

SAO Report for the year 1390

Supreme Audit Office (SAO):

The SAO is the highest Supreme Audit Institution in the country to audit the financial and accounting affairs of ministries, entities and institutions. This institution has no direct role in combating against corruption but plays partially in some cases. The SAO has 70 years of experience and is member of INTOSAI, ASOSAI and ECOSAI which is responsible to audit all the entities under the supervision of President's office. The plan and executions of SAO for the year 1390 are presented as follows:

A. Audit Plan for the year 1390

The SAO has prepared its audit plan for the year 1390 at the end of 1389 which is approved based on Decree No.174 dated 10.01.1390 of president's office.

This plan consist the followings:

- Financial and accounting auditing of 26 ministries, 20 Supreme Offices and Independent Directorates, 34 provinces along with their related units in center and provinces; totally 860 auditable entities of which 171 entities in center, 676 in provinces and 13 entities outside of the country(afghan embassies) are under audit coverage.
- Auditing WB and ARTF in cooperation with foreign advisors(PKF consultancy) in ministries and entities and some provinces
- Auditing Qatia Statement for the year 1389
- Legal audits
- Communicating audit results with the auditees
- Conducting performance audit in some ministries
- Presenting consolidated reports to president's office and national assembly when required
- Capacity building of staff
- Contributing in realization of Objective of governance sector of Afghanistan National Strategy and Decisions of Kabul Conference

B. Realization and Implementation of Audit Plan for the year 1390

1. Considering potential risks level for conducting compliance audit, the SAO has assigned audit teams in 860 entities for different periods (2 weeks up to 3 months) in the center and provinces. Details are provided in the following table:

Table 1:

Auditable Entities			Audited Entities			% of realized plan	No-audited Entities			% of no-realized plan
860 entities			748 entities			87%	112 entities			13%
171 center	13 abroad	676 provinces	163 center	11 Abroad	574 provinces	8 center	2 Abroad	102 provinces		

It means from the total of 860 entities which were included in audit plan for the year 1390, only (87%) 748 entities have been audited.

1. The reason for failure to audit 112 entities are due to security issues in some entities such as Farah, Zabul, Noristan, Ghazni, Paktika, Uruzgan, Badakshan Urban Development Department, Logar, Paktia, Baghlan, Mines Department of Paktia and Logar, 6 districts Directorate, Police Cooperative, Rug Exporters Association , 201 Zafar Corps , Highway Police Office, DABS internal audit department, Afghan Raisin Fruits and Vegetable Export Promotion Administration, Husbandry Products company, Unman and Qatar Safarat. These entities will be audited when the situation was appropriate.
2. During this period, WB and ARTF grants were audited in cooperation with PKF consultancy firm
3. As per SAO law, the Qatia Statement for the year 1389 was prepared by MoF and was audited by assigned delegates of SAO in a timely manner and the qualified opinion was presented about it.
4. The audit results were communicated with the auditees for addressing defects, deficiencies, adjusting their remainings and collecting differences.
5. Furthermore, the SAO has taken action on capacity building of staff in the field of audit, English language and computer programs
6. The performance audit was conducted in the qualified projects of ministry of education for their effectiveness, efficiency and economy

C. Key Achievements

Consolidating audits result figures during 1390

During this period, total of 810 financial and accounting audit report along with Qatia Statement Audit Report for the year 1389, Report of ARTF and WB were sent to related entities for addressing defects, deficiencies, and collecting state rights. The consolidated figures of audit results and findings are provided bellow:

➤ Cases Referred to Attorney General Office

The SAO is responsible to identify misappropriation and misuse of public assets. Hence, the assigned groups have prepared 16 cases and have referred to AGO for prosecution and collecting state rights; its damages are presented in the following table:

Figures in million Afghani

Table 2:

Afghani	Diesel Oil	Petrol Oil
34.1	17047 ltr	558 ltr

➤ **Previous Remainings:**

The individuals of entities and institutions owe some governmental entities due to their transactions which are not adjusted and collected completely till end of year 1390. As per audit results these remainings contain the following amounts:

Table 3:

Afs	USD	Euro	Diesel	Petrol
7049.06	16.93	0.0015	1976 Ltr	933 Ltr

Total of Receivables:

The receivable amount due to failure to withhold tax, sokok, transportation commission, over payment, Safayee, difference of costs, difference of custom duty, delay penalty, difference of rent, lease, illegal payments, incorrect calculations and identified constructions affairs in 1390 are as follows:

Table 4

Afs	USD	PKR
957.23	2.0	1.3

- **Capacity Building:**
 1. **Computer Training Course**
154 auditors have learned computer skills in this year.
 2. **Seminars and Workshop**
66 auditors have participated in these workshops and seminars in this year
 3. **Training Courses in IARCSC**
45 staff have participated and learned in this course in 1390
 4. **Training Programs in Abroad**
42 staffs have attended in this training program in abroad
 5. **Workshop on combating against corruption in GIZ Organization**
25 SAO staffs have participated in this workshop
- **Audit Findings in Audit of World Bank Projects for the year 1389**
During the audit of 40 projects and 69 grants of 1389 of WB, total of Afs 91.14 million and USD 74 million have been identified as incorrect payments, and payments without documents and other evidences.
- **Audit Findings in ARTF**

During the audit of projects for the year 1389, in 40 entities including 19 ministries and 19 provinces, total of Afs 110 million and USD 78 million and Euro 46097 have been identified as audit findings from the following addresses:

- Expenditures without supporting documents
- Expenditures which have been carried out irrespective of Afghanistan Procurement Law and WB guidelines
- Expenditures of police and military which are in contradiction with ARTF Procedure
- Illogical Overpayments and privileges
- Payment of salaries(top up salaries out of organizational chart) of budget allocation
- Expenditures in contradiction with budget category and etc

▪ **Audit Findings in Audit of Embassies**

During the audit of 5 Afghan embassies in abroad, the following amount has been noted down:

- Difference of remainings in 11 institutions totaled USD 319 and Euro 32576

▪ **Total of Collected Amounts**

The amounts which have been collected during the audit of these entities in 1390 are as follows:

Table 5:

Afs	USD
881.94	1.769

▪ **Total of Adjusted Amounts**

The amounts which have been identified as “no-adjusted” during the audit, and hence communicated with the concerned entities to be adjusted. These amounts are adjusted now and are as follows:

Table 6

Afs
484.79

▪ **Reporting and presenting Informative Reports:**

The following Reports and Informative Reports have been prepared and sent to concern Entities:

- Reports of SAO Executions on 3 working priorities to Supreme office for overseeing implementation of anti-corruption strategy.
- Qatia Statement Audit Report for the year 1389
- Reports on performed activities in 1389 for publishing in Afghanistan Magazine
- Reports on audit results of second- six months of entities in 1389 to president’s office

- Reports of performed activities of second-six months in 1389 to Parliament
- Reports on Qatia Statement audit for the year 1389 to Budget and Accounting Committee of Parliament
- Report on Qatia Statement audit for the year 1389 to President's office for making comments.
- Reports of performed activities of first- six months in 1389 to president's office
- Reports of eight- months, four-months expected report of 1390 and programs of 1391 to President's office.
- Preparing information and list of 161 referred cases from 1384 to 1390 to AGO
- Preparing Questions & Answer Banks for SAO high positions to IARCISC
- Providing information on quarterly statistical indicators of 1390 of national statistics authority
- Reports on key achievements of 1389 and 1390 to president's office
- Reports on summary of second-six months executions of 1389 to be included in council of ministers agenda
- Suggestions on attaining USA aids

D. Major Problems:

Challenges

The challenges that the SAO is facing with are as follows:

- I. Internal challenges
 - 1) Lack of new audit law due to delay on its process
 - 2) Lack of independence in allocation of SAO budget and no financial funds for professional training some auditors in audit institutes in abroad
 - 3) Deficiencies in audit executions for audit international standards of INTOSAI
- II. External Problems
 - 1) Lack of complete independence in some areas of audit and preventing audit from executions
 - 2) Incompleteness of documents and financial and accounting books of some governmental organs which are under audit and no timely providing information and documents to audit teams
 - 3) Simultaneous presence of audit teams from AGO, Internal audit departments and SAO in the same entity causes overlap and leads to create problems in their executions in auditees and delay the providing information or documents to audit teams and also decreases the importance of audit
 - 4) no attention by the auditees on implementing audit results of SAO which leads to failure of collecting the state rights.
 - 5) weak internal controls in the ministries and entities e.g internal audit departments are not effective
 - 6) no considering the laws and regulations by officials of some entities on working areas
 - 7) no punishment or special inspection for high-ranking officials of entities and compromising with some offenders

- 8) lack of professional and experienced cadres in financial and accounting in provinces
- 9) no implementing audit results of SAO on WB and ARTF grants
- 10) establishing entities doing similar duties on audit of financial and accounting affairs of entities
- 11) security issues and no required situation for audit in some provinces
- 12) no translation of foreign contracts to official languages of country
- 13) negligence of entities on adjustment and collection of previous years remainings
- 14) lack of coordination between internal laws and guidelines of global institutions in financial and accounting affairs

E. Suggestive Plans

For better executions, preventing negative phenomenon and addressing defects and deficiencies in executions of entities, ministries and provincial organs, the SAO has suggested the followings:

1. The entities shall cooperate with security organs to collect and adjust all previous years' remainings which the entities and institutions owe the government and they have left their jobs without any notification. The related entities shall pay attention to this issue and the owed individuals or entities shall not be paid advances unless their remainings are adjusted.
2. The related entities shall take action in accordance with the applicable laws and regulations on collecting taxes, tax on foreign and internal contracts and translate foreign contracts into one of afghan official languages.
3. The domestic revenues constitutes the annual budget of the government, hence, the entities are required to collect and realize this issue and shall not fund their expenditures form the revenues
4. The concerned entities shall take appropriate action on allocating budget for their sub-units in a timely manner and shall avoid procuring any fashionable goods
5. Some of SOEs have not presented their activities balances in the previous years, so they are required to take action on preparing and processing their balances
6. The entities are required to submit their contract for procuring goods and services to Mof in a timely manner
7. The ministry of public health shall take appropriate action on distributing the medicine for needy patients in hospitals and clinics
8. The entities whose lands are occupied, shall retake their lands with the help of security and judicial organs
9. The entities shall avoid procuring any illegal goods and services and execute physical inspection for ensuring recording and expending by Motamideens
10. For safeguarding public assets, physical inspection of cash funds and bonds are required during the fiscal year. In addition, they have to take action on processing account documents in a timely manner
11. Supporting SAO for various aspect of audit and preventing illegal restrictions in audit executions in some auditees, because SAO audits are carried out as per annual plan

- which is approved by president's office. Those entities does not allow SAO audit teams to audit their financial and accounting affairs shall be prosecuted
12. Distinguishing duties and legal authorities of auditing, detecting, inspecting and prosecuting organs in financial, accounting and administrative aspects are required, as most of the time it creates overlap and challenges in the governmental entities
 13. The ministries and their concerned units shall prepare, record and process their documents and financial and accounting books in a timely manner and assist audit teams in providing information and documents
 14. All the ministries, institutions and entities shall implement results of financial audits and reports of foreign grants audit prepared by SAO.
 15. The MoF shall take action on comprehensive implementation of financial system, capacity building of financial and accounting staff and timely providing Qatia Statement to SAO for audit
 16. The entities that are involved in research, audit and combating against corruption shall send their relevant law draft to SAO for making comments for preventing overlap and enriching their laws while drafting and amending their laws for
 17. The entities shall strengthen their internal controls e.g role of internal audit departments which are part of internal control has major effects on considering the laws, regulations and procedures
 18. Fully implementing the laws, punishment, simplifying executions, drafting and regulating mechanisms, policies, and delivering the work considering expertise, profession, skills and experience are required for combating against corruption.
 19. The concerned entities shall avoid paying different and top up salaries to their staff for creating a transparent entity
 20. The municipalities and its relevant units shall take necessary action on cleaning and greening of cities and considering environment, realizing and collecting revenues and valuation of properties, preventing inappropriate building, coordinating between sub-units, collecting remainings of lands costs and enhancing service delivery in cities.

Supreme Audit Office

Achievements 1382-1389

1. The entities included in audit plan are audited in the ministries, institutions and provinces in the years 1382-1389

Years	1382	1383	1384	1385	1386	1387	1388	1389	1390	TOTAL
Entities included in plan	346	451	733	778	759	789	782	946	860	6534
Audited Entities	346	443	573	615	577	632	745	836	748	5515
No-Audited	-	8	160	163	182	157	127	110	112	

Entities										
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2. The Reports and cases communicated with the relevant entities for addressing defects, collecting state rights

Years	1382	1383	1384	1385	1386	1387	1388	1389	1390	Total
Number of reports	158	398	649	701	690	610	657	771	810	5444
5 recommendations multiply by 5444= 27220 recommendations										27220

The amounts transferred to state treasury as a result of audits from various issues: figures in Afghani

Years	1382	1383	1384	1385	1386	1387	1388	1389	1390	Total
Amounts	59	894	731	374	829	600	1534	1068	1056	7145

3. Cases of misappropriation of public assets referred to AGO:

Years	1382	1383	1384	1385	1386	1387	1388	1389	1390	Total
Number	26	13	20	23	45	25	13	25	16	206
Damages (in Afghani)	48	6	80	74	377	39/5	930	46	34.1	1634.6

Adjusted or collected Amounts as result of SAO activities: Figures in Afghani

Years	1382	1383	1384	1385	1386	1387	1388	1389	1390	Total
Collected Amounts	24	318	336	1497	746	426	589	391	966.7	5316.7
Adjusted Amounts			27	216	650	429	913	3647	484	6366

Capacity Building of staff in the field of Audit, English language and Computer programs:

Years	1382	1383	1384	1385	1386	1387	1388	1389	1390	Total
Numbers of participants	151	162	189	198	238	278	235	227	265	1943