

AFRICAN JOURNAL OF COMPREHENSIVE AUDITING

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- Illicit Financial Flows In Africa
- The Year 2016 at AFROSAI WGEA
- Agenda 2030: Sustainable Development and SAI's Role
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The African Journal of Comprehensive Auditing is annually issued in December in three languages, i.e. Arabic, English and French, in order to provide staff of the AFROSAI member SAIs with various technical themes and regional and international news related to audit work.

It is worthy to mention that all articles and ideas published in the Journal do not represent the views of AFROSAI and its Board of Editors but rather express the views of their writers.

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Issue Message**A Message by Mr. Junias Etuna Kandjeke,
Auditor-General of Namibia and President of AFROSAI**

In ensuring that the work of Supreme Audit Institutions (SAIs) makes an impact in enhancing good governance, accountability and transparency, SAIs should lead by example. SAIs use public resources like any other institutions of the state, therefore, they should also adhere to the rules governing such resources. My contribution will focus on prevention of misuse of public resources in SAIs with the focus on transparency in implementing procurement laws.

It is the duty of a SAI to prevent corruption by promoting ethics, integrity and transparency in the processes of acquiring good and services. In this process, SAIs should make sure that such services are needed, necessary, and that specifications or terms of reference are not tailor made to suit or favor a specific supplier.

Tendering procedures for goods and services should be transparent at all stages, including invitation, closing date and time as well as opening date and time. Interest should be declared to avoid conflicts.

Ethics should be considered during evaluation and allocations as well as the monitoring of implementation processes. Bribery should not be tolerated. A SAI would compromise the trust, respect and confidence of the taxpayers by allowing bad governance.

There should be Asset/stock registers for all assets in order to control the storage, distribution and usage. Stock taking should be conducted on time and taking over/handing over processes should be adhered to. There should be regular inspections with aim of enhancing control.

To maintain and strengthen good governance in SAIs, there is a need for competent and professional support service of Administrators, Executive Managers and Operational enablers who are ready to coach, mentor and motivate teams at different levels of the SAI.

Prevention measures should be done through education and also through working together with other governance institutions like, Anti-Corruption Commission, Police, Ombudsman, Financial Intelligence Centre etc, public and the media, as the situation may allow.

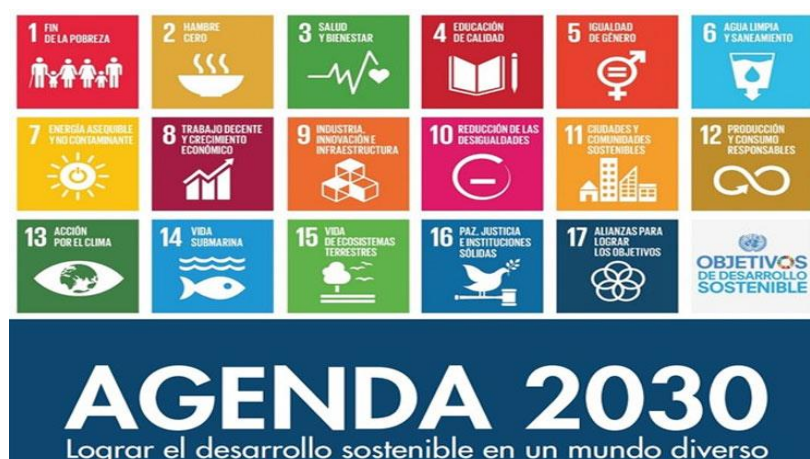
To make AFROSAI an organisation that makes a difference, we have to work together as a team at all organs of AFROSAI. We have to benchmark, learn and share knowledge with INTOSAI regional organisations and other global role players. The greater assets we have are our staff at SAI level, they should be empowered and professionalised to strengthen their competences. With innovation and creativity AFROSAI will develop its leadership from capacity to capability for mutual benefit.

Editorial**Counselor****Hesham Badawy****ASA President - Egypt****Editor-in-chief of the African
Journal of Comprehensive
Auditing****Agenda 2030: Sustainable
Development and SAIs' Role**

The Agenda 2030 on sustainable development, which has been laid down during the World Leaders Meeting in the UN 70th session in Sep. 2015, contains 17 Goals (SDGs) with 169 associated targets all of which seek transformation that better human lives all over the whole world at the national, regional and international levels, with developing an ambitious long-term action plan in which governments will hold the key responsibility for monitoring and reviewing the progress made in the implementation of their objectives, over a 15-year period starting from January 2016.

Among the most important objectives of this plan is to address the enormous challenges facing planet Earth, protect it from degradation and fulfill the needs of the present generation without compromising the ability of future ones to meet theirs, to prevail peace and prosperity within communities through activating the global partnership with a view to achieving such goals, taking into consideration the particular status of each country with paying due respect to its national policies and priorities.

In its paragraph 75, the United Nations resolution A/RES/70/1 (Transforming our world: Sustainable Development Strategy 2030) states that goals and targets will be pursued and reviewed with using a set of global indicators, to be complemented by others developed by the member States at the regional and national levels. These indicators serve as a vital tool to ensure that governments have been held accountable for their performance compared to the achieved sustainable development goals, and they further allow the Supreme Audit Institutions to assume auditing on three aspects; the objectives; in terms of whether they are realistic, covering principal aspects, reflecting international commitments, directly abided to the government set goals, the indicators; in terms of whether they are politically appropriate, i.e. easily apprehensible, responsive to changes occurred in the motive powers, measurable and have a threshold or reference values on which progress is measured, for the indicator is not measured with reasonable cost, it will not be rewarding, and finally auditing the achieved progress by setting indicators against goals.



Goal 16 of the SDGs states "promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels". The targets of this goal include sovereignty of law at the national and international levels, decrease reduction of illegal flows for funds and weapons, as well as curbing corruption and bribery in all its forms. Hence, SAIs must play an effective role through performing audits and financial controls pursuant to their jurisdictions leading to contributing much to national endeavors in terms of pursuing the progress achieved, and monitoring implementation process.

Although the wide range of sustainable development, policies and the resulting strategies provide an ample scope for audit, yet some SAIs have specific jurisdictions in terms of the sustainable development or the environment, some others are limited to financial or compliance audit, while there are SAIs which jurisdictions extend to include performance audit or comprehensive audit.

Therefore, when reviewing and following up the goals of sustainable development, SAIs face various challenges, among which is the global characteristic of their issues that necessitate world resolutions, for instance, environmental issues transgress the geographical boundaries, while others such as poverty and social justice are with international feature regardless of the geographical regions in which they may be centrally occurred. Further, the national economies are increasingly linked with each others as well as the fact that programs contribute to sustainable development are coordinated with a number of public and private sector entities. Thus, SAIs need to fully acquainted with such interrelationships before taking the decision on the scope of audit, and they may seek coordinated or joint audit works with other auditing entities or work with statutory auditors either at the country or the regional level. Moreover, the scope of legislatively-mandated jurisdictions constitutes another challenge. In cases where SAIs have the authority to consider the budgets proposed on developing the strategies, they must carefully examine such budgets with a view to balancing social, economic and environmental issues. However, the institutional role and jurisdictions mandated to most SAIs do not allow them to develop policies, but only to monitor their implementation.

Moreover, the wider scope of performance audit on local and national sustainable development strategies is another challenge. When SAIs examine the proposed budgets, they examine the overall budget allocated for sustainable development and examine the share of "green topics" in these budgets. On the other hand, they examine whether the government has developed an effective information-collecting system so as to report to Parliament the results of the strategies applied, and whether it has developed any system to monitor and coordinate the activities of Non-Governmental Organizations (NGOs) working on environmental issues, auditing the level of national transparency, risk management, anti-counterfeiting protecting

methods and internal controls to contribute to anti-corruption efforts in line with the United Nations Convention against Corruption. Further, SAIs evaluate levels of economy, efficiency and effectiveness of the key governmental programs and their potentiality to deal with national sustainable development goals. SAIs also examine national overt databases and national participation strategies in terms of their relation to achieving sustainable development goals and SAIs then report on the overall level of national progress in achieving sustainable development goals as being part of the follow-up and comprehensive audit measures.

The International Organization of Supreme Audit Institutions (INTOSAI), which membership include 194 full member SAIs, 5 associate members and 1 affiliate member, is considered the global voice of these bodies within the International arena, including the United Nations. It plays an important role in supporting national, regional and global endeavors to achieve the goals of sustainable development, follow-up and review the progress achieved. The INTOSAI, at the core of its message, support SAIs, promote the exchange of experiences, ideas and knowledge among themselves. INTOSAI also enhances SAIs' independence, develop, dissemination and usage of unified auditing standards, as well as fostering the development of experienced cadres, with the aim of creating independent SAIs, organizationally effective, committed to use applicable financial auditing standards, utilize sound methodologies to provide objective, impartial and reliable analyses, besides providing audit results for decision-makers and citizens. Thus, INTOSAI aims to assist SAIs in building their capacities necessary to achieve an effective role in monitoring and reviewing sustainable development efforts nationally, regionally, and internationally, as well as responding to other current and emerging opportunities and challenges.

Finally, goals of sustainable development are regarded as a valuable and unique opportunity available to SAIs enabling them to invest in many areas of their work, to set an example in performing their role by ensuring transparency and accountability in their audit-entitled work with following up the incidents occurring in the international arena and in the other significant organizations besides working together with government agencies so as to assist strategic decision-makers of the government with a view to the benefit of citizens.



Significant Events in 2016

The 51st AFROSAI Governing Board

The 51st AFROSAI Governing Board (GB) was held from 26-29 July 2016 in Windhoek, Namibia with participation of the following representatives:

- SAI of Egypt, as the SAI presiding the GB;
- SAI of Namibia, as host and 1st Vice-President of the GB;
- SAI of South Africa, as the AFROSAI member sitting in the INTOSAI GB;
- SAI of Morocco, as the SAI representing the Arabic language sub-group of AFROSAI;
- SAI of Senegal, as the SAI representing the French language sub-group of AFROSAI;
- SAI of Sierra Leone, as the SAI representing the English language sub-group of AFROSAI;
- SAI of Zimbabwe, as the SAI representing the English language sub-group of AFROSAI;
- SAI of Cameroon, as the host of the AFROSAI General Secretariat (GS).
The representatives of the following bodies also participated in the 51st GB Meeting:
 - SAI of Kenya, as the Chair of the Knowledge Management and Sharing Committee of AFROSAI;
 - SAI of Senegal, as the Chair of the Capacity Building Committee of AFROSAI;
 - SAI of Zambia, as the External Auditor of AFROSAI;
 - Executive Secretariat of AFROSAI-E and AFROSAI-F;

Also participated in the Meeting, as invited guests, the SAI of Uganda, as the Chair of the INTOSAI Working Group on Extractive Industries, the Pan-African Federation of Accountants (PAFA) and GIZ, as the strategic partner of AFROSAI.

The opening ceremony was honored by the participation of the President of the National Assembly of Namibia.

The most important recommendations formulated by the GB are:

- Adoption of the Draft Agenda of the 51st GB Meeting;
- Adoption of the minutes of the 50th GB Meeting held in Maputo – Mozambique (21 – 23 September 2015);
- Adoption of the Report of the AFROSAI President and the activity report of the General Secretary of AFROSAI;
- Adoption of Technical Committees Reports; CBC and KSC and that of the AFROSAI Working Group on Environmental Auditing.
- Adoption of the Reports of the Linguistic Sub-groups (AFROSAI-E and AFROSAI-F);
- Adoption of the AFROSAI draft budget 2017, the tools for evaluating the activities of the Technical Committees, the Linguistic Sub-groups and the AFROSAI GS;
- Agreed to the AFROSAI GS to:
 - Vulgarize the first two MoUs signed by AFROSAI respectively with EUROSAI and OLACEFS,
 - Proceed to the signing of the MoU with ASOSAI,
 - Involve the AFROSAI Technical Committees in the implementation phases of the MoUs.
- Adoption of the presentation of AFROSAI's contribution to the 22nd INCOSAI, including the two technical themes to be discussed at the conference; the objectives of sustainable development and professionalization, as well as the orientation of the booth of this conference, at which the activities of AFROSAI and its organs are presented;
- Adoption of the report of the Chair of the Board of Editors of the African Journal of Comprehensive Auditing (SAI of Egypt);
- Adoption of the presentation of the GS on the three Technical Themes to be discussed at the 14th General Assembly of AFROSAI, as well as the distribution of these themes by Linguistic Sub-group:

Theme 1: Human Resources Management and SAI Performance;

- SGL: AFROSAI-A.
- Theme Chairperson: SAI of Morocco.

Theme 2: SAI/Justice Cooperation;

- SGL: AFROSAI-F.
- Theme Chairperson: SAI of Djibouti.

Theme 3: Certification of accounts, challenges for jurisdictional SAIs.

- SGL: AFROSAI-E.
- Theme Chairperson: SAI Sierra Leone.

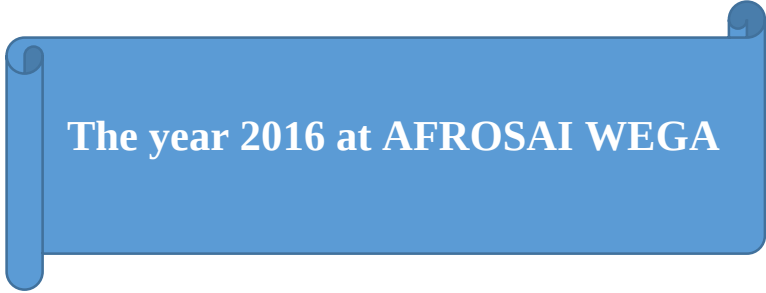
Later, the first theme was canceled and the other two were numbered first and second.

- Adoption of the proposal submitted by the SAI of Egypt in its capacity as Chair of the Board of Editors of the African Journal of Comprehensive Auditing on the restructuring of its board to be presented at the 14th General Assembly of AFROSAI in Namibia in 2017, according to this proposal, the formation of the Board of Editors will be:
 - The communication department of the AFROSAI GS;
 - The SAI, which chairs the AFROSAI technical committee specialized at the knowledge management and sharing;
 - Three SAIs among the members of the GB;
 - Any SAI announcing its willingness to join the Board of Editors (BoE) of the Journal other than the members of the GB provided they respect the presence of their representative at the BoE meetings.
- Adoption of the presentation of the SAI of Namibia on the preparation of the 14th General Assembly of AFROSAI to be held in October 2017 in Namibia;
- Presentation of the AFROSAI GS of the new AFROSAI Website (www.afrosai.org);

- The 2015 financial report presented by the AFROSAI GS was not adopted due to the difference of opinion between the said Secretariat and the AFROSAI External Auditors with regard to the implementation of financial statements in the amount of US \$ 23037 in accordance with IPSAS. To clarify the nature of the amount withheld, the AFROSAI GB gave the Secretariat sufficient time until the next meeting of the said GB.
- With regard to the accession of the African Union Commission (AUC) as an associate member of AFROSAI, it was agreed to create an ad hoc sub-committee to organize the liaison between AFROSAI and the African Union (AU) and to meet with AUC officials in order to remove all impediments to its admission into AFROSAI, in addition to pursue discussions on the signing of a MoU between AFROSAI and the AU.
- Adoption of the proposal of the GS to organize a conference on the subject of Illicit Financial Flows in Yaoundé - Cameroon 2017 and gave the authorization to the GS to collaborate with AFROSAI organs and technical partners for the purpose of continue activities related to Illicit Financial Flows.

The Fourth Extraordinary Meeting of the AFROSAI Governing Borad

On December 9, 2016, an extraordinary meeting of the AFROSAI Governing Board (4th) has been held on the sidelines of INCOSAI XXII in the United Arab Emirates. During this meeting, the revised financial report of the Organization for 2015 was approved and a Memorandum of Understanding between AFROSAI and ASOSAI was signed with the aim of promoting communication and cooperation between the two Organizations.



The year 2016 at AFROSAI WEGA

The year 2016 was year one for the implementation of the Global Agenda for Development containing the Sustainable Development Goals (SDGs). Several other initiatives announced a year of challenges in the field of environmental governance. SAIs demonstrated a strong commitment to promoting good governance and the healthy use of the environment, in order to support ongoing processes at the level of governments. Pursuant to the 2014-2016 Work Plan of AFROSAI WGEA, SAIs carried out or participated in various activities enabling them to increase their capacities for action and for better coverage of their respective mandates. First were training activities. Several auditors from

Africa benefited from the 3rd training session on environmental auditing organized at the International Center for Environment Audit and Sustainable Development (ICED) in Jaipur, India, in November 2016. These auditors have strengthened their professional capacities and gave a positive image of Africa, according to statements of the management of this institution.

Activities related to cooperative audits were accelerated. AFROSAI-E thus inserted an environmental auditing component within the framework of the parallel audit of local authorities, involving SAIs of this Language Sub-Group. Interesting results are expected from this initiative. CREFIAF launched the Extractive Industries

Monitoring and Enforcement Support Program (PASIE), with an important environmental audit component. The project is carried out in partnership with the Canadian Agency for International Development (COWATER), for a period of 5 years. Activities to prepare for the implementation of recommendations of the joint audit of Lake Chad were also conducted. The national reports were submitted to the national authorities of Chad in September 2016 and bilateral meetings were held with the same authorities in Cameroon.

Consultations for the launching of three cooperative audits on the Nile River, the Congo Basin forests and the Niger River, respectively, have made progress and are on-going, for a possible start of most of these projects in 2017 or early 2018.

African SAIs also actively participated in the finalization of

projects developed within INTOSAI WGEA. The research projects and guidelines adopted at the 17th General Assembly held in Jakarta from 24 to 27 October 2016 all bear the contribution of SAIs from the AFROSAI region. Many of these institutions participated in the 6th AFROSAI WGEA Annual Meeting that was held from 12 to 16 September 2016 in Abuja, Nigeria.

Discussions at these two major meetings focused on the role of SAIs in supporting their respective governments in the implementation of Sustainable Development Goals and Multilateral Environmental Agreements. The outcomes of these meetings will guide the development of the next AFROSAI WGEA Work Plan for the period 2017-2019, as well as some technical tools for SAIs to be more relevant and effective in 2017.

Compliance audit on the management of wastes from health care activities



**Prepared by: Mr. Abdelhafid CHEKKAL; First Counselor,
Territorial Chamber of Oran, Algerian Court of Auditors**

The management of wastes from health care activities constitutes an important focus of environmental policies, given its impact on the quality of peoples health and life. This issue - if not given due care - constitutes a problem and a challenge due to negative repercussions for establishments' and hospitals' managers, health personnel, the people and finally the environment.



Based on this observation, the Algerian Court of Auditors has been concerned with this environmental issue related to waste management of health care activities at the level of public hospitals (UHC, HPE, UHE....)

This auditing process has covered the period 2010 - 2014, of which the general objective was to assess the extent to which the entity complies with the policies, rules, laws and regulations governing the management of health care wastes, with a view to preserving the health of citizens and the environment.

The main axes of these audits are articulated around the following points:

- assess the degree of application of the legal and regulatory conditions and procedures governing the management of health care wastes by hospital establishments;
- ensure the strict application of selective sorting, collection, warehousing, storage and transportation in accordance with the rules and requirements on management of health care wastes;
- ensure that the methods applied by hospital establishments for the treatment and disposal of health care wastes are carried out according to applicable standards;
- ensure that the means of disposal of existent wastes meet the essential technical requirements and standards recommended for monitoring and for the protection of the environment

against “atmospheric emissions” generated by the treatment of health care wastes.

Indeed, and as part of a compliance audit, INTOSAI’s fundamental auditing principles (ISSAI 100, paragraph 38 and 39) describes this concept, which is more fully elaborated in the ISSAI 4000 - Introduction on Compliance Audit guidelines. The court has had to verify in the public sector (hospital establishments), the degree of conformity with the laws and regulations governing the activities which the auditees are charged with carrying them out for the citizens in addition to ascertaining adherence with terms and requirements to be respected, limits or restrictions to be observed, the general objectives to be attained, as well as assuring that the rights of citizens provided by law to be benefitted from and the guarantees are preserved.

1- Evaluation of the implementation of the legal instruments for the management of health care wastes:

The findings revealed that the juridical arsenal laid down by the public authorities has practically touched all relevant aspects to the management of the wastes of health care activities including those relating to:

- terms and procedures for the development, publication and revision of the national plan of the management of special wastes;
- requirements relating to the management of the wastes sector (sorting, packaging, compaction, warehousing, storage duration, transport, collection);
- requirements for the treatment of different types of health care wastes (ordinary, infectious, anatomical, chemical, pharmaceutical, radioactive, sharp-edged wastes...);
- general rules for the installation and utilization of wastes treatment utilities;

- procedures for the control, transport and disposal of health care wastes;
- measures to strengthen infections - fighting actions related to the health care and the improvement of the management of the hospital environment;
- recommendations of the rules and techniques of good practices of hospital hygiene;
- training and communication actions relevant to health care wastes management;

For this purpose, it is necessary to verify:

- that actions taken by hospital managers, concerning the environmental sector, have led to the establishment of a solid platform for the protection of the environment and the emergence of an environmental culture;
- the existence of a structure responsible for the application and monitoring of the requirements relating to the treatment and disposal of wastes from health care activities;

- setting up an organized internal control system;
- the existence of a master plan for the elimination of health care wastes;
- laying down an information system for awareness and communication necessary for the good management of health care wastes and its control;



- considering the requirements relevant to selective sorting of health care wastes at source, warehousing, storing, collecting and transporting them;
- compliance with the general rules for the utilization of health care wastes, treatment facilities as laid down by the regulations in force;

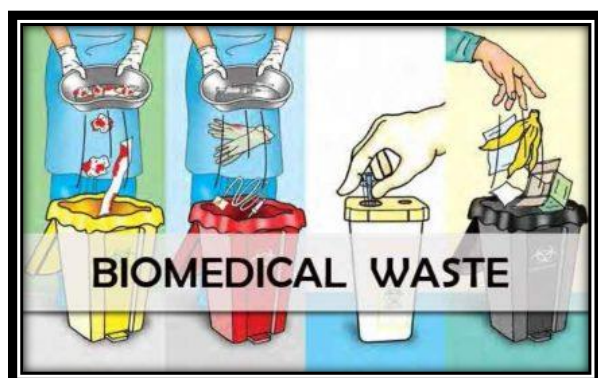
- if the set up wastes treatment facilities have a sorting center for the recycling and valorization of health care wastes;
- to what extent have international commitments in favor of some environmental conventions been respected?
- whether the objective of setting up an actual institutional capacity for the effective implementation of the environmental policy, of the program and actions is fully achieved.

2-Assessment of the financial resources mobilized for the management of health care waste:

The efforts exerted by the public authorities for more than a decade in the field of health care wastes management, particularly through the mobilization of significant financial resources, clarify the concern accorded to this sector.

For this purpose, it is necessary to assess:

- the optimal usage of the human, material and financial resources available;
- the rate of consumption of credits granted in accordance with the volume of operations and the available resources;
- controlling the cost of the volume of wastes generated;
- the existence of reliable financial databases contributing to the development of adequate planning;
- the application of incentive tax, for the destocking wastes of health care activities, which allows to encourage hospitals to reduce the production of infectious or toxic wastes;
- the adequacy of the available resources in relation to the preservation of the environment of the ecosystem and the health of the citizen.



In order to assess the achievement of the objectives assigned, through the analysis of the financial means granted to the hospital structures, it is necessary to evaluate the negative impact of the shortcomings noted on the good management of the wastes of health care and to detect the violations curbing the effectiveness of this operation.

3- Impact and management of risks:

Exposure to different risks can arise at any step of the elimination of waste of health care activities all along production, disposal and throughout all the treatment stages.

In order to assess the impact and the risks involved, it is necessary to verify:

- that there is no mix of health care activities wastes of infection's risks and ordinary wastes so as to avoid contaminations and its harmful repercussions;
- that the collection of health care activities wastes of infection's risks is applied, as much as possible, once they are produced so as to isolate them and make them "harmless";

- compliance with conditions stipulated in wastes relevant regulations to ensure that they remain identifiable and safe for the personnel and the environment;
- the appropriate regulations-compliant elimination of sharp and sharp cutting objects in order to avoid the risks of blood accidents exposure which cause very serious pathology (HIV, Hepatitis B,C, Tuberculosis...);
- the general prerequisites for warehousing and transport of health care wastes;
- the destruction processes of the health care activities wastes of infection's risks and the methods of ascertaining validation of their pretreatment appliances;
- observance of personal hygiene, materials of protection and safety of persons jeopardized to health care activities wastes of infection's risks.

Finally, such a current situation allows to identify a significant margin of improvement of which priority will be:

- the continuous training, information and awareness – raising activities for all the personnel involved;
- the dissemination of protocols of good practices;
- accurate compliance with the applicable regulation;
- the regular evaluation of the situation of Sector of Elimination of the health care activities wastes of infection's risks executed by the hospital establishments chiefs; the sole guarantors of the success of the good practices of elimination of the health care activities wastes of infection's risk.

Article of the
Issue

The Independence of Supreme Audit Institutions: an Increasingly Consistent Commitment by INTOSAI



**Prepared by: Mr. Said ATTIA; Magistrate,
the Algerian Court of Auditors**

The most significant changes concerning public external auditing have been dedicated to ensure independence of Supreme Audit Institