their SAIs in the process of implementation , this plan will be followed up the IDI training experts .
- **Audit of Institutional Frameworks for fighting corruption.** SAIs will be supported in conducting ISSAI based performance audits of the institutional framework for fighting corruption. The tools and guidance developed for providing this support are expected to be based on assessment methodologies development by UNDP's GAIN programme.

The participants of the programme held in Jordan in April 2018 were trained on this matter by a group of IDI experts , after the programme there is a follow-up stage

during which the participants submit draft reports for implementing audit tasks in their SAIs , those draft reports were submitted during the workshop held in Tunisia 29 April to 2 May 2019.

- **SAI-Stakeholder Platform for fighting corruption.** This aspect will be an engagement at the SAI level. Depending on the need and commitment of the SAIs, the IDI will support selected SAIs in setting up or enhancing SAI-stakeholder platform for fighting corruption in the respective countries. This aspect would involve advocacy, dialogue with SAI's partners in fighting corruption and bringing together of different stakeholders at the country level for the common cause of fighting corruption.

One of the WG secretariat (Mrs Nashwa Elwahsh) participated in several events , as she participated in :

- 1- The initial meeting of the trainers to develop the material, that meeting was held in September 2017 in Tunisia.
- 2- The training program on “Audit of Institutional Frameworks for fighting corruption” held in Jordan – April 2018.
- 3- The workshop on “implementing ISSAI 30- Code of Ethics” held in Saudi Arabia in April 2019.

18- Item 18 : WG Newsletter .
WG Secretariat .

Mr. Islam Khaled from the WG Secretariat previewed first issue of the WG Newsletter .

He previewed the structure of the Newsletter and it main contents ;

The newsletter include the following items:

- 1- Introduction about the WG ; its history and change in status.
- 2- News in brief ; that includes news concerning WG members.

News in Brief:



Brazil

TCU audit in public contracts in the culture sector supports Brazilian Federal Police operation to fight corruption

An analysis presented in a report prepared by the Federal Court of Accounts - Brazil (TCU) was used as a basis for an operation started on February 19 by the Brazilian Federal Police.

Auditors from the Department for Control Strategies on Fight Against Fraud and Corruption (SECCOR) and from TCU Departments in the states of Pernambuco, Alagoas, Paraíba, São Paulo and Mato Grosso do Sul participated in Operation "Fantoche" (Puppet). The integration of the auditors in the aforementioned proceedings was authorized by the Federal Court in Pernambuco.

CAII Meeting in Peru




The main purpose of the International Annual Conferences for Integrity is to stimulate debate through the creation of space for analysis on new approaches and practices that are being developed in the region and around the globe, in anti-

- 3- Laws and reports ; the law of fighting corruption of the Austrian Court of Audit.
- 4- Articles ; includes 2 articles 1 from Pakistan and another concerning the role of the SAI in the fight against corruption .

Articles

Article by [Sammer Ahmad, Deputy CAO/GB, Railways HQ, Lahore, Pakistan]



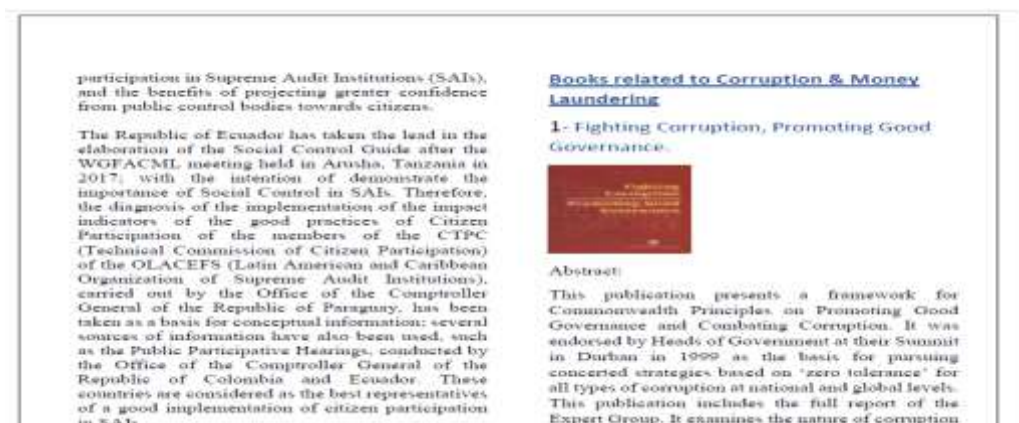
SCOPE FOR SAI PAKISTAN IN MATTERS INVOLVING FIGHT AGAINST MONEY LAUNDERING

Understanding the money laundering

The term money laundering (ML) was devised in 1920 but the idea of money laundering is about four thousand years old. It is the practice of converting the dirty money to legitimate money. More properly money laundering is defined as 'the practice of integrating the proceeds of criminal

There are three stages of money laundering: placement, layering and integration. The first stage of money laundering is called '**placement**' and it is simply taking the proceeds of crime or any illegal activity to the financial institution for deposit or transfer. Placement could be done by simply depositing the illegal money in bank or transfer to another form e.g. bank cheque, money order or prepaid access card. Since substantial amount of cash may attract attention of bank authorities, so criminals usually use such businesses which deal with large amount of cash and those are generally hotels, bars, restaurants, casinos, vending machine companies and car washes. More often than not, these businesses have huge amount of cash but in small denominations. Now either this large amount of cash (in the form of small denominations) can be changed into smaller amounts of cash and then this each smaller amount is directly deposited into a bank account or criminals send the money into various accounts of various locations in the form of money orders and cheques. By adopting this process, the original cash has become changed now. 'Placement' is the most vulnerable phase of money laundering for detection by law enforcement agencies and it is sometimes called a 'choke' point. Law enforcement agencies may

- 5- Contributions by SAIs ; include various contributions by SAIs of Peru , Mexico and A resume on Social Control by the SAI of Ecuador.
- 6- The last section concerns books related to corruption and money laundering



19- Item 19 : Concept of Fraud .
SAI of Zambia

Mr. Masiye W. Banda from the SAI of Zambia previewed the concept of fraud.

At the outset he defined fraud mentioning that Black's Law Dictionary defined fraud as "a knowing misrepresentation of the truth or concealment of a material facts to induce another to act to his/her detriment"

He also highlighted that most common worth countries penal codes criminalized fraud. Thus, upon detection it should be tired at the court of law by the republic.

In fact, examination of fraudulent cases needs to embark on a forensic audit approach .

There are 3 categories of fraud (according to ACEF International guideline) ;

- Corruption – wrongful use of influence/position to obtain personal benefit contrary to duty/right of another person. i.e. Bribery, kickbacks, illegal gratuity, collusion etc.
- Asset misappropriation – the act of misappropriation entities assets or turning it to a Wrong purpose to a personal gain i.e. embezzlement, deception by employee etc.
- Financial statement misrepresentation– deliberately misrepresentation of the financial condition of the entity to deceive the users of financial statement . i.e. over/ understated revenue or expenditures, etc.

Mr. Banda highlighted that financial statement misrepresentation and asset misappropriation normally involves records and or documentation, which leaves traces for an investigation.

At the end of his presentation, he mentioned that INTOSAI might consider providing a guidance on the "audit of fraudulent activities" not only corruption.

