

ISLAMIC REPUBLIC OF AFGHANISTAN

Supreme Audit Office Afghanistan

Strategic Plan ۲۰۱۳-۱۷

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Foreword



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The preparation of this Strategic Plan (SP) represents the culmination of a considerable amount of brainstorming by in the Supreme Audit Office. It is based on the understanding of international standards and best practice keeping our mandate and expectations of the stakeholders, especially National Assembly and people at large as well as donor agencies. I am happy to recognize the contribution of the team of the SAO and the International Organization of the Supreme Audit Institutions (INTOSAI)'s Development Initiative (IDI) in providing guidance in finalization of this strategic Plan.

This Plan is a step we intend to take to deliver the service that we have been mandated to provide to society and the people of Afghanistan. We live and work in a global environment in which the task of nation building is shared. The Strategic Plan is a communication to our friends and partners in development and the cause of transparency and accountability. I hope that this will help the stakeholders to understand our aspirations, evaluate our capabilities and provide all required resources to achieve them. Public Audit is governed not only by national statutes but also by international professional standards, rules and procedures and best practices. This SP is to reaffirm our affiliation with INTOSAI and to present to our stakeholders that we are committed and have the will to do what is required by us.

However, there are constraints and obstacles which we cannot surmount on our own. To pilot this through to success, the SAO will require the support of those with the means to supply the necessary resources, and the cooperation of the leadership of the country.

We have already made significant progress in modernizing our audit working practices and procedures and we are continuing to ensure that our legal framework, our human resource management, our technical skills and knowledge are effectively developed over the next five years so that the capacity and capability of our staff will meet the vision of the Supreme Audit Office as the effective, efficient and relevant Supreme Audit Institution of Afghanistan.

I consider that there will be a number of important issues which will be needed to enhance the effective scrutiny of public finances, which include improvements in the management of public finances; systematic oversight by the stakeholders; professionalism at all the level of Governance; development of capacity building institutions, etc.

I would like to reiterate my commitment sharing the words of Robert Frost, thus:

Woods are lovely dark and deep; And I have promises to keep; And Miles to go before I sleep; And Miles to go before I sleep!

Auditor General

Strategic Plan ۲۰۱۳-۱۷: An Overview

VISION

To be an independent, efficient and effective Supreme Audit Institution that promotes public accountability and transparency.

MISSION

The Supreme Audit Office (SAO) is the Supreme Audit Institution of Islamic Republic of Afghanistan that aims to provide independent assurance to the Parliament and to the international community, in accordance with international auditing standards, that public funds are being spent for the purposes intended and that all revenues due have been collected and properly recorded in the financial records and also to report on the economy, efficiency and effectiveness of Government operations.

GOAL ۱

To establish an appropriate legal framework and redefine role of SAO to external and internal stakeholders.

Objectives

- ۱,۲ To establish and strengthen the relationship with all the stakeholders
- ۱,۲ To do continuous and effective efforts for passage of new Audit Law and to have legal basis for audit in line with international standards and practice
- ۱,۳ To recognize the role of SAO in Accountability and Transparency process

GOAL ۲

To effectively enhance the Professional capacity of CAO staff.

Objectives

- ۲,۱ To develop professional skills through developing a sound audit methodology
- ۲,۲ To organize and deliver development projects, including training for staff at different levels
- ۲,۳ To facilitate the dissemination and application of professional guidance in cooperation with external professional institutions

GOAL ۳

To improve quality of audit process and report.

Objectives

- ۳,۱ To develop the process of audit in IT environment
- ۳,۳ To develop quality assurance mechanism including modification in organization structure
- ۳,۳ To conduct audit using appropriate auditing standards and code of conduct

CORE VALUES

Independence, Integrity, Objectivity, Impartiality & Neutrality, Competence & Professionalism, Confidentiality, Cooperation, Innovation, Relevance

Executive Summary

Strategic Planning was being considered for a long time to give SAO a new direction in order to bring it into the mainstream of Supreme Audit Institutions and play an important role in reconstruction of Afghanistan and capacity development of its institutions. It must emerge as the most important pillar to promote Accountability and Transparency.

Strategic Planning process began about a year back with the support of the IDI. IDI has played a very crucial hand holding role in preparation of this document. It allowed us to gain insight in understanding the role and functions of the organization through SWOT analysis, which was an enriching experience.

In November 2011, in Istanbul, Turkey, the leader of the State Audit of Vietnam signed the IDI-ASOSAI Cooperation Program on Development and Implementation of Strategic Plan for the period 2011-2013. This Program aims at the development and implementation of the strategic objectives to improve the capacity in strategic planning for 7 targeted Supreme Audit Institutions in ASOSAI region, namely Afghanistan, Bangladesh, Cambodia, Laos, Mongolia, Philippines, and Vietnam.

In the framework of the program, the development and preparation of the Strategic Plan by said seven SAIs has been on the basis of 'learning by doing'. The critical areas of the SP include needs assessment, strategic planning, operational plan and monitoring & evaluation.

Results of the needs assessment of the SAI under the guidance of the IDI - ASOSAI brought out a number of limitations and shortcomings in the operation of the SAO, Afghanistan. This can be summarized as follows:

Firstly, the existing Audit Law is not found in line with the international standards, particularly the requirements of the INTOSAI best practices. The mandate of the SAO is limited in comparison with the international practice.

Secondly, due to limitation in mandate, the SAO's auditing quality and timelines have not been in line with the expectations of the stakeholders. The SAO's audit results have not fully addressed the issues of corruption and serious lapses involving public money as well as the problems relating to efficiency of managing and using the State Budget, funds and assets.

Thirdly, the effectiveness of the SAO's auditing activities has not been of high standard, especially in implementation of the SAO's audit conclusions, recommendations and in particular dealing with the responsibilities of organizations and individuals.

Fourthly, there is a lack of professional knowledge, capacity and skill in using appropriate audit methodology, standards, tools and techniques.

Furthermore, using audit results of the SAO by the executive for financial management, transparency and accountability and controlling public finance has been limited.

In order to overcome these limitations, the SAO has developed Strategic Plan for the period 2013-2017 to identify the vision, mission, core values, goals, objectives, activities and resources required to realize the main contents in the SAO's strategic plan.

The Strategic Plan for the period 2013-2017 of the SAO is built in line with activities in the Action Plan for implementation of the Development strategic plan towards 2020; and specifying a number of activities, which are prioritized to carry out in the period 2013-2017.

Introduction

The purpose of this Strategic Plan document is to present a long-term strategy of the Supreme Audit Office (SAO) for the period ۲۰۱۳-۲۰۱۷. SAO has a long history of about ۶۰ years in auditing. SAO has the advantage of long experience in the field of auditing. However, auditing in past years was conducted in a different environment, mandate and prevailing knowledge and skill.

Introduction of democracy and establishment of Government as per the new Constitution in recent past has brought new direction in development of Afghanistan. Active support of the international community in the development of Afghanistan has been recognized and appreciated. Over the last few years, there has been an increasing emphasis on organizational and capacity development to undertake and sustain the development.

Along with the focus on development, an equal emphasis has been put on promoting transparency and accountability in the affairs of governance and financial management. From time to time, issue of corruption has been raised by different quarters. Recently held Tokyo Conference, participated by the international donors, committed to long term financial assistance for reconstruction of Afghanistan with the caveat that transparency and accountability must be of the acceptable standards.

With changing developmental context and other requirements in the country, the role of the SAO has also undergone changes. In adopting to the changing role and to live up to the professional requirements of external audit of the government, SAO is continuously striving to acquire, build and sustain professional capacity and develop skills in the field of auditing. Effective and efficient organization of the SAO is required to support the Government in promoting transparency and Accountability and to provide credible assurance to all the stakeholders. Under Afghanistan National Development Strategy (ANDS) and other related initiatives also, SAO has strived to promote transparency through external audit. SAO is continuously striving to optimize resources and undertake capacity and organization developments to promote best auditing practices and provide assurance to the stakeholders. This requires long term strategic planning for optimal allocation of resources and acquisition of skills and capacity to perform external audit effectively and promote transparency and accountability in the Government operations and transactions.

The SAO's Strategic Plan ۲۰۱۳-۲۰۱۷ aspires to progress further in the direction of this strategic shift and to enhance the reputation that the SAO enjoys among the stakeholders and the INTOSAI community. At the same time, the SAO will coordinate its efforts with the Government of Afghanistan and other international organizations to ensure synergy and avoid duplication of effort in auditing.

The draft Audit Law, as the national audit legislation proposed by the SAO, after two years of scrutiny in relevant ministries and consideration by the Cabinet has been passed by the National Assembly and after assent of the President promises to provide new framework for the SAO's mandate and scope of audit. The Law lays emphasis on making the organization independent from executive both in financial and operational matters and provides scope for strengthening SAO's relationship with the legislature and its committees..

The SAO's new office is housed a new and spacious building in Kabul and is equipped with modern facilities with IT infrastructure. SAO has ۳۱۰ employees, of whom ۲۰۰ are Auditors. SAO now has two functional branch offices at Jalalabad and Mazar-e-Sharif. Two more regional offices, at Kandahar and Herat, are being proposed. With resident auditors and managers placed at the regional offices, it is intended that coverage

and effectiveness of audit at the provincial levels will increase and will provide assurance on the operations of the government at the provincial and local levels.

In view of the changing requirements and challenges as well as opportunities, this Strategic Plan is formulated to guide the SAO in its journey ahead as an external auditor of the Government. However, recognizing the dynamic nature of challenges as well as opportunities in the country, if required, the Strategic Plan document could be reviewed at appropriate intervals for appropriate adjustments.

The Strategic Plan for the period ۲۰۱۳-۲۰۱۷ specifies a number of activities which are prioritized to carry out during the period ۲۰۱۳-۲۰۱۷. It includes the vision, mission, core values, goals, objectives, activities and resources required to realize them.

Vision

To be an independent, efficient and effective Supreme Audit Institution that promotes public accountability and transparency.

SAO is a part of INTOSAI (International Organization of Supreme Audit Organizations), an association of the supreme audit institutions of several countries and is committed to adopt and follow International auditing standards and best practices. In this regard, auditor's position is always envisaged as independent from the executive, so that audit is carried out impartially and as per the requirements of the international best auditing practices and the audit reports are seen as unbiased, credible and impartial helping the executive in better financial management and governance and the legislature in better scrutiny of the activities of the executive.

Realizing the limitations of the present mandate and scope of audit available to the SAO as per the existing audit law and keeping in view the developmental context of the country, the requirements of accountability and transparency in government departments and the need for adopting the international best auditing practices, a new Audit Law proposed by the SAO has been passed by the National Assembly and on assent of the President promises a wider scope of audit. The Audit Law also envisages a more independent position for the SAO. These changes will be helpful in providing independent and effective assurance to the executive, National Assembly and other stakeholders that public funds are being spent for the purposes intended and that all revenues due have been collected and properly recorded in the financial records in accordance with applicable laws, rules and regulations and public assets are safeguarded. These, in turn, would further promote and encourage transparent and accountable operations in the government.

Needless to say, history has been unkind to Afghanistan at many occasions. Afghanistan at present may not boast of more than being one of the poorest and longest suffering countries in the developing world. It is estimated that a substantial number of people in the country are dependent on external support for food and humanitarian aid. Long drawn conflict has depleted the human resource base of the country. Productive and social infrastructures have also been largely destroyed. In its effort for building and stabilizing the economy, the country is trying to maximize the resources it has. However, it has also to dependent on external resources and foreign aid. The SAO with its independent position vis-à-vis the departmental and executive operations is committed to carry out its tasks as per with best practices and international auditing standards

to provide impartial, credible and unbiased assurance by promoting transparency and accountability in the government operations and for retaining the confidence of donors and external aid agencies.

For the last ten years, the country is in the process of reconstruction and trying to put in place the systems, based on best international practices in Governance for rapid development. The new constitution adopted by the people of Afghanistan enshrines democracy as the political structure of the Government. Government of Afghanistan in cooperation with the National Assembly is making efforts to put in place various statutes and institutions for transparent and accountable financial management and governance. This, together with the increased expectations of the people of Afghanistan and of the international community requires the SAO to respond quickly to ensure that these expectations are met.

As per the new constitution, democratic Government has been functioning in Afghanistan for more than a decade. National Assembly is playing a vital role as the highest representative body of the people and custodian of the public money. Adequate and effective scrutiny of the public money by the national assembly is better facilitated through specialized and assigned committees of the legislature. Importantly, the Budget and Finance Committee (BFC) is providing support to the national assembly through its scrutiny of the budget and Qatia as well as audit report on Qatia. The Public Accounts Sub-Committee of the BFC assists the latter. However, as per the international practices across many countries, the responsibility of scrutiny of budget and estimates are separate from that of scrutiny of audit reports on the finances and operations of the government. Mostly, a separate committee of the legislature, designated as Public Accounts Committee (PAC) is set up by the legislature to discuss the Audit Reports of the Auditor General and to ensure that the Government takes effective action on the basis of these Reports. However, setting up of a PAC for effective oversight of the executive and public exchequer by the representative of people in National Assembly should be at the earliest. Scrutiny of the audit reports of the SAO by a separate PAC and compliance and follow up on its recommendations would strengthen the mechanism of ensuring transparent and accountable operations in the government.

An effective functioning of the government and service delivery requires that state entities including enterprises function effectively. This requires revitalization and reform for them to be able to fulfill their core functions in a transparent and accountable manner and for the success of the various institution-building projects currently being financed by the international community and domestic public money. SAO is committed to carry out review of government operations and service delivery and submit its independent and unbiased report to the national assembly.