20- **Item 20 : Forensic Audits in Mexico.**

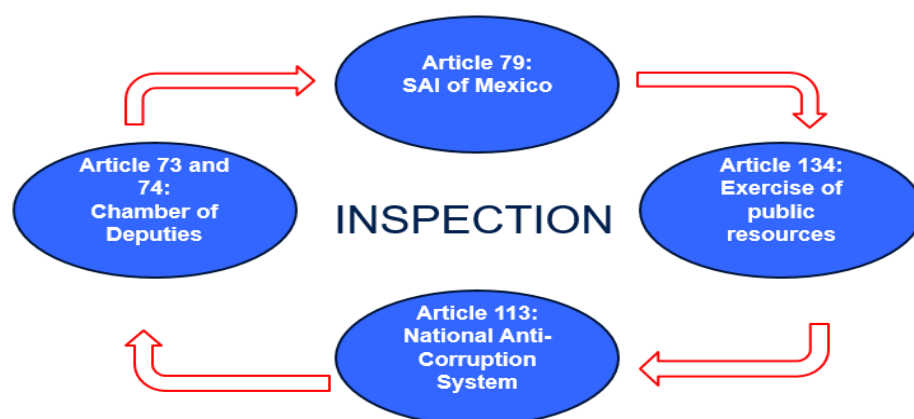
SAI of Mexico

Mr. Islam Khaled from the WG Secretariat - on behalf of the SAI of Mexico who couldn't attend the meeting- previewed their paper on forensic audit in Mexico.

The main objective of the ASF, is to control and supervise the federal resources that are destined and exercised by: a) any entity, individual or moral, public or private, and; b) transferred to trust funds, funds and mandates, public or private, or any other legal entity. All in accordance with the procedures established in the law and without causing any damage to the competence of other authorities and the rights of the financial system users.

The ASF institutional objective is to provide public results, through the audit of the Public Account, so that these help to create a better environment for good governance of public entities, an improvement of government management and useful tools to fight corruption and impunity.

Then he previewed how the ASF was created :



Article 1 of the Law on Fiscalization and Accountability of the Federation, establishes the control of the operations of federal public resources which are: Contracting, Subsidies, transfers, donations, trusts, funds, mandates, public-private associations and any other legal entity that uses public resources.

Article 4 of the Law on Fiscalization and Accountability of the Federation defines public entities, which are the audited entities.

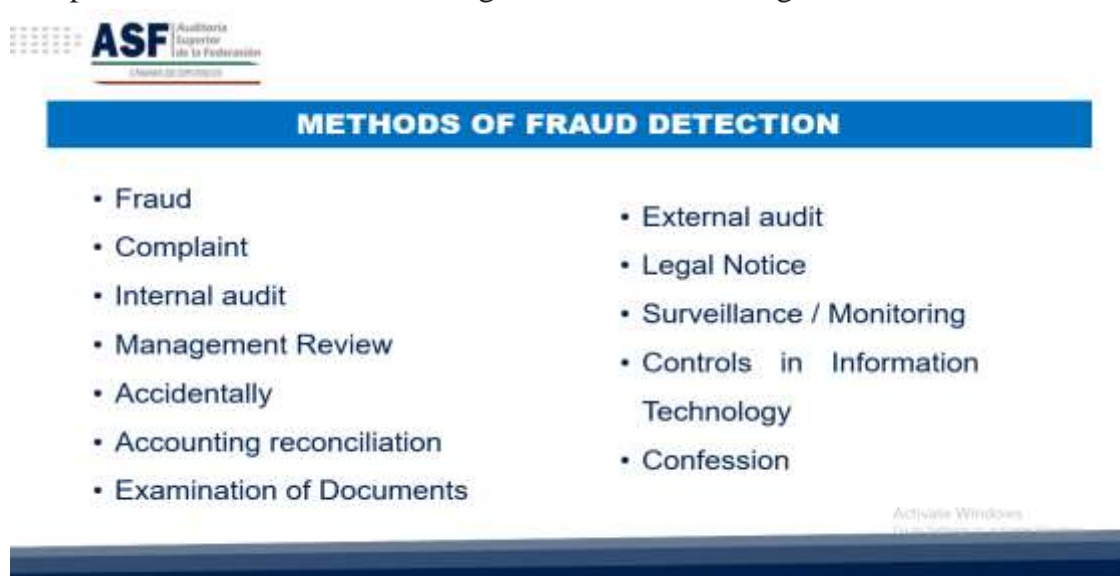
Article 17 of this same law establishes the powers of the ASF, such as auditing the federal public resources that the federation has granted; investigate irregularities or alleged illicit behaviors; as well as conducting interviews and meetings with individuals or with public servants.

With the modification to the **Law of Inspection**, the ASF can review the Public Account from the first business day of the following fiscal year of each year, as long as the annual audit program has been published. The February 20 of each year is the deadline to submit the report to the Chamber of Deputies and the audited entities will have 30 days to send information of the observations generated once notified, then the ASF will have 120 days to issue the response of the analysis of the documentation submitted for its settlement by the audited entities.

The most relevant feature of the forensic audit is that it focuses on acts where exists fraud, illicit actions and, in general, corruption.

Other important feature of the Forensic Area in the ASF is that this area is transversal, that is, in case other Audit Areas detect in their reviews the existence of fraud, they coordinate with the Forensic Area to apply the forensic procedures and techniques necessary, to valid the sufficient evidence, in order to accredit these new findings, relying on technological tools.

The detection of fraud in the ASF, includes complaints, internal and external audits, conciliations, document examination, legal notification, surveillance and monitoring, information technology controls and cases of fraud involuntarily found. There are also support disciplines or forensic techniques such as fingerprinting, graphology, documents study, forensic psychology, computer science or forensic computation, forensic interviewing and forensic interrogation.



The findings detected in the forensic reviews include, among others, the subcontracting of companies, non-materialization of the service or deliverables, lower costs of the contracts by the suppliers, no location of fiscal addresses, legal

representatives in common, null or falsehood in compliance with tax obligations, presumably altered documentation, beneficiaries of programs without completing projects and / or without realizing them, link between beneficiaries and suppliers, projects paid 100% without them having been executed, simulation of services, payments to public servants linked to the reviewed services (conflict of interest), application of resources for purposes other than those authorized (diversion of resources), apocryphal fiscal receipts, altered and / or modified financial information, altered signatures in documents, improper use of functions, deficiencies in the procedures of hiring of goods and served technological systems inoperative, deficient or non-existent, authorizations of payments without documentary support.

In the audits conducted in the 2017 Public Account, a universe of 14, 148 million pesos was added and 13,461 million pesos were selected to audit. The most important in amount belonging to the Ministry of Interior (SEGOB) and the Ministry of Agriculture, Livestock, Rural Development, Fishing and Alimentation (SAGARPA).

One of the main audits is the audit conducted under Article 1 of the Acquisitions, Leases and Public Sector Services Law, which states that the agencies and entities may enter into contracts and will not be within the scope of this law unless the entity that provides the service does not have the capacity to do so and hire a third party.

The results determined by the audits are called **actions** and are classified into 7 different concepts: Promotions of the Exercise of the Faculty of Fiscal Verification, Assignment of Restitution Responsibilities, Recommendations, Fines, Procedures of Administrative Sanctioning Responsibilities, Sheet of Observations and Denunciations of Facts.

In the fiscal year of 2017, 151 actions were determined, while in 2010, 228 actions were determined. These variations do not necessarily constitute a decrease or increase in acts of corruption, but they represent the impact that the ASF has on the Government's activities. For the fiscal year 2018, 15 forensic audits were authorized in the Annual Program of Authorship.

It is important to mention that the impact of the ASF is supported by other oversight bodies that help in the effort to fight corruption, such as the Tax Administration Service, the Financial Intelligence Unit, the National Banking and Securities Commission, the Treasury of the Federation and the Federal Prosecutor's Office.

21- Item 21: Closing Remarks .

At the end, *Acc./ Mona Tawheed* on behalf of the president of the group expressed her appreciation and thanks to all attended delegations for their significant efforts, discussions and participations that enriched the work of our Working Group .

She also extended her thanks on behalf of all the participants and attendees to the CNAO for their kind hospitality and excellent distinguished organization for the meeting.

At the end of her word , she expressed ASA's wish to host the upcoming meeting in Egypt (Gift of the Nile and one of the old civilizations).

The Chairman of the Working Group declared the Meeting Closed.