In aforesaid backdrop and in view of the expectations from all the stakeholders, SAI is committed to play its role in promoting public accountability and transparency. However, to fulfill this challenging role, SAO needs to garner the requisite capacity, skill and resources to respond at appropriate level. The Government and the international community have been forthcoming in their support to the SAO in its endeavour. Required technical and audit best practice resources are available through the INTOSAI. Through this strategic plan, SAO is committed to bring its vision to fruition in coming years.

Mission

The Supreme Audit Office is the Supreme Audit Institution of Islamic Republic of Afghanistan that aims to provide independent assurance to the Parliament and to the international community, in accordance with international auditing standards, that public funds are being spent for the purposes intended and that all revenues due have been collected and properly recorded in the financial records and also to report on the economy, efficiency and effectiveness of Government operations.

In accordance with its vision and mission, SAO is committed to provide Parliament, Government, and, as necessary, the international community with quality audit report and assurance on the financial activities and control of State resources and operation of public administration. Transparent and responsive management of public money and public assets by the government will build confidence of the public..

The SAO has the responsibility to carry out the audit of the State Budget. Commitments arising from the audits of the financial statements for World Bank Grants and also the financial statements of grants and loans provided by other international donors are being fulfilled by the SAO. These audit are undertaken by the SAO on an annual basis in accordance with international auditing standards and practice.

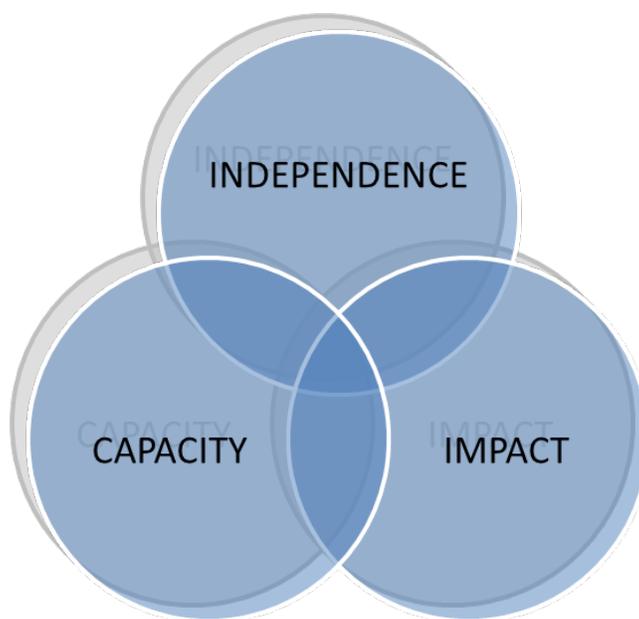
In fulfilling its vision and mission, SAO is aware of varied challenges but seeks to optimize the opportunities over the next five years of this strategic plan. Some of the challenges include:

- The need to carry out audits of development projects, especially assisted by the World Bank and other Donors, as per international auditing standard, to satisfy the requirements of the Government and donor agencies. This entails deployment of qualified audit staff and effective audit management;
- The requirement to meet the expectation of the international community of promoting transparency and accountability in the financial management and operations of the Government of Afghanistan.
- The increasing scale of government operations and expenditure as well as effort to mobilize domestic and external resources demands spread of audit horizontally as well as more focused on critical areas, which in turn call for ever greater professional skills and competencies from audit staff. This has an impact on both audit and support staff, especially in the evolving area of IT and the auditing of the computerized accounting and financial management system such as AFMIS (Afghanistan Financial Management Information System) of the government, the Financial Management Information System (FMIS) of Kabul Municipality or the revenue information system, SAGTAS in the Directorate of Revenue and Customs, etc.;
- The mandate and scope arising out of the new audit law resulting in financial and operational independence of the SAO will, in turn, require restructuring personnel, finance and related functions;
- The need for adequate audit skills amongst the staff will require a system of human resource management that facilitates personnel development and mobility on merit-based criteria. This will require promotion and movement of staff and salary based on effective staff appraisal procedures;

In order to promote accountable and transparent governance, help public sector institutions utilize their resources wisely and in compliance with budgetary, legal and other regulatory authorities and frameworks, SAO is committed to undertake audit and discharge its roles effectively by continuously upgrading capabilities and skills. .

The SAO through its timely, relevant and impartial audit reports is committed to help the Government departments and agencies fulfill their roles in transparent and accountable manner. To promote this objective, the SAO is open to carry out wider interaction with various stakeholders including the government and the donors to assess whether the implemented programmes and projects are as per the priority needs and as envisaged and designed, including the expectation of the government and the donors. The SAO's also envisages review of the sustainability of programs and projects vis-a-vis their recurring commitments.

Keeping in view the vision and the mission of the SAO, the Strategic Plan focuses on three broad parameters of independence of auditor, capacity for audit as per best international practices and impact of audit products to achieve and deliver effective audit reports. These parameters are not exclusive to each other and need to be balanced to fulfill the vision and mission. Goals, objectives and activities are marshaled to strengthen the parameters as shown below:



Core Values

The SAO's core values state the organization's essential and enduring tenets. They constitute a set of guiding principles that have a profound impact on how management and staff at the SAO think and act while striving to achieve the organizational Vision and fulfill the mission and goals. Core values, besides the values specific to SAO, also reflect the *Code of Ethics* enunciated by the INTOSAI (ISSAI 30). Core values are statement of the values and principles which should guide the daily work of auditors and in discharge of professional obligations.

Independence: Independence from the audited entity and other outside interest groups is indispensable for auditors. SAO must uphold financial and operational independence from all the branches of Government and the auditors have to behave in a way that increases, or in no way diminishes, their independence. Independence is an all pervasive value that informs the day-to-day work of the auditor and on which hinges the quality of the audit product. The independence of auditors should not be impaired by personal or external interests. Independence may be impaired, for example, by external pressure or influence on auditors; prejudices held by auditors about individuals representing or associated with the audited entities, audited entities, projects or programmes; recent previous employment with the audited entity; or personal or financial dealings which might cause conflicts of loyalties or of interests. Auditors should not use their official position for private purposes and should avoid relationships which involve the risk of corruption or which may raise doubts about their objectivity and independence. Auditors have an obligation to refrain from becoming involved in all matters in which they have a vested interest. This is also the fulcrum of integrity, which the SAO considers as the next important value.

Integrity: Integrity is the bedrock of all values. As an organization, SAO is committed to uphold the value and principle of integrity including honesty and candidness in audit. SAO is also committed to prevent internal conflicts of interest and corruption and ensure transparency and legality of its own operations. The auditors of the SAO are committed to the value of integrity in the course of their work and in their relationships with the staff of audited entities. In order to sustain public confidence and confidence of the stakeholders, the conduct of auditors should be above suspicion and reproach. Auditors should avoid all association with mischievous, false, unprofessional, misleading or fraudulent activities, including connivance with officials of the audited entity. Auditors are required to stay beyond suspicion of compromise and conflict of interest. Integrity also requires auditors to observe the principles of independence and objectivity, maintain irreproachable standards of professional conduct, make decisions with the public interest in mind, and apply absolute honesty in carrying out their work and in handling the resources of the SAI.

Objectivity, Impartiality and political neutrality: It is important that the auditor is objective, impartial and neutral (from any political affiliation) in its work and reporting, in facts as well as in appearance. An objective and impartial audit reporting is a sine qua non for wider acceptability amongst the stakeholders. It is important to enhance the credibility of the auditors and the SAO.

Competence & Professionalism: Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality. To meet professional responsibilities, SAI and its auditors are committed to continuously assess new developments in auditing methodologies, applying modern auditing techniques, tools and practices, and constantly seeking to improve knowledge, skills and capabilities. Auditors should exercise due professional care in conducting and supervising the audit and in preparing related reports. Auditors should use methods and practices of the highest possible quality in their audits. In the conduct of the audit and the issue of reports, auditors have a duty to adhere to basic postulates and generally accepted auditing standards. Auditors have a continuous obligation to update and improve the skills required for the discharge of their professional responsibilities.

Confidentiality: Confidentiality requires that auditors should not use information received in the performance of their duties as a means of securing personal benefit for themselves or for others. Neither

should they divulge information which would provide unfair or unreasonable advantage to other individuals or organizations, nor should they use such information as a means for harming others. they should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purposes of meeting the SAO's statutory or other identified responsibilities.

Cooperation: Team work and working together defines the working methodology in the SAO. SAO as an external auditor is committed to collaborate with the stakeholders to meet our objectives. We believe that strong partnerships guarantee better results. We are confident that cooperation and team spirit are essential to success within the SAO and encouraging cooperation with the stakeholders is required for better audit products.

Innovation: SAO constantly strive to find new ways to improve and meet stakeholder needs with greater effectiveness. Changes present an opportunity rather than a threat. SAO is committed to encourage creative and informed initiatives by the audit personnel.

Relevance: SAO is committed to the principle of being relevant in assessing those programs that are relevant to the needs of our stakeholders including the people of the country. We believe in collaborating with our stakeholders to identify their priorities and helping the executive in better financial management while maintaining our independence, objectivity, neutrality and impartiality.

Goal - 1

To establish an appropriate legal framework and redefine role of SAO to external and internal stakeholders

A key component in strengthening the role of the SAO is to redefine its role keeping in view the expectations of all the stakeholders, external and internal. To meet this Goal, the SAO will focus on three key intervention Strategies as reflected in the following Objectives.

Objective 1.1:

To establish and strengthen the relationship with all the stakeholders.

The National Assembly, the President and the other part of the executive, donors and government agencies are critical stakeholders of the audit products. For the purpose of enactment of the proposed new Audit Law, which envisages new role and mandate for the SAO as well as for the effectiveness of audit and audit products, both for the National Assembly and the executive, establishing and strengthening relationship with them is an important element.

At present, SAO functions under the old audit law, which is rooted on the concepts and political environment that existed about 20 years back. There have been a lot of changes in the Governance over the last 10 years and the need to streamline auditing function and its procedure and the relationship with the stakeholders cannot be overemphasized.

The National Assembly looks forward to SAO for providing assurance and information for them to exercise legislative control over activities of executive, budget and public exchequer.

An independent external auditor will be an aid to the executive to make corrective actions on the basis of audit reports. The critical evaluation of audit should be appreciated by the executive and the management and they should respond to the audit observations and recommendations in a positive manner.

There are many stakeholders that are interested in efficient, effective and responsive SAO. Many of the donor's expectations regarding SAO becoming an effective partner in facilitating transparency and accountability in the fiscal and financial management will come to fruition with enactment of the new audit law. International Community and multilateral institutions are committed to provide support for reconstruction and development of Afghanistan. They would like to have a credible assurance on the utilization of the money. This assurance can be credibly provided by SAO for which no doubt capacity building and reorientation in the SAO is required.

SAO, Afghanistan is a member of the International Organization of Supreme Audit Institutions (INTOSAI), which through its auditing standard, guidelines and other guidance provides an overall umbrella for the SAIs to be effective public auditors. INTOSAI's expectations include SAI to become people-centric, as the SAIs are basically involved in auditing public money. People of Afghanistan must be connected with the functioning of SAO. SAO has to derive strategy to fulfill its mandate and expectation of the people of Afghanistan and all the stakeholders.

To achieve the aforesaid objective, following strategic activities are envisaged as part of the Strategic Plan:

١,١,١ To establish formal and professional relationship with National Assembly and President Office in submission of reports.

No doubt the support and cooperation of the National Assembly and the President's Office has been a constant companion in the effort of the SAO to be an external auditor of the public money. With the changing role of the SAO and envisaged changes in the mandate and role of the SAO through the new Audit Law, it is required that the frequency, quality and mechanism of interaction with the two important stakeholders, namely the National Assembly and the President Office, should get focus. As such, it is required that the Auditor General should address a letter at least once in six months to the President apprising him about the progress and contents of audit works and the financial health of and financial management in the country give suggestions in a few critical areas. Similarly, meeting with the speakers of the both of the houses of the National Assembly will also be formalized. National Assembly, as the custodian of the public money, must have the comfort and recognize that SAO is their extended arm in obtaining independent appraisal of the functioning of the executive and utilization of public money. The President should feel that the audit products are insights in the working of the executive and where necessary, are to be applied for strengthening transparency, accountability and management in the workings of the government.

١,١,٢ To sensitize Ministries, Departments, and Donors about its role.

Budgetary units and government agencies are the main executing and implementing agencies, who utilize public money. And it doing so, they are required to maintain transparency and observe the principles of accountability, regularity and propriety. One of the important responsibilities of the government agencies is to establish and operate an effective internal control for effective and efficient management of administration as well finances. The function of the SAO as an external auditor is to verify that the internal control is sufficient to ensure effective functioning and carry out audit so as to emphasis on the requirements

of transparency and the principles of accountability, regularity and propriety. SAO envisages a very proactive role in sensitizing govt. agencies ministries and donors about its role and usefulness to promote transparency and accountability and as an important partner in effective, transparent and accountable Governance of Afghanistan. It will interact with the agencies by organizing seminars, distributing appreciation papers on its role, seeking their support in carrying out effective audit.

١,١,٣ To create a publicity cell in SAO

Presently, audit products are not open to stakeholders, except the Qatia audit report (audit report of the Qatia financial statements), which is scrutinized by the National Assembly. With new Audit Law, SAO will be called upon to make its audit products publicly available and for this it will create a publicity cell. It will have the function to liaise with the stakeholders and in certain cases interact with media. It is not only enough to perform the work at the highest level of quality but also to present its work to all the stakeholders to gain confidence in the organization and to rely upon the assurance given to them through audit reports.

Objective ١.٢:

To do continuous and effective efforts for passage of new Audit Law and to have legal basis for audit in line with international standards and best practice.

A draft audit law was prepared two years back keeping international position and concepts of other SAIs in view. It was realized that to be effective, SAO must function in an independent manner. The law promises that independence to evaluate the financial affairs, compliance and performance of the n line with agencies of the government. An independent Auditor General with independence of mandate, scope of audit and budget will be in line with international best practice. As an aid to the executive and an integral support to the National Assembly, SAO will serve the objective of encouraging transparency and accountability in government. After having been considered by the National Assembly, we are hopeful of its enactment soon. We are encouraged by promises and supports of the National Assembly and the President and hope to have the new Audit Law at the earliest.

١,٢,١ To have meetings and presentations in National Assembly for passage of law.

We have been able to retain the confidence of the National Assembly in getting their deepest trust in us. We are hopeful to invoke the equal trust of the President and get his assent to the law. Should the President feel slightest doubt about the scope, mandate and role that the new Law seeks, we are ready to rely on the reconsideration of the National Assembly. In that case, our strategy will be to have meetings with the relevant commission in the National Assembly and to impress upon the members to repose their trust and bestow on us the new Law. In light of the international best practices in reposing faith in the supreme audit institutions, an effective SAO is not only in the interest of effective functioning of the National Assembly but also for the welfare of Afghanistan, as SAO will provide necessary input for their critical scrutiny of the working of the government.

١,٢,٢ To preserve main points in the draft law through sensitizing individuals and National Assembly.

In line with the international best practices, certain radical but necessary proposals are part of the law, which *inter alia* are in the interest of an effective and useful scrutiny of the functioning of the government agencies. These envisages SAO's role in assessing the performance of the government, independence that SAO seeks and mandate for evaluation. SAO trust that the main provisions in the draft law should not be sacrificed.

Should there be any doubt about the positive and necessary role of the SAO in future, the National Assembly could revisit its decision and reconsider it accordingly.

١,٢,٣ To liaise with the National Assembly and its speaker for creation of Public Accounts Committee.

Presently, the Banking, Budget and Finance Committee (BBFC) assists the National Assembly in its scrutiny of the budget. However, unlike the prevailing international practice, there is no separate committee, generally called Public Accounts Committee (PAC), to scrutinize the audit products. For an effective scrutiny of the audit products from the budget making and approval process, PAC should be established at the earliest. PAC will be an effective arm of the National Assembly in scrutinizing the independent evaluation, by the SAO. Though not directly responsible with the creation and working of the PAC, SAO is committed in impressing upon the necessity for a separate PAC and once established, will always work with it and provide necessary inputs.

Objective ١,٣:

To recognize the role of SAO in Accountability and Transparency process.

Accountability and Transparency are the foundation on which good governance can flourish and achieve the objectives of public welfare. International Community is concerned about corruption, which is affecting the progress in Afghanistan. The international community in the Tokyo Conference and in their discussions earlier has emphasized for a legal framework that will promote transparency and accountability. The SAO being an independent agency is committed to strengthening accountability and transparency and will pose no conflict of interest. We are sure of reaching all the government agencies and serve the cause of transparency and accountability by adopting the following strategies:

١,٣,١ To assess and report on internal control of audited entities.

It is a well recognized practice that the executive and management set up and operate such controls in their organizations that ensure accountable and transparent financial management safeguarding public assets, compliance with applicable authorities, statutes and regulations and efficient and effective operations. As an internal oversight within the agency, internal control also includes an internal audit. However, as an external auditor, SAO envisages it as an important activity to review, assess and report on the adequacy of the internal control and its working in providing such assurances for effective financial and operating system that should result in efficient application of resources. An adequate, relevant and effective internal control system limits the possibility of misuse, diversion, misappropriation and embezzlement of public money. It also frustrates chance of collusion within organization to indulge in corrupt practices. An effective internal control is a starting point for the external auditor in assessing risk in the audited agency; more effective the internal control system, less chance of the occurrence of material misstatement in the financial statements, compliance deviation and performance deficit. But, external auditor considers it as the prime responsibility to assess the working and effectiveness of the internal control as the starting point for carrying out further tests in obtaining assurance on financial management, compliance and performance. Encouraging and facilitating a robust internal control system in the government agencies is in overall benefit of the SAO, as it would allow SAO in deploying its resources on high risk areas. It is aimed to periodically review and assess the internal control system in government agencies and provide relevant reports.

١,٣,٢ To publish Audit Report and post on the website.

The very concept of public money is drawn from the fact that the public is the ultimate custodian of the money that the government applies in its operations and utilizes for public welfare. The government works as a trust on behalf of the people. Sustenance of the trust requires sustained faith of the trustees. Audit reports being objective and impartial assessments can serve the purpose of letting people know how the government utilizes public money – did the government use all the money it took from the National Assembly (budget reconciliation, non-utilization & overspending), did it do with the money what it said it would do (spending for the items and purposes budgeted and achieved the output and outcome) and how did it do it (transparently, accountably and in compliance with applicable authorities). It is this interest that requires public availability of the audit reports, which will be done by publication of reports and making them available on the SAO's website. SAO will make all the efforts to remove the limitations on publication of reports for making them available to the public.

١,٣,٣ To enhance follow up at all the levels including through National Assembly.

Effectiveness of the audit products is largely dependent on scrutiny by the national assembly and its committees and their recommendations to the government as well as the force behind these recommendations for action by the government agencies. Compliance with the audit findings and recommendations and action on the recommendations of the national assembly and its committees by the executive are important indicator of effective audit. SAO will strengthen its existing mechanism and will set up new mechanism, as required, to pursue with the audited entities for their timely action and response to the SAO. The audited entity need to reply to observations within ٢ month, failing which they should be reminded after ٣ months. In case no response is received after reminder, the matter will be taken at a higher level and if appropriate would be included in the six-monthly letter addressed to the President. Once an audit report is submitted, National Assembly may require explanatory notes and briefs on audit observations. Qatia audit report, recommendations of the National Assembly, as it discusses the report, would be followed up.

GOAL ٢

To effectively enhance the Professional capacity of the SAO staff

For achieving high level of assurance in audit works and audit products, application of best international practices, auditing standards, audit methodologies, quality control framework, etc., are required. This, in turn, entails developing and training staff to enable them to acquire such skills and capacity and perform their tasks effectively. Supporting the skills and experience available within the SAO, sustaining those skills through regular capacity-building, identifying the skills, which are absent (training needs) and is providing skill and capacity development are required. SAO is making all effort to develop professional capacity of the audit staff. In this effort, supports of donors, especially the World Bank, which has been supporting SAO for the last several years, are appreciated.

To achieve the aforesaid objective, following strategic activities are envisaged as part of the Strategic Plan:

Objective ٢,١:

To develop professional skills through developing a sound audit methodology.

Audit methodology refers to the standards practices and procedures that auditor adopts in planning and undertaking audit and in audit reporting. The scope of audit envisaged in the new audit law covers wider scope of audit for the SAO. These audits are aimed at providing assurance to the stakeholders that public money and donor's funds are properly utilized and safeguarded. Presently, Qatia audit report on the Qatia statements are presented to the National Assembly and discussed by the. However, results of the compliance audit reports are not subject to the scrutiny of the National Assembly. Performance audit by SAO is still not fully grown. In planning for compliance audit, unlike the present practice of including all the entities in audit plan, there is a need to take up budgetary agencies for audit based on risk based priorities to maximize the available audit resources. Based on priority and risks involved, entities could be taken up for audit annually, biennially or after three years. This will allow more deeper and intense audit of the entity's operations and affairs. This would require developing, maintaining and regularly updating an audit planning database and database of audit personnel. Capacity development of the staff for macro and micro audit planning is required. Additionally, there is need for guidelines and capacity development in carrying out field work as per international best practices. Similarly, while reporting the results of audit, international best reporting practices need to be followed for which capacity and professional development is urgently need.

Capacity development in audit methodology in SAO requires skill and capacity development for all types of audit – regularity (financial audit and compliance audit) and performance audit. A review in audit methodology includes review of planning, execution and reporting aspects of auditing in accordance with the international auditing standards. It is desirable that the SAO has separate directorates for processing, scrutinizing and finalizing each for Qatia audit, compliance audit and performance audit reports. It is required that before presenting audit reports, they are quality assured and examined not only against audit evidences and audit findings but also from the angle of legality, quality and relevance to the subject matter. It is expected that with passage of the new audit law and increase in the scope of compliance audit as well scope for performance audit, pressure for quality audit reports to be presented to the national assembly will ever increase. This will require audit reports to be separately processed and quality checked.

٢,١,١ To Constitute an expert team to continuously reengineer audit methods.

There would be a team of selected individuals as an expert team to upgrade themselves in the professional skills and apply them appropriately in the audit methodology. It will relate to audit planning, risk assessment, evidence gathering, sampling, materiality, substantive tests, application of auditing standards and audit reporting which are needed for optimal utilization of limited resources in SAO.

٢,١,٢ Adopt risk based compliance and financial audit.

Risk based audit is being adopted across the world by the auditors for taking up those areas of transitions, operations, administration and performance in which relative risks of occurrence of material misstatements, compliance deviation and performance deficit are more than other areas. It helps in focusing audit resources and obtaining assurance in a condition of large and huge transactions of volume of work. Auditors realize that auditing of the entire transactions/activities of an agency may neither be practicable nor required for obtaining assurance. Stakeholders require assurance about the financial affairs of an agency, its compliance

and performance, which can be achieved by risk based selection of areas/subject matter for audit. With evolving capacity and professional skill, SAO will engage itself through all the directorates to assess risk in all the audit entities, which can be applied in audit planning.

۲,۱,۳ Deliver Performance audit

Performance audit seeks to relate input with output and the outcome or the final impact of the output. Government of Afghanistan is involved in a lot of projects/ programs and their successful implementation is pivotal to the overall development of Afghanistan. All the stakeholders stress that the money must be utilized properly and objective of the project/program must be achieved. In recent past, SAO has attempted performance audit in a few areas but has neither consolidated its effort in this area nor has the required capacity for it. With performance audit to be taken up it is required to impart suitable training to group of audit staff in performance audit.

Objective ۲.۲:

To organize and deliver capacity development projects, including training for staff at different levels.

Training is an important method for capacity building and up gradation of knowledge and skill. Training of the staffs, line function as well as support staff must be provided with appropriate training. During the last few decades owing to uncertainty in the country, skill and capacity of the SAO staffs have also suffered. It is imperative that SAO concentrates upon providing them with appropriate training to bring the staff to the required level of capacity. SAO recognizes its importance and takes care in providing training in professional courses, IT and English. It has a training division headed by a manager, which is involved in the coordination of all the training activities. At present, most of the training is being provided by the international consultants, ASOSAI members. Effort is being made to generate a pool of local trainers to carry forward the training activities in future.

۲,۲,۱ To prepare training plan at the beginning of each year and schedule for workshops/seminars

Training Division must prepare a training plan for one year. Manager of Training Division must involve all the directors to get their training requirements and accordingly training plan can be prepared.

At the end of each year, a meeting with all the directors will be organized and on their feedback, training plan for next year will be prepared. Training plan must be approved by the Auditor General and should be monitored by the Deputy Auditor General.

۲,۲,۲ To prepare training course contents keeping international standards, best practice and local requirement in view

Success of training depends on the quality of training and its usefulness to the participants. The actual need of the training program is being recognized and the course content of the training will be prepared accordingly. The concerned Director dealing with the subject area of audit will also be involved in preparing the course content to retain the relevance of the training.

۲,۲,۳ To evaluate the effectiveness of training programs at the end of each Year.

At the end of each year, effectiveness of each training program must be discussed with the concerned Director and the lesson learnt should be documented for making any strategic change of including relevant content in the next year's training plan. Assessment of each training programme, gives an opportunity to

reassess the relevance and effectiveness of the training and its quality for introducing improvement its training content if required. Ultimately, the usefulness of a training program can only be judged in the improvement of working of the trainers in the organization.

Objective ٢,٣:

To facilitate the dissemination and application of professional guidance in cooperation with external stakeholders/professional institutions.

SAO has been receiving support from the multinational institution, especially the World Bank and the members of ASOSAI and IDI. It is important that SAO should seek and elicits full support from them at this crucial juncture. SAO is also following the strategy of signing Memorandum of Understanding with other SAIs to benefit from their experience and audit methodology and skills. Capacity development is a continuous process and guidance from stakeholders and professional institutions will help us upgrade our knowledge and skill in efficient manner. There would be regular consultation with other SAIs in order to derive the maximum benefit.

٢,٣,١ To have Memorandum of Understanding between countries in the region and from ASOSAI

SAO has already signed a Memorandum of Understanding with SAI, India and one with SAI, Malaysia. We are encouraged and are looking forward to sign more MoUs with the SAIs of other countries in the region and members of ASOSAI. It will help us in exchange of information and gaining knowledge and training by way of secondment of our staffs to them and would provide a platform for acquiring their methodology and work processes.

٢,٣,٢ To seek support from international community/multilateral institutions to augment resources.

SAO is in constant interaction with the donors and multilateral institutions e.g. World Bank, UNDP, USAID, etc., for seeking their critical financial support at this point in time. This will have a long term impact in reorienting the organization to achieve our vision and mission.

٢,٣,٣ Support to PAC secretariat.

To work together with and provide support to PAC is considered important to increase the effectiveness of our audit products. SAO is committed to work for creation of a separate PAC by the national assembly for which SAO will provide inputs on the relevance and requirement of a PAC. Our strategy is to impress upon the national assembly, members of the Banking, Budget and Finance Committee and its PAC sub-committee and the speaker of both of the houses through our regular interaction for creation of a separate PAC at the earliest. SAO is committed to provide few audit staff to the PAC secretarial on secondment for assisting the PAC, when it is established. PAC secretariat would be assisted by SAO in all the meetings with executive in providing evidence, preparing brief notes and making annual plan for the PAC meetings with various ministries in the course of discussion of audit reports.

Goal - ۳

To improve quality of audit process and report

In addition to ensuring quality in outputs by individual audit teams as a matter of course for assurance, the SAO will introduce internal quality control system and its review arrangements to ensure the correct application of audit standards and audit methodologies. It encompasses tone of the top management by constantly reviewing the audit performance, HR management and relation with stakeholders. All the activities would be woven in such a manner that output achieves its desired results. It will require a fully functioning internal audit department in SAO to ensure quality assurance mechanism. A performance review team headed by the top management would be formed which will review the performance periodically.

Objective ۳.۱:

To develop the process of audit in IT environment.

Information Technology (IT), including use of internet and audit tools ,has become the most important tool in auditing activities including planning, fieldwork and reporting. Use of IT is vital for preparing and maintaining audit planning database, keeping and updating records, audit evidences; maintaining inventory of audit products and their follow up and creating a work culture that is efficient and effective. World over, use of IT has occupied most of the human official activities and the organization SAO cannot afford to be left behind.

۳.۱.۱ To conduct IT training program including on CAATs, IDEA, databases and data processing techniques.

Training in IT courses and systems will be given to a select group of SAO staffs. There is an IT department in SAO to provide all the logistics support to the SAO auditors and other staffs. IT department would acquire necessary skills in appropriate software and understanding of computerized system and if necessary help external IT personnel could be taken. An archive of available learning and training materials, presentations, write ups, etc. would be maintained. It is envisaged to equip audit staff with capacity to use and apply IT tools and techniques such as IDEA, CAATs etc.

۳.۱.۲ To assess the computerized financial systems of Afghanistan.

Afghanistan Government has centralized treasury and payment system, which is done at the Ministry of Finance. This is maintained and processed by a software called FREE BALANCE and known as AFMIS (Afghanistan Financial Management Information System). Similarly, a few municipalities, especially the Kabul Municipality, have introduced Financial Management Information System (FMIS) and the Revenue and Custom Directorate has revenue system called SAGTAS. The audit in the AFMIS system environment is critical for all expenditure audits, especially Qatia financial audit as well as for compliance audit of transactions. Further, for revenue audit, audit in SAGTAS would be required. Audit of Kabul and other municipalities having IT based database systems also requires audit in IT system environments. We realize that it involves two areas of audit, one audit of the IT systems, such as the AFMIS, SAGTAS and FMIS to examine their controls, processes, privileges and capacity to provide correct, accurate, reliable and adequate financial information and the second, audit of transactions and financial management using these IT / database systems. The first is IT audit and the second audit in IT environment. Our strategy is to catch up with audit in IT environment as soon as possible and build capacity in the medium to long term to undertake audit of IT /database systems.

It will require obtaining AFMIS terminals and access to these database systems, training of officials about these systems and building their capacity to undertake audit in the environment of such systems.

३.१.३ To prepare and implement IT policy.

SAO at present does not have any IT policy. To give impetus to the use of IT, enable IT related processes and procedures, including application of CAATS in audit work as well as to provide policy for streamlining the IT activities in SAO and for safeguarding IT infrastructure, it is imperative to prepare and implement IT Policy.

Objective ३.२:

To develop quality assurance mechanism including modification in organization structure

Public audit is required to provide assurance to the stakeholders that expenditure of public money and implementation of public programs are being administered in compliance with the applicable authorities, and economically, efficiently and effectively observing canons of financial propriety. Audit through its quality products and assessment could 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. The audit should also ensure that the transactions comply with laws, rules and regulations and objective and results are achieved as planned.

The 'quality management principle' is the conceptual underpinning of Quality Assurance. It is aimed at continually improving performance over the long term by addressing the needs of all stakeholders. It is essential to have in place quality management, assurance and control policies and procedures in the SAO. It would be ensured that these policies and procedures are subject to review mechanism. SAO is committed to foster quality attitude, supported by systematic quality systems and adequate policies, procedures, records, technologies, financial and human resources and structures. The 'Quality Management System' is proposed to be designed to provide 'reasonable assurance' in the light of the likelihood and magnitude of potential risks, that it conducts the audits, both regularity (financial & compliance) and performance, in accordance with the applicable legislative requirements, rules and regulations, audit standards, policy manuals, guidelines and procedures. Reasonable assurance should not be construed to mean absolute assurance of all aspects of quality for each individual audit and for the audit process.

३.२.१ To adopt relevant auditing standards and international practice.

Auditing standards are the benchmarks for the SAO to apply them in auditing. They impart professionalism and best practice methodologies. INTOSAI has issued ISSAIs (International standards for Supreme Audit Institutions) in ॔ levels. It will be adopted and implemented in phases, as we progresses on our path of capacity building and skill development. Presently, SAO is planning to implement up to Level ३ ISSAIs and will implement the Level ॔ ISSAIs in coming years, though our effort is to apply the relevant standards to our present work also. These standards include Financial Audit, Compliance Audit and Performance Audit.

३.२.२ To establish mechanism for enhanced quality of field work.

To oversee the implementation of quality assurance and control framework, a committee of concerned directors will be constituted to look into the quality assurance. The committee will be headed by the Auditor General to impart seriousness to the effort. It will meet once in a month. The committee can review the way

quality assurance is provided and will make changes in the process and procedures on the basis past experiences. This will be continuous effort and lessons learnt will be a source of information to make any corrective action in future. The fieldwork will have supervision, division of work, working papers to be maintained for the audit analysis and evidence and constant guidance from the directorate.

३.२.३ To establish mechanism for enhanced quality of reports and follow up.

Output of the SAO is measured in terms of the audit report. With increasing importance of audit reporting, owing to wider scope of the mandate under the new audit law, reporting section and follow up mechanism will be strengthened.

Objective ३.३:

To conduct audit using appropriate auditing standards and code of conduct

SAO has so far not been able to apply auditing standards fully in its audit works. Over the last few years, INTOSAI has issued required Auditing Standards called ISSAIs. SAO is committed to adopt and apply ISSAIs in all types of audits that the SAO undertakes. This will impart quality of audit work and assurance for audit report and opinion. Stakeholders will also take cognizance of the audit reports and opinion as credible. Code of conduct is useful for using the professional knowledge in the correct and honest manner. It will put auditors on the right track.

३.३.१ To develop appropriate auditing guidelines

SAO will develop relevant and appropriate guidelines taking the relevant ISSAIs into account for all types of audits - financial, compliance and performance.

३.३.२ To implement appropriate auditing standards

SAO will implement all the auditing standards within the time frame to enhance its quality of auditing.

३.३.३ To prepare and implement audit manuals for specific tasks

Audit Manuals are important document for any specific audit work. They provide details of each task that auditor should undertake for any specific audit. Subject specific manuals such as for embassy audit, audit of procurement, municipalities, etc. will be prepared and put in place.

Critical Success Factors

Strategic Planning is a dynamic and iterative process, as circumstances change and new insights emerge, new directions emerge. The SAO needs to continuously evolve an appropriate environment to successfully pilot the strategic plan and adapt it to changing requirements.

Organizational operations: It is crucial that the SAO works in close cooperation with the Government, international community and INTOSAI's regional bodies. To promote efficiency in the use of resources, the SAO will focus its efforts on meeting its needs from the perspective of stakeholders.

Stable funding: To be successful, the SAO needs access to financial resources from a broad range of funding agencies and institutions. Retaining the support of current donors and widening the donor base to the extent

necessary are critical to ensure adequate and stable funding, at least, over the lifetime of the new strategic plan.

Local support: Strategy will be achieved only in an environment of constructive cooperation between SAO staff, the Audit Directorate, the Deputy Auditors General and the Auditor General. Overall there must be a strong commitment to the transformation and strategic development process. SAO shall also actively seek the support of our key stakeholders, the State president, our audit clients, the international community and, ultimately, National Assembly.

Shared vision: Strategic Plan must have shared vision in an intelligible and readily understood format between all the stake holders and the staff of the SAO so that it is well understood and supported. There must be a culture of trust and coordination among all the national building institutions.

Performance Measure

Goal/Objective/	Performance Measure	Type	Data source	Unit of measure	Collection frequency	Baseline	Target	Measure owner	Verified & validated by
<p>Goal 1 To establish an appropriate legal framework and redefine role of SAO to external and internal stakeholders</p> <p>Objective 1.1 To establish and strengthen the relationship with all the stakeholders</p> <p>1.1.1 To establish professional relationship with National Assembly and President Office in submission of reports</p> <p>1.1.2 To sensitize Ministries, Departments, and Donors about its role</p>									
	Number of Meetings with president office and National Assembly	Oral Discussion	Minutes of the meeting	Number and date	In 6 months	Nil	1 in each 6 months	Director (C)	Dy. AG
	Letters to President office and National Assembly	Document	Letter in the office	Number and date	in 6 months	Nil	1 in each 6 months	Director (C)	Dy. AG
	Number of Seminars	Oral Discussion Document	Booklet on seminar	Number	Within 3 months of passage of law	Nil	3 seminars	AG office	Director, C

Goal/Objective/	Performance Measure	Type	Data source	Unit of measure	Collection frequency	Baseline	Target	Measure owner	Verified & validated by
<p>1.1.3 To create a publicity cell in SAO</p> <p>Objective 1.2: To do continuous and effective efforts for passage of new Audit Law and to have legal basis for audit in line with international standards and practice</p> <p>1.2.1 To have meetings and presentations in National Assembly for passage of law</p> <p>1.2.2 To preserve main points in the draft law through sensitizing individuals and National Assembly</p> <p>1.2.3 To liaise with the National Assembly and its speaker for creation of Public Accounts Committee</p> <p>Objective 1.3 To recognize the role of</p>	Functioning of a cell	Office	stakeholders reports	Number of reports	Each year	Nil	--	AG office	HR, Director
	Number of Meetings Presentation	Oral Document	Minutes SAO record	Number	Each month before passage of law	Nil	1 in each month before passage of law	AG office	Director, C&C
	Number of Meetings, Presentation	Oral Document	Minutes SAO record	Number	Each month before passage of law	Nil	1 in each month before passage of law	AG office	Director, C&C
	Number of Meetings, Presentation	Oral Document	Minutes SAO record	Number	Each quarter before creation of PAC	Nil	1 in each quarter before creation of PAC	AG office	Director, C

Goal/Objective/	Performance Measure	Type	Data source	Unit of measure	Collection frequency	Baseline	Target	Measure owner	Verified & validated by
SAO in Accountability and Transparency process	1,2,1 To assess and report on internal control of Audited entities	Document	Inspection reports	Number of Inspection reports	In six months / Every year	Nil	3 in each directorate in each quarter	Report section	Director, C&C
	1,2,2 To publish Audit Report and posting on the website	Soft copy of reports	SAO website	Number of reports	Each year	Nil	Qatia and compliance report every year Performance audit after 2 years	IT Dept.	DAG office
	1,2,3 To enhance follow up at all the levels including though National Assembly.	Number of follow up Letter to audit entities.	Document	Each Audit Directorate	Number of Replies from audit entities	Each year	Nil	20% of replies of entire follow up in first year, 10% to be added each year	Each Audit Directors

Goal/Objective/	Performance Measure	Type	Data source	Unit of measure	Collection frequency	Baseline	Target	Measure owner	Verified & validated by
Goal ٢ To effectively enhance the Professional capacity of CAO staff ٢,١ Objective: To develop professional skills through developing a sound audit methodology	Constitution of Expert team	Personnel	AG order	Actual existence	Once within six months	Nil	Constitution of team	AG office	HR, Director
٢,١,١ To constitute an expert team to continuously reengineer audit methods	Instructions, Audit report	Document	AG order and Reports	No. of reports	Each year	Nil	٣ compliance audit each year, ٢٥% in Qatia audit first year to be added by ٥% each year. ٢ in each year in first year and then at least ٣ in each year.	DAG office	Director, C&C
٢,١,٢ Adopt risk based compliance and financial audit	Reports and Order	document	Audit report	No. of reports	Each year	١ in each year		Director, performance audit	Director, C&C
٢,١,٣ Deliver Performance audit									
٢,٢.Objective: To organize and deliver development projects,	Training needs assessment	Training calendar	Needs assessment questionnaire and discussion	%age of directorates response	Each year	Ad hoc	Time based and scientific	Training department	DAG office

Goal/Objective/	Performance Measure	Type	Data source	Unit of measure	Collection frequency	Baseline	Target	Measure owner	Verified & validated by
including training for staff at different levels ሂ,ሂ,ገ To prepare training plan at the beginning of each year and schedule for workshops/seminars			with directorates	Number of			ሂ in each	Training department	DAG office
ሂ,ሂ,ሂ To prepare training course contents keeping international standards, best practice and local requirement in view	Course design	Document	Training records	course design	Each year	Ad hoc	year	Training department	DAG Office
ሂ,ሂ,ሂ To evaluate the effectiveness of training programs at the end of each Year	Effectiveness of training	Training test, Director's assessment	Training records	Subjective ratings	Each year	Ad hoc	Once in each year	International relations department	AG office
ሂ,ሂ Objective: To facilitate the dissemination and application of professional guidance in cooperation with									

Goal/Objective/	Performance Measure	Type	Data source	Unit of measure	Collection frequency	Baseline	Target	Measure owner	Verified & validated by
external professional institutions 2.3.1 To have Memorandum of Understanding between countries in the region and from ASOSAI	MoUs	Agreed document	Agreement records	Number of MoUs	Each year	One with SAI, India	3 in 5 years	International relations department	AG office
2.3.2 To seek support from international community/multilateral institutions to augment resources	correspondence, meetings	Document	Meeting records, copy of letters	Number	Each year	Ad hoc	Once in quarter each	Report department, HR department	AG office
2.3.3 Support to PAC secretariat	Briefing meetings, secondment of auditors	Document and personnel	Transfer orders, briefing records	Number of Briefing notes, auditors posted	Each year	Nil	One briefing note in each month, 1 auditors in secondment	Report section	AG office
Goal 3 To improve quality of audit process and report 3.1 Objective: To	Specialized IT training	Training module	IT department	Course content	Each year	Nil	1 course for 10 auditors every year	IT department	Training department

Goal/Objective/	Performance Measure	Type	Data source	Unit of measure	Collection frequency	Baseline	Target	Measure owner	Verified & validated by
develop the process of audit in IT environment ۳.۱.۱ To conduct IT training programme.	Audit of the system	Document	records Audit report	Subjective assessment of the quality of report	First year and when any changes in system is reported	Nil	Internal control of system	IT department	Director, Central Ministries
۳.۱.۲ To assess the computerized financial systems of Afghanistan	Approved IT policy	Document	IT records	circulation of policy to employees	First year	Nil	Each employee should be aware of it	IT department	Director, HR
۳.۱.۳ To prepare and implement IT policy									
۳.۲ Objective: To develop quality assurance mechanism including modification in organization structure	Adoption of auditing standards	Office order	Issuance of standards	Number of standards	Each year	Nil	Up to level ۳ of ISSAIs should be adopted in first year and thereafter level ۴ in ۳ years	Director, C&C	DAG office
۳.۲.۱ To adopt relevant auditing standards and international practice									
۳.۲.۲ To establish mechanism for enhanced quality of	Checklist to be given	Document	Each directorate records	Number of checklists	Every six months	Nil	۱۰ checklists prepared each six months	Each directorate	DAG office

Goal/Objective/	Performance Measure	Type	Data source	Unit of measure	Collection frequency	Baseline	Target	Measure owner	Verified & validated by
field work 3.2.3 To establish mechanism for enhanced quality of reports and follow up	Instructions to the directorate, adoption of report format	Document	Each directorate records	date of issuance	First year	Nil	To be done in first year	Each directorate	DAG office
3.3 Objective: To conduct audit using appropriate auditing standards and code of conduct	Auditing guidelines	Document	Each directorate records	Date of issuance	Each year	Nil	3 guidelines each year	Each directorate	DAG office
3.3.1 To develop appropriate auditing guidelines	Implementation auditing standards	Office order	Auditing standards	Date of issuance	Each year	Nil	All in 0 years	Each directorate	DAG office
3.3.2 To implement appropriate auditing standards	Audit manuals	document	Each directorate records	Number of manuals	Each year	Ad hoc	0 in each year, 3 to be added next every year onwards	Each directorate	DAG office
3.3.3 To prepare and implement audit manuals for specific tasks.									

Implementation Matrix

Sl. No.	Goal	Strategic Objectives	Projects	Performance Measures	Milestones	Year Of Achievement	Funding Amount	Source	Responsible Person	Risk	Progress
1.	To establish an appropriate legal framework and redefine role of SAO to external and internal stakeholders	1.1 To establish and strengthen the relationship with all the stakeholders 1.1.1 To establish professional relationship with National Assembly and President Office in submission of reports 1.1.2 To sensitize Ministries, Departments, and Donors about its role 1.1.3 To create a publicity cell in SAO	1.1.1 To establish professional relationship with President office and NA Letters to President office and NA Number of Meetings, Presentation Functioning of a cell	Number of Meetings with president office and NA Letters to President office and NA Number of Meetings, Presentation Functioning of a cell	First meeting First letter 3 seminars Office order in this regard	March 2013 March 2013 2013 June 2013	No No WB funding- No	\$---	AG/Dy. AG Dy. AG Admn	Non-availability of stakeholders. Designating personnel may get delayed. After creation, PC not working or effective.	
		1.2 To do continuous and effective efforts for passage of new Audit Law and to have legal basis for audit in line with international standards and practice	1.2.1 To have meetings and presentations in National Assembly for passage of law 1.2.2 To preserve main points in the draft law though sensitizing individuals and National Assembly. 1.2.3 To liaise with the National Assembly and its speaker for	Number of Meetings, Presentation Number of Meetings, Presentation Number of Meetings, Presentation	First meeting First presentation First meeting First presentation First meeting First presentation	February 2013 February 2013 February 2013 February 2013 May 2013 June 2013	No No No		AG / Dy. AG (Op) AG / Dy. AG (Op) AG / Dy. AG (Op)	Non-availability of the President / in case the President returns the law with assent; it will go to National Assembly again and will delay the enactment Delay in setting up / Limitation on resources for PAC.	

Sl. No.	Goal	Strategic Objectives	Projects	Performance Measures	Milestones	Year Of Achievement	Funding Amount	Source	Responsible Person	Risk	Progress
			creation of Public Accounts Committee								
		١,٣ To recognize the role of SAO in Accountability and Transparency process	١,٣,١ To assess and report on internal control of Audited entities. ١,٣,٢ To publish Audit Report and posting on the website. ١,٣,٣ To enhance follow up at all the levels including though National Assembly	Number of such Audits Posting on SAO website Number of follow up Letter to audit entities	Internal control report in first quarter Qatia Report on the website Reply to SAO Reply to PAC	end ٢٠١٣ ٢٠١٣ ٢٠١٣	WB WB No	\$ ---- \$ ---- 	Dy. AG (Op)/director (c) / Dir (IA) Dy. AG (op)/ Qatia unit / Dir (APPR) Concerned directors	Delay in appointment of consultants. Delay in passage of law. Delay in response by ministry. Delay in establishment of PAC and recommendation of the PAC.	
٢	To effectively enhance the Professional capacity of CAO staff	٢,١ To develop professional skills through developing a sound audit methodology	٢,١,١ To Constitute an expert team to continuously reengineer audit methods. ٢,١,٢ Adopt risk based compliance and financial audit. ٢,١,٣ Deliver Performance audit.	Constitution of Expert team Instructions, Audit report Reports and Order	First report Compliance report Qatia report Office order, Performance report with international standards.	September ٢٠١٣ June ٢٠١٣ September ٢٠١٣ June ٢٠١٣ June ٢٠١٤	WB UNDP WB No UNDP	\$ ---- \$ --- \$ ---	Dy. AG (Op) /other directors	Delay in appointment of consultant and in support to the committee.	
		٢,٢ To organize and deliver	٢,٢,١ To prepare training plan at	Training needs	Needs	June ٢٠١٣	No				

Sl. No.	Goal	Strategic Objectives	Projects	Performance Measures	Milestones	Year Of Achievement	Funding Amount	Source	Responsible Person	Risk	Progress
		development projects, including training for staff at different levels	the beginning of each year and schedule for workshops/seminars. ୧.୧.୧ To prepare training course contents keeping international standards, best practice and local requirement in view. ୧.୧.୨ To evaluate the effectiveness of training programs at the end of each Year.	assessment Course design Effectiveness of training	assessment report First training Course design Evaluation report received from directors	୧.୧.୩ June ୧.୧.୪	WB /UNDP \$ ---		Training Directorate	Delay in TNA & course designing due to lack of resources.	
		୧.୨ To facilitate the dissemination and application of professional guidance in cooperation with external professional institutions	୧.୨.୧ To have Memorandum of Understanding between countries in the region and from ASOSAI ୧.୨.୨ To seek support from international community/multilateral institutions to augment resources. ୧.୨.୩ Support to PAC secretariat	MoUs correspondence, meetings Briefing meetings, secondment of auditors	MoU with Malaysia MoU with one more country Agreement with UNDP Renew agreement with World Bank First meeting ୧ Auditors to be deputed	March ୧.୧.୩ June ୧.୧.୪ March ୧.୧.୩ January ୧.୧.୬ September ୧.୧.୩ September ୧.୧.୪	UNDP \$ ----- UNDP/ WB \$ ---- UNDP \$ ---		AG / IR division AG Dir C	Delay in finalization with UNDP/WB. Delay in support PAC not created	

Sl. No.	Goal	Strategic Objectives	Projects	Performance Measures	Milestones	Year Of Achievement	Funding Amount	Source	Responsible Person	Risk	Progress
۳.	To improve quality of audit process and report	۳,۱ Objective: To develop the process of audit in IT environment	۳,۱,۱ To conduct scientific and learning program on system ۳,۱,۲ To assess the computerized financial systems of Afghanistan ۳,۱,۳ To prepare and implement IT policy	Specialized IT training Audit of the system Approved IT policy	Conduct of training AFMIS Audit Implement of IT policy	June ۲۰۱۳ September ۲۰۱۳ June ۲۰۱۳	WB No No	\$ ---- 	IT division	Delay in appointment of IT trainer /installation of AFMIS terminal/ Delay in access to AFMIS or limited access by MoF / inadequate capacity in officials to check / Lack of capacity in SAO to draft an IT policy	
		۳,۲ To develop quality assurance mechanism including modification in organization structure	۳,۲,۱ To adopt relevant auditing standards and international practice ۳,۲,۲ To establish mechanism for enhanced quality of field work ۳,۲,۳ To establish mechanism for enhanced quality of reports and follow up.	Adoption of auditing standards Checklist to be given Instructions to the directorate, adoption of report format	Adoption ISSAIs Checklist of nine big ministries Adoption of INTOSAI auditing format	June ۲۰۱۳ June ۲۰۱۴ June ۲۰۱۵ December ۲۰۱۳ June ۲۰۱۳	USAID USAID USAID	\$ ---- \$ ---- \$ ----	AG/Dy. AG/All directors	Delay in adoption and availability of resources for training and capacity building.	
		۳,۳ To conduct audit using appropriate auditing standards and code of conduct	۳,۳,۱ To develop appropriate auditing guidelines ۳,۳,۲ To implement appropriate auditing standards	Auditing guidelines auditing standards	Guidelines for performance audit in ministries, Projects. Implement level ۳ auditing standards Level ۴ auditing standards	۲۰۱۳/۱۴ December ۲۰۱۵	WB / USAID WB UNDP	\$ ----	Dy. AG (Op)	Delay in preparation of guidelines and training Delay in preparation of guidelines / manuals and training	

Sl. No.	Goal	Strategic Objectives	Projects	Performance Measures	Milestones	Year Of Achievement	Funding Amount	Source	Responsible Person	Risk	Progress
			၃,၃,၃ To prepare and implement audit manuals for specific tasks	Audit manuals	၁ audit manuals approved by AG	၂၀၂၃/၂၄	NO				

Operational Plan

Name of SAI	:	Supreme Audit Office (SAO), Afghanistan
Year/Period	:	۲۰۱۳
Title of Document	:	Operational Plan

Vision, Mission, Core Values

Vision

To be an independent, efficient and effective Supreme Audit Institution that promotes public accountability and transparency.

Mission

The Supreme Audit Office is the Supreme Audit Institution of Islamic Republic of Afghanistan that aims to provide independent assurance to the Parliament and to the international community, in accordance with international auditing standards, that public funds are being spent for the purposes intended and that all revenues due have been collected and properly recorded in the financial records and also to report on the economy, efficiency and effectiveness of Government operations.

Core Values

Independence: independence from the executive, audited entity and other outside interest groups.

Integrity: committed to uphold the value and principle of integrity including honesty and candidness in audit and audit reports.

Objectivity, Impartiality & Neutrality: committed to objectivity, impartiality and neutrality in audit reporting for acceptability and credibility.

Competence & Professionalism: committed to conduct in a professional manner at all times and to apply high professional standards in audit.

Confidentiality: committed not use information received in the performance of duties as a means of securing personal benefit for themselves or for others.

Cooperation: committed to team work and to collaborate with the stakeholders to meet audit objectives.

Innovation: committed to innovate and be effective.

Relevance: committed to perform relevant audit and be relevant to stakeholders.

Goals and Strategic Objectives for the Year: ٢٠١٣		
Goals	Strategic Objectives/Strategies	Performance Measures (PM) / Expected Outcomes
<p>Goal ١: To establish an appropriate legal framework and redefine role of SAO to external and internal stakeholders.</p>	<p>Strategy ١: To establish and strengthen the relationship with all the stakeholders.</p>	<p>[PM: No. of meetings with and letters to the President, National Assembly, Ministries / no. of seminars with ministries/setting up and functioning of the publicity cell].</p> <ul style="list-style-type: none"> • Letter to the stakeholders (President, & the National Assembly including the BBFC/PAC) followed by meeting at least <i>once every six month</i> in ٢٠١٣ apprising them of the progress in audit work and important developments in financial management and accountability of the government as well as emphasizing the need for early creation of PAC; • Letter to the MoF, Head of ministries as well as the Directors of Internal Audit of the ministries followed by meeting /seminar at least <i>once every six month</i> in ٢٠١٣ for facilitating Qatia audit, compliance and internal control in their agencies as well as seeking their cooperation with audit; • Establishment of a publicity cell in the SAO with a manager as in charge <i>by June ٢٠١٣</i> and its functioning thereafter.. • Holding of ٢ seminars on the role of the SAO and new Audit Law mandates.
	<p>Strategy ٢: To do continuous and effective efforts for passage of new Audit Law and to have legal basis for audit in line with international standards and practice.</p>	<p>[PM: No. of meetings with National Assembly / Speaker and the President / submission of at least one appreciation paper on PAC and organizing one study tour of Members of the National Assembly].</p> <ul style="list-style-type: none"> • Passage of the Audit Law in both Houses of the National Assembly and receiving assent of the President within <i>first quarter of ٢٠١٣</i> without dilution in the proposed mandate and scope of audit; • Submission of an appreciation paper <i>by June ٢٠١٣</i> on significance and necessity of urgently setting up of a separate PAC for adequate scrutiny of and follow up on audit reports and liaise with the NA and the Speaker; • Facilitating study tour of Members of the National Assembly by March ٢٠١٣ at least to one country which have functioning PAC for sensitizing them about the role and significance of the PAC.
	<p>Strategy ٣: To recognize the role of SAO in Accountability and Transparency process.</p>	<p>[PM: No. of report of assessment of internal control and areas of risk, non-compliance and non-transparency in ministries/ ١٠٠٪ publication of audit reports including on website of the SAO / percentage of reply of audited agencies against IR within specified time].</p> <ul style="list-style-type: none"> • At least one report of assessment of internal control and areas of risk, non-compliance and non-transparency by end of ٢٠١٣ based on at least ١ ministries / agencies, which cover at least ١٠٪ of expenditure of the previous year.

Goals	Strategic Objectives/Strategies	Performance Measures (PM) / Expected Outcomes
		<ul style="list-style-type: none"> • Making Qatia audit report for Qatia ١٣٩١ (٢٠١٢) public within ١٥ days of discussion in the National Assembly in ٢٠١٣. • Making relevant compliance audit reports public as soon as audit law is enacted in ٢٠١٣. • Ensuring response of the audited entity on the Inspection Reports (IR) within ٢ months of the issue of the IR in ١٣٩٠.
Goal ٢: To effectively enhance the professional capacity of the SAO staff.	Strategy ١: To develop professional skills through developing a sound audit methodology.	<p><i>[PM: assessment report on best suited audit methodology for the SAO for planning, risk assessment, field work, substantive and other procedures for evidence gathering/ no. of workshops & trainings on audit methodology].</i></p> <ul style="list-style-type: none"> • Setting up of a team by end of March ٢٠١٣ to assess gaps vis-à-vis ISSAIs and best practices and best suitable audit methodology (standards and practices for audit) for the SAO in light of mandate of the new audit law and to give first report by Sept. ٢٠١٣. • Completing at least ٣ training / workshops for the officials on audit methodology including on <i>system based audit, substantive procedure approach and risk based approach to audit</i> by the end of ٢٠١٣.
	Strategy ٢: To organize and deliver capacity development projects, including training for staff at different levels.	<p><i>[PM: Training Need Analysis & Assessment (TNA)/Course Designing for training / no. of trainings / effectiveness of training].</i></p> <ul style="list-style-type: none"> • Completion TNA by Sept. ٢٠١٣. • Designing of training course based on the TNA by end Dec. ٢٠١٣ (pending course design, other scheduled trainings will continue). •
	Strategy ٣: To facilitate the dissemination and application of professional guidance in cooperation with external stakeholders/professional institutions.	<p><i>[PM: No. of MoUs with other SAIs / professional institutions for cooperation in professional knowledge and skill/No. of communications and support commitments from multilateral and international organizations for augmenting resources / no. of audit staff provided to the PAC].</i></p> <ul style="list-style-type: none"> • MoU with SAI Malaysia by end of 1st Quarter ٢٠١٣. • Support agreement with UNDP by March ٢٠١٣.
Goal ٣: To improve quality of audit process and reports.	Strategy ١: To develop the process of audit in IT environment.	<p><i>[PM: Setting up of adequate IT infrastructure and systems including IT audit tools & preparation of IT policy / completion of specialized IT trainings/taking up audit of IT systems in Government (AFMIS, FMIS, SAGTAS/ taking up audit in IT environment].</i></p> <ul style="list-style-type: none"> • For Qatia audit, securing AFMIS terminals at SAO by end of June ٢٠١٣. • Completion of at least ٤ trainings by end of ٢٠١٣ regarding audit in IT environment, especially AFMIS environment. • Putting in place IT policy by Sept. ٢٠١٣.

Goals	Strategic Objectives/Strategies	Performance Measures (PM) / Expected Outcomes
	<p>Strategy ٢: To develop quality assurance mechanism including modification in organization structure.</p>	<ul style="list-style-type: none"> • Checking of at least ٢٠% transactions in the AFMIS for Qatia ١٣٩٢ (٢٠١٣). <p><i>[PM: Putting in place Quality Control framework and its application / no. of trainings on quality assurance / adoption of standard audit planning format with checklist/standardization of Inspection Reporting (IR) and Audit Report].</i></p> <ul style="list-style-type: none"> • Adoption of Quality Control Framework for audit process (based on INTOSAI ISSAI – ٤٠: Quality control for SAIs) by June ٢٠١٣. • Organizing at least ٢ training programmes on QC by end of Sept. ٢٠١٣.
	<p>Strategy ٣: To conduct audit using appropriate auditing standards and code of conduct.</p>	<p><i>[PM: completion of mandated audit works / adoption of ISSAIs for financial, compliance and performance audits / guidelines for audit based on ISSAIs /</i></p> <ul style="list-style-type: none"> • Undertaking audit of Qatia statements ١٣٩١ in ١٣٩٢ (٢٠١٣) and submitting audit report thereon by end of June ٢٠١٣. • For annual planning for compliance audit, creation of audited entity database by the end of ٢٠١٣. • Preparation and finalization of Financial (Qatia) audit guidelines by June ٢٠١٣. • Undertaking compliance audit every quarter as per annual plan and submitting compliance audit report six monthly / annually in ٢٠١٣. • Adoption by SAO of INTOSAI ISSAIs Level - ٢ (independence, transparency, accountability, code of ethics and quality control) and Level - ٣ (relating to basic principles, general standards, filed standards and reporting standards) by April ٢٠١٣. • Adoption of INTOSAI compliance audit ISSAIs ٤٠٠٠, ٤١٠٠ for compliance audit by end of ٢٠١٣. • Preparation and finalization of compliance (Qatia) audit guidelines by Dec. ٢٠١٣. • Putting in place annual audit planning including deciding periodicity of audit of different entities for compliance audit based on prioritization of audit entities as per their significance and risk by end of ٢٠١٣. • Carrying out compliance audit of agencies involving at least ٢٥% of expenditure as per the ISSAI ٤١٠٠ and other relevant ISSAIs on compliance audit by end of ٢٠١٣. • ١٠٠% annual coverage through audit of grants given by the World Bank / ARTF and submission of audit opinion on grants financial statements in ١٣٩٢ (٢٠١٣). • Subject specific audit manuals on Embassy audit, Municipality audit and Procurement audit by Dec. ٢٠١٣.

OP Implementation - ۲۰۱۳

Goal ۱: To establish an appropriate legal framework and redefine role of SAO to external and internal stakeholders.

Objective ۱. ۱: To establish and strengthen the relationship with all the stakeholders

Activity/ Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept/division)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity ۱: To establish professional relationship with National Assembly and President Office in submission of reports.	۲۰ st March ۲۰۱۳	۲۰ st Dec. ۲۰۱۳	<p>Baseline: Sometimes meeting take place but no formal mechanism.</p> <p>Target: Establishing formal mechanism of relationship/ interaction with stakeholders.</p>	PI ۱: letters to and meetings with the President, National Assembly (speakers) every six month on audit work and govt.'s financial mgt.	AG / Dy. AG (Op)	<ul style="list-style-type: none"> - Issue of the first letter; - Subsequent meeting by end June ۲۰۱۳. 	No additional budget required.	<p>Risk: non-availability of stakeholders.</p> <p>Risk mitigation: keeping more than one schedules.</p>	---	Defining role and responsibilities of the concerned officials and liaison with offices of the stakeholders.

<p>Activity ٢: To sensitize Ministries, Depts., and Donors about its role.</p>	<p>٢st March</p>	<p>٢st Dec.</p>	<p>Base line: Sometimes meeting take place but no formal mechanism.</p> <p>Target: Establishing formal mechanism of relationship/ interaction with stakeholders.</p>	<p>PI ١: letter to and meeting with MoF, heads of ministries & heads of internal audit of mins., six-monthly for facilitating Qatia audit, internal control and compliance and its role in transparency and accountability.</p> <p>PI ٢: Holding two seminars/ appreciation paper.</p>	<p>Dy. AG (Op)/c concerned Direct ors</p>	<p>- Issue of the first letter; - Subsequent meeting by end March ٢٠١٣. - first seminar</p>	<p>- No additional budget required. - WB US\$ ----</p>	<p>Risk: non-availability of stakeholders.</p> <p>Risk mitigation: keeping more than one schedules.</p>	<p>In case of meeting with the head of internal audit, coordination with the internal audit schedules.</p>	<p>Defining role and responsibilities of the concerned officials and liaison with offices of the stakeholders.</p>
<p>Activity ٢: To create Publicity Cell (PC) in the SAO.</p>	<p>٢st March</p>	<p>٢th June</p>	<p>Base line: no PC</p> <p>Target: Establishing PC as formal mechanism.</p>	<p>PI ١: setting up Publicity Cell (PC) by June ٢٠١٣.</p> <p>PI ٢: functioning of the PC</p>	<p>Dy. AG (Adm. & Fin)/Dy. AG (Op)</p>	<p>- Issue of notification for setting PC by end June ٢٠١٣. - assigning personnel for the cell.</p>	<p>No additional budget required except deployment of officials.</p>	<p>Risk: Designating personnel may get delayed. After creation, PC not working or effective.</p> <p>Risk mitigation: Assign personnel (existing personnel dealing with presentation of Qatia to national assembly) / Review & redesign.</p>	<p>---</p>	<p>Appoint appropriate & skilled official; make him focal point of stakeholders' relations.</p>

Goal 1: To establish an appropriate legal framework and redefine role of SAO to external and internal stakeholders.

Objective 1, 2: To do continuous and effective efforts for passage of new Audit Law and to have legal basis for audit in line with international standards and practice.

Activity/ Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept/division)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity 1: To have meetings and presentations in National Assembly for passage of law	1 st February 2023	1 st April 2023	Base line: Audit Law already passed and sent to the President. Target: Assent of the President.	PI 1: Meetings with the President in Feb & March 2023.	AG /Dy. AG (Op)	- meeting in Feb. 2023. -follow up, in case there is delay in assent of the President. -In case President returns it to NA, meet with NA.	No additional budget required.	Risk: non-availability of the President / in case the President returns the law with assent; it will go to National Assembly again and will delay the enactment. Risk mitigation: keeping option of more than one meeting schedule /in case the President return without assent, passage of law by the National Assembly will be final and will not require President's assent. However, meetings will be held with NA to expedite.	---	Liaison with office of the President / NA.
Activity 2: To preserve main points in the draft law through sensitizing individuals and National Assembly	1 st March 2023	1 st Dec. 2023	Base line: Audit Law already passed and sent to the President with certain changes. Target: Assent of the President to the new Audit Law, which gives wider mandate.	PI 1: Enactment of the audit law by end March 2023.	AG/ Dy. AG (Op)	- Issue of the first letter; - Subsequent meeting by end March 2023.	No additional budget required.	Risk: non-availability of the President and delay in approval. Risk mitigation: Statutory provisions exist for approval within fix time.	---	Liaison with office of the President.

Activity 1: To liaise with the National Assembly and Speaker for creation of Public Accounts Committee (PAC).	1 st March 2013	30 th June 2013	<p>Base line: Banks, Budget & Financial Affairs Committee (BBFAC) has PAC sub-committee.</p> <p>Target: Setting up of separate PAC by National Assembly.</p>	<p>PI 1: PAC study tour by end Mar 2013.</p> <p>PI 2: Appreciation paper on PAC's significance by June 2013.</p>	AG / Dy. AG (Op)	-study tour -appreciation paper -presentation if NA requires.	Additional budget required for study tour WB US\$ 2 million	<p>Risk: Delay in setting up / Limitation on resources for PAC.</p> <p>Risk mitigation: Regular meetings and follow up including linking support of donors.</p>	Link with Donor's support to SAO in strengthening the PAC.	Liaison with the Min. Parl. Affairs / NA and with donors for resources support,
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Goal 1: To establish an appropriate legal framework and redefine role of SAO to external and internal stakeholders.

Objective 1, 2: To recognize the role of SAO in Accountability and Transparency process

Activity/Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept/Div)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity 1: To assess and report on internal control of Audited entities.	1 st March 2013	31 st Dec. 2013	<p>Base line: Six-monthly Compliance Audit Report are presently prepared.</p> <p>Target: Report of assessment of internal control and areas of risk, non-compliance and non-transparency by end of 2013</p>	<p>PI 1: At least one report of assessment by end of 2013 based on at least 4 ministries / agencies, which cover at least 10% of expenditure of the previous year.</p>	Dy. AG (Op) / Dir. (Cent) / Dir (IAQC) / Dir (APPR)	-Starting assessments in a few min. starting May 2013. -report result of audit.	WB support for external audit US\$ 2 million	<p>Risk: Delay in appointment of consultants.</p> <p>Risk mitigation: expedite appointment in consultation with ARDS.</p>	---	---

<p>Activity 1: To publish Audit Report and posting on the website.</p>	<p>1st March</p>	<p>1st Dec.</p>	<p>Base line: Qatia audit report after discussions in the NA put on the SAO website. Compliance audit not published.</p> <p>Target: Publishing Qatia audit report as well as compliance audit report.</p>	<p>PI 1: publication of Qatia audit report within one month of discussions in NA.</p> <p>PI 2: publication of compliance audit report after passage of law.</p>	<p>Dy. AG (Op)/ Qatia unit. / Dir (APPR)/ IT Dept.</p>	<p>- Discussion in NA on Qatia audit report by the NA;</p> <p>- Enactment of audit law.</p> <p>-publication of reports.</p>	<p>- For Website no req.</p> <p>- for printing , budget requirement, US\$ ---</p>	<p>Risk: delay in passage of law</p> <p>Risk mitigation: expedite enactment of law.</p>	<p>PAC establishment/ passages of audit law.</p>	<p>Arrangement to post at website by IT dept., which may require IT skilled person /publication.</p>
<p>Activity 2: To enhance follow up at all the levels including through National Assembly.</p>	<p>1st February</p>	<p>1st Dec.</p>	<p>Base line: Response on Qatia audit report & IR not timely / No discussion on compliance audit report (CAR).</p> <p>Target: Achieving timely response to Qatia observations and on IRs. Scrutiny of CAR by NA.</p>	<p>PI 1: No. of follow up letters / reminders.</p> <p>PI 2: percentage of IR's response within 2 months.</p>	<p>Dir (APPR) /Qatia unit/ concerned Directors</p>	<p>- Issue of IR;</p> <p>-maintaining a computerized inventory of IR;</p> <p>-if delayed, follow up letters and reminders;</p> <p>-follow up at higher levels.</p>	<p>No additional budget requirement</p>	<p>Risk: delay in response by ministry. Delay in establishment of PAC and recommendation of the PAC.</p> <p>Risk mitigation: In case of delay, follow up at higher level. Formation of PAC which will strengthen follow up & scrutiny is external to SAO.</p>	<p>---</p>	<p>Liaison with the Min. /Parl. Affairs / NA</p>

Goal 1: To effectively enhance the professional capacity of the SAO staff.

Objective 1, 1): To develop professional skills through developing a sound audit methodology.

Activity/ Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept./Div)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity 1: To Constitute an expert team to continuously reengineer audit methods.	1 st March 2013	31 st Dec. 2013	<p>Base line: the existing Supreme Board of Audit (SBoA) head by the AG and including several directors deals with audit matters. However, there is no formal mechanism to deal with audit methodology/ISSAIs in relation to the requirements of ISSAIs.</p> <p>Target: set up a formal mechanism to assess the gaps and adopt suitable audit methodology / ISSAIs either through SBoA or through a separate committee.</p>	<p>PI 1): assigning a team / committee on audit methodology / ISSAIs by end Mar. 2013.</p> <p>PI 2): draft assessment report by Sept. 2013.</p> <p>PI 3): Completing training/workshops on audit methodology by end Dec 2013.</p>	AG / Dy. AG (Op) / SBoA	<ul style="list-style-type: none"> - Assigning the audit methodology committee. -preparation of draft assessment report. -Discussion and follow up. -training. -creation of audit planning database. 	Support from WB supported external audit consultancy / existing advisors	<p>Risk: Delay in appointment of consultant and in support to the committee.</p> <p>Risk mitigation: expediting appointment in consultation with ARDS and Committee can seek assistance from existing advisors.</p>	Training can be linked with the training programme of existing advisors & SNNCO.	Include SAO officials in the Committee who have participated in the INTOSAI/IDI programmes

Goal 1: To effectively enhance the professional capacity of the SAO staff.

Objective 1, 1: To organize and deliver capacity development projects, including training for staff at different levels

Activity/ Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept/Div)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity 1: To prepare training plan at the beginning of each year and schedule for workshops/seminars.	1 st Feb. 2013	31 st Dec. 2013	<p>Base line: No updated Training Need Assessment (TNA) available. Some training schedules are prepared by the training division. Training being delivered by existing consultants/advisors.</p> <p>Target: Availability of TNA & designed training course.</p>	<p>PI 1: TNA by Sept. 2013.</p> <p>PI 2: Training course based on the TNA by Dec. 2013. (training plan thereafter)</p>	<p>Dy. AG (Op) / Dy. AG (Adm. & Fin) / Dir. Training/HR</p>	<p>-preparation and distribution of TNA questionnaire for response of officials by end February 2013.</p> <p>- collection of responses.</p> <p>-compilation and collation of the responses.</p> <p>-analysis of responses</p> <p>-course designing.</p>	<p>Support from WB/UNDP for course design US\$----</p>	<p>Risk: Delay in TNA & course designing due to lack of resources.</p> <p>Risk mitigation: expediting and ensure preparation, distribution and collection of responses on the TNA questionnaire. Finalize support from UNDP/WB.</p>	<p>Training program of existing WB advisor & SNNCO.</p>	<p>Assistance officials in responding to TNA questionnaire and compilation of the responses</p>
Activity 2: To prepare training course contents keeping international standards, best practice and local requirement in view										

Goal 1: To effectively enhance the professional capacity of the SAO staff.										
Objective 1.1: To facilitate the dissemination and application of professional guidance in cooperation with external stakeholders/professional institutions										
Activity/ Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept/Div)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity 1: To have Memorandum of Understanding (MoU) between countries in the region and from ASOSAI.	1 st January 2013	31 st Dec. 2013	<p>Base line: MoU between SAI Afg. & SAI India is in place. Draft MoU with Malaysia finalized.</p> <p>Target: MoU with SAI, Malaysia to be operational by end of March 2013. Finalization of T&C with UNDP by end March 2013 for support.</p>	<p>PI 1: Finalization and signing of MoU with SAI Malaysia by end 1st quarter 2013.</p> <p>PI 2: Finalization of the T&C of the support with UNDP by end March 2013 for implementing the activities of the MoU.</p>	AG / Finance Division	<ul style="list-style-type: none"> -Finalization of draft MoU; - Visit to Malaysia for signing; - Finalization of terms and conditions of the support with UNDP. 	UNDP support of US\$ ----	<p>Risk: Delay in finalization with UNDP.</p> <p>Risk mitigation: regular interaction with UNDP and early finalization of terms of the agreement.</p>	Plan of IR Division.	Meeting with the in-charge in UNDP / preparation of proposal for UNDP.

Goal 1: To improve quality of audit process and report.										
Objective 1.1: To develop the process of audit in IT environment.										
Activity/Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept/Div)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity 1.1: To conduct IT training programs, including on CAATs, IDEA, databases and data processing techniques.	1 st March 2013	31 st Dec. 2013	Baseline: IT department in SAO exists and one trainer on IT, which is limited to basic word and data processing. Target: Training on database for understanding AFMIS.	PI 1: At least 4 training programmes on AFMIS by end of 2013. PI 2: Installation of AFMIS terminals in SAO by June. 2013.	Dy. AG / IT Division	-appointment of IT trainer - installation of AFMIS terminals. -trainings.	WB support for IT trainer and IT infrastructure. US\$ ----	Risk: Delay in appointment of IT trainer /installation of AFMIS terminal. Risk mitigation: expediting appointment in of IT trainer by following up with WB and expediting AFMIS terminals for which MoF has been already requested.	IT training linked with the training programmes and TNA/course design.	Select those SAO officials who have already have some IT knowledge and skill as well as training.
Activity 1.2: To assess the computerized financial systems of Afghanistan.	1 st March 2013	30 th June 2013	Baseline: As part of Qatia audit, transactions in the AFMIS are checked. Target: As part of Qatia audit 1392 (2013), check transactions in the AFMIS.	PI 1: Checking of at least 20% transactions in the AFMIS during Qatia audit 1392 (2013).	Dy. AG (Op) / Qatia Commission	-start of Qatia audit & provision for access to AFMIS to Qatia commission.	No	Risk: Delay in access to AFMIS or limited access by MoF / inadequate capacity in officials to check. Risk mitigation: MoF can be requested early and for adequate access/ assistance of expert on AFMIS to be taken.	Qatia audit plan for Qatia 1392.	Include AFMIS knowing officials as part of Qatia commission.
Activity 1.3: To prepare and implement IT policy.	1 st March 2013	30 th Sept. 2013	Baseline: No IT policy document. Target: Preparation of IT policy.	PI 1: Implementation of IT policy by end of 2013.	Dy. AG / IT Division	-Issue of notification for preparation of IT policy and assigning responsibility	No	Risk: Lack of capacity in SAO to draft an IT policy. Risk mitigation: assistance of expert to be taken / IT policy document of a few SAI to be referred to.	Plan of IT div.	Assign IT knowing officials for the task.

Goal 1: To improve quality of audit process and report.										
Objective 1.1: To develop quality assurance mechanism including modification in organization structure.										
Activity/ Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept/Div)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity 1: To adopt relevant auditing standards and international practice.	1 st January	31 st Dec.	Base line: No formal mechanism / document on quality control and quality assurance. Target: Adoption of ISSAI 40 on Quality control / putting in place a quality assurance mechanism for audit planning, field work, audit report and follow up and training of officials thereon.	PI 1: Adoption of ISSAI-40 (Quality Control) as part of Quality Control & Assurance Framework by June 2013. PI 2: Putting in place by August 2013 a quality management system (QMS) in SAO along with a committee to review audit works and products and provide opinion including on the compliance with best practices and ISSAIs before SAO issues its opinion / submit its reports. PI 3: For annual planning for compliance audit, creation of audited entity database by the end of 2013 and its application for planning; standardized planning memo, audit reporting formats by end of 2013.	AG / Dy. AG /Dir. (QC & IA) /all Directors	-Formal adoption of ISSAI 40 (QC) - Preparation and discussion with all Directors on the draft QCAF and finalization. - Notification of implementation of QCAF. -constitution of committee with AG as head QMS. - Training on QCFA and various monitoring and evaluation reports. - Finalization of database and adoption of standardized planning memo, audit reporting formats.	With the support of existing CTAP advisors	Risk: Delay in formal adoption of ISSAI 40 due to its unavailability in English/ delay in finalization of QCAF. Risk mitigation: ISSAI 40 to be translated in Eng. and views of all Directors to be obtained before adoption. Once QCAF draft is ready, circulate and obtain opinion of all division heads/directors.	---	Set up QMS and assign task of review to a committee/hold monthly meeting or as appropriate / devise monitoring and evaluation method for assuring quality in field works and reporting.
Activity 2: To establish mechanism for enhanced quality of field work.										
Activity 3: To establish mechanism for enhanced quality of reports and follow up.										

Goal ١: To improve quality of audit process and report.

Objective ١.١: To conduct audit using appropriate auditing standards and code of conduct.

Activity/ Project	Start Date	End Date	Baseline and Target	Performance indicator at the project level	Responsibility (Dept/Div)	Milestones	Budget	Risk Management	Linkage with regular plans	Change management strategies
Activity ١: To develop appropriate auditing guidelines.	1 st January ٢٠٢٤	31 st Dec. ٢٠٢٤	Base line: Compliance and Qatia audit are done based on existing guidelines which are not fully ISSAI compliant. Target: develop and implement ISSAI compliant guidelines for Qatia (fin) and compliance audit.	PI ١: ISSAI compliant Qatia (Fin) Audit Guidelines by target date. PI ٢: ISSAI compliant Compliance Audit Guidelines by target date.	Dy. AG / Dir (AAPR)	-preparation of draft Qatia audit/compliance audit guidelines. -discussion with Qatia commission / Directors of all divisions. -finalization and implementation.	Support of WB consultants / CTAP advisors.	Risk: Delay in availability of WB consultants, preparation and finalization as well as in translation. Risk mitigation: monitor the preparation, discussion and finalization and designate a translator for the task.	---	---
Activity ٢: To implement appropriate auditing standards.	1 st January ٢٠٢٤	31 st Dec. ٢٠٢٤	Base line: INTOSAI ISSAIs provide guidance but have not been fully implemented. Target: Implement ISSAIs L٢ & L٣ and part of L٤.	PI ١: adoption of ISSAIs L٢ & L٣ by April ٢٠٢٤. PI ٢: Qatia audit and compliance audit covering ٢٥% expenditure to follow ISSAIs.	AG / Dy. AG	-Translation of L٢: ISSAIs and adoption. -Compilation of L٣- ISSAIs with gap analysis and adoption. - Translation of ISSAI ٤٠٠٠-٤١٠٠ (Compliance audit) and its adoption. - Application of ISSAIs in audit coverage.	Support of WB consultants / CTAP advisors.	Risk: Delay in translation due to unavailability of translating official or his / her business with other works. Risk mitigation: monitor the preparation, discussion and finalization and designate a translator for the task.	---	---

<p>Activity 1: To prepare and implement audit manuals for specific tasks.</p>	<p>1st January 2013</p>	<p>31st Dec. 2013</p>	<p>Base line: No subject specific audit manuals (check)? Target: Develop and implement at least 3 such manuals by end of 2013.</p>	<p>PI 1: Embassy audit manual finalized and implemented. PI 2: Municipality audit manual finalized and implemented. PI 3: Procurement audit manual finalized and implemented.</p>	<p>Dy. AG/concerned Directors</p>	<p>-preparation of the said manuals by WB funded SNNCO consultant. -discussions, finalization and approval. -adoption of the manuals.</p>	<p>WB funded SNNCO consultant already in place.</p>	<p>Risk: Delay in translation / discussions. Risk mitigation: monitor the preparation, discussion and finalization and translation.</p>	<p>WB funded SNNCO consultant's programme.</p>	<p>Training to specific group of auditors to apply the manuals for audit.</p>
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Results of Stakeholder's Analysis

The Supreme Audit Office (SAO) is the supreme audit institution of the Islamic Republic of Afghanistan, which provides independent assurance to the President, the National Assembly and other stakeholders, including the donors, that the public funds are being spent properly and for the purposes intended and that all revenues due have been collected and properly recorded in the financial records.

٢. The SAO derives its mandates and powers for undertaking various types of audit from Article ٩٧ of the Constitution of the Islamic Republic of Afghanistan, the existing Audit Law enunciated and Article ٥٩ of the Public Finance and Expenditure Management (PFEM) Law, ٢٠٠٥. Article ٩٧ of the Constitution and Article ٥٩ relating to audit of the Qatia in the PFEM Law, require that the administration for audit and control shall prepare an independent audit report within six months from the end of a fiscal year and submit it to the government. The government then shall submit the report to the National Assembly and the report shall be made publicly available upon submission to the National Assembly. Accordingly, SAO submits audit report of audit of Qatia financial statements to the President and the National Assembly. The National Assembly discusses the audit report for follow up action.

٣. As part of compliance audit, the SAO carries out audit of compliance of relevant rules and regulations and internal control system as well as expenditure and receipts of the central ministries, departments and agencies as well as mustofiates, municipalities and various state owned enterprises (SOE). As part of the public works audit, SAO carries out audit of construction through physical verification. Six monthly compliance audit reports are prepared and submitted to the President Office and the Ministry of State in Parliamentary Affairs. The National Assembly does not discuss the compliance report.

٤. As per the understanding between the Ministry of Finance (MoF) and the World Bank, a separate audit of the grants given by the World Bank to the Government of Afghanistan is to be carried out for certification of the financial transactions there from and compliance of relevant terms and conditions of the grants. Grants of donors to the Afghanistan Reconstruction Trust Fund (ARTF) are also subject to similar conditions. MoF is primarily responsible for ensuring such audit. The SAO, being the supreme auditor of the Government, has been entrusted by the MoF to carry out the audit. The SAO on the basis of audit of a consulting audit agency provides its audit opinion in this regard to the Ministry of Finance/World Bank.

٥. Stakeholders with regard to the various Audit Reports by the Supreme Audit Office (SAO), Afghanistan broadly include the following:

- i) President
- ii) National Assembly
- iii) Min. of Finance
- iv) Other Ministries and agencies of the Govt. of Afghanistan
- v) Donors

vi) Society and Media

٦. The President, who under the existing legal framework is provided to receive the Audit Reports of annual Qatia statements and Audit Reports for various compliance audit is an important stakeholder, as he is the head of the executive and ensures that the results of the audit and recommendations thereon are effectively implemented. Audit of the Qatia accounts is undertaken by an audit commission after a decree by the President office for a commission of the SAO to undertake the audit. Further, compliance audit reports are not discussed by the national assembly and the President office causes the concerned agencies to take appropriate action on audit results and recommendations.

Supports of the President office is very *critical* for effectiveness of audit and implementation of the audit recommendations and follow up action. Support of the President office for the SAO is an *opportunity* and helps in success factor. The support of the President office to the SAO has been forthcoming.

٧. The National Assembly, which is the highest legislative and deliberative body and to which a copy of the Audit Report of annual Qatia statements is submitted, is an important stakeholder, as it discusses the Audit report of audit of Qatia statements that presents the budget reconciliation report and financial statements of expenditure and receipts. SAO has prepared and submitted a fresh Audit Law covering mandate and scope of audit and the SAO for approval of the government and the National Assembly.

Support of the National Assembly in both the matters; effectiveness of Qatia audit report and enactment of the Audit Law, is *critical* for success of the SAO and its audit process and the support is always an *opportunity* for making the SAO more successful and effective in its audit process and outputs. Any adverse opinion by the national assembly leading to either absence of support for the audit law or lack of trust in the Qatia audit report is threat for success of the SAO in future. National assembly has been supportive to the SAO.

However, as per the international best practices, financial control by national assembly generally includes separate mechanisms for the supervision of budget estimates and budget and the supervision of audit report on budget compliance and financial statements. Generally, this is found in the form of an Estimate or Budget or Budget and Finance Committee for the budget and a Public Accounts Committee (PAC) for audit report on budget compliance. Performance of both the functions by the Budget & Finance Committee in Afghanistan appears not to be in line with the principles of separate scrutiny of the audit report on budget compliance from that of the budget estimates, which has been supervised by the Budget & Finance Committee itself. This is though not a critical success factor for the SAO, it poses a *threat* with regard to detailed scrutiny of the audit reports and follow up on recommendations.

Further, the national assembly does not discuss or recommends action on compliance reports and there is no established mechanism for scrutiny of the compliance reports and follow up there on by the national assembly. This is a *critical factor* for absence of success of the SAO regarding compliance audit reports and is a *threat*.

٨. Ministry of Finance, which is responsible for budgeting, treasury operations through the Single Treasury Account (TSA) and financial management including that of AFMIS as well as monitoring of separate audit reports relating to grants received from various donors, is an important stakeholder.

According to the provisions contained in Article ٥٥, para ١ of the Public Finance and Expenditure Management (PFEM) Law, the Ministry of Finance is responsible for the preparation and presentation the following information:-

- (١) Final budget reconciliation report on the budget for previous fiscal year. This shall be submitted no later than the end of the month of Sonbola (the second quarter of the year); [and]
- (٢) A set of financial statements compiled according to the international accounting principles that have been audited as required by Article ٥٩ of the PFEM law.

Preparation of these reports and their timely submission to the audit commission for Qatia audit is critical for the SAO in completing the audit in time and submitting its results to the President and the National Assembly, as per required time framework.

Experience of past few years relating to submission of the Qatia statements to the audit commission by the Ministry of Finance indicates that the statements had been submitted with delays of many days vis-à-vis required date. This has further limited the flexibility of the audit commission in past in completing the entire audit process and has affected the scope of full compliance testing and applicability of required checks. As such, delay in submission of the Qatia statements poses a threat for time completion of all audit processes relating to the Qatia audit.

With regard to timely completion of the grant audit and opinion of the SAO thereon, support of the MoF is required in making available financial statements and related documents for the audit in timely manner to consulting auditors. Experience of the past few years suggest that considerable amount of follow up and pursuing is done before financial statements and related documents are received by the audit team. This, at time, presents a threat in effective and efficient completion of the grant audit process.

Under the PFEM law, MoF is tasked to undertake review of control systems in different ministries. On the other hand, internal audit plan and internal audit report by the internal audit wing of the respective ministries are also forwarded to the SAO to enable avoiding any coincidence of audit by the SAO. There is apparently a confusion regarding exact scope of mandate of the SAO vis-à-vis the role of the MoF in internal audit of the different agencies. This is a source of confusion and at times disagreement between the MoF and the SAO and as such is a threat.

٩. All Ministries and agencies in the Government of Afghanistan (Centre & Provinces), which are responsible for financial transactions and financial management of their respective allocations and revenues, are important stakeholders. The ministries and agencies, which are budgetary units i.e., they are included in the core budget as expenditure or revenue generating agencies, undertake execution of projects and programmes and carry out all financial documentations. They prepare monthly Qatia statements of financial transactions, which are consolidated by the MoF annually.

However, considerable delay in preparation and submission of monthly Qatia statements by the ministries to the MoF have been observed in the past, which, indirectly presents a threat in timely submission of the

consolidated report by the MoF to the Qatia audit commission and in turn, limits the flexibility of the audit commission in applying comprehensive audit / compliance testing.

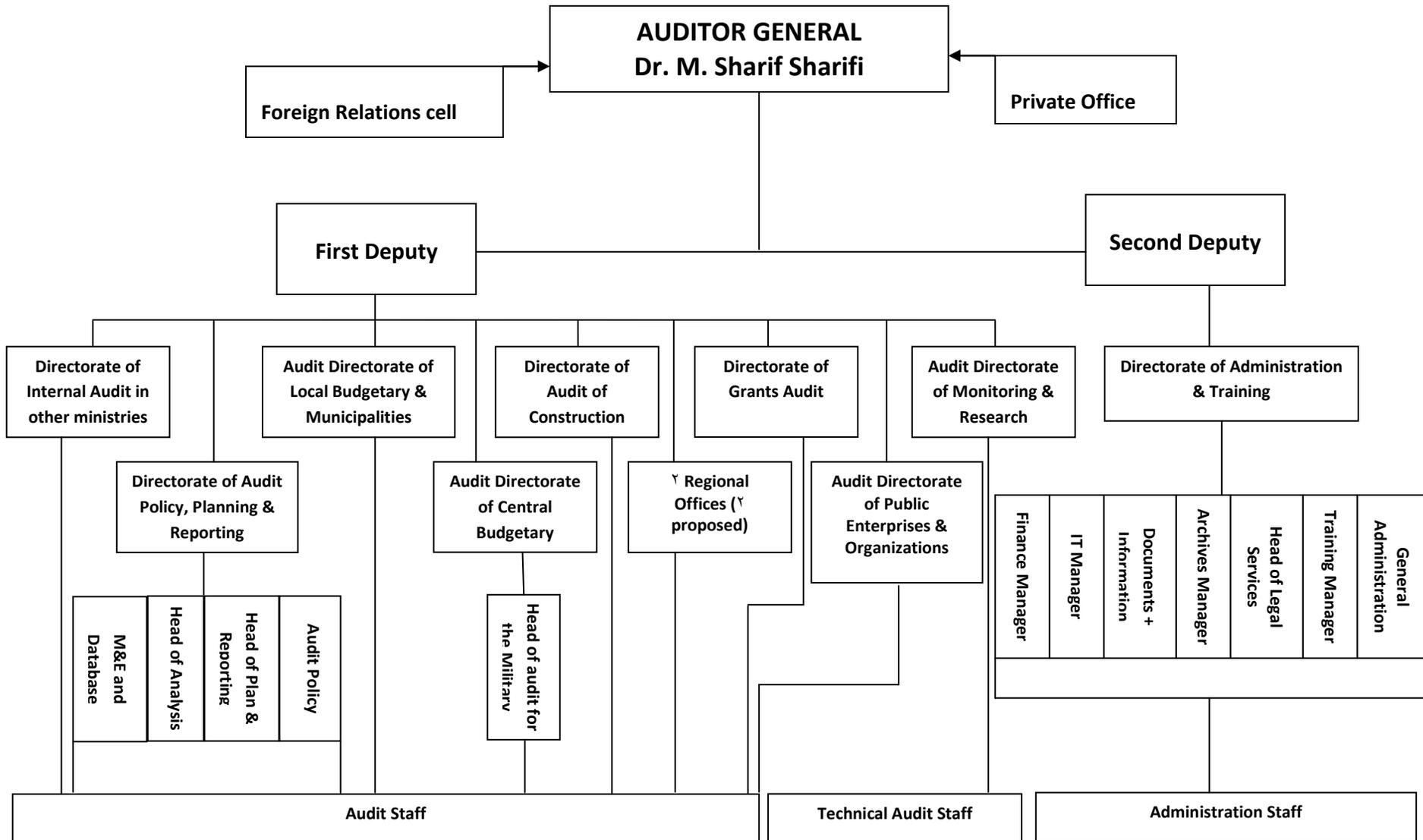
With regard to State Owned Enterprises (SOEs), the SAO neither audits the financial statements of the SOEs directly to provide opinion thereon nor seeks assurance on their financial performance or financial position through a statutory auditor to provide opinion to the government. As such, the financial affairs of the SOEs are not audited and only compliance audit is carried out, but even audit report of the compliance audit report is not subject to detailed scrutiny by any specified committee or the national assembly.

١٠. Donors including national governments and multilateral and international agencies provide grants and aid to Afghanistan for financing part of the operating budget and substantial portion of development budget. Donors are important stakeholders and are interested in financial management and control framework in Afghanistan and audit reports of the SAO to evaluate status and trends of spending and implementation of projects and overall financial management framework. Their support to any project or programme is generally influenced by the observations and audit conclusions submitted by the SAO.

Donors support is critical for overall effectiveness of the audit report and their utility, as few audits such, grants audit is fully funded by the World Bank.

For last almost ten years, World Bank is providing financial support to the SAO for its certain operating activities and entire development function. As such, support of the World Bank is *critical success factor* for the SAO and its continued financial support presents an *opportunity* for the SAO to build capacity and infrastructure.

Organizational Chart



Introduction & History of SAO

Control and Audit Office was established in ١٩٤٥ (١٣٢٤) by the name of General Department for Audit of Accounts and was functioned under Prime Minister Office. Its main purpose was to audit the financial and accounting affairs of the government office.

The General Department for Audit of Accounts name was changed to Court of Accounts in ١٩٥٤ (١٣٣٣) with the approval of National Assembly. The responsibilities of court of accounts were to Audit financial and accounting affairs of the government office.

In ١٩٦٥(١٣٤٤), the office was renamed again to General Department for Audit of Accounts. A code of conduct and audit manual was issued during that period.

In ١٩٧٧(١٣٨٦) a new law was approved and office was named, Court of Accounts .As per article no.٦ of the Law the court of accounts was supposed to functions under president's office.

An audit regulation was issued in ١٩٨٠ (١٣٥٩), which was prepared in accordance with the auditing standards of Russia and socialistic countries.

In ١٩٨٤(١٣٦٣) name of this institution was again changed to Governmental Committee of Councils Minister Controllers. This committee was responsible for audit economical, cultural and social activities including construction, healthcare, and transportation and trade activities.

During the year ١٩٩٢(١٣٧١) to ٢٠٠١ it had lost independent status and functioned under office of administrative affairs.

Since ٢٠٠٢(١٣٨١), It is practicing its authorities and responsibility as an independent body. An order from the President was issued in ٢٠٠٥ making it an independent body. Further, a PFEM (Public Finance and Expenditure Management) Law was introduced in ٢٠٠٥ which provides legal basis for audit of state financial statements in accordance with international standards. Unfortunately, an audit law that can support SAO for its effective and efficient functioning in line with international standards and best practice is yet to be passed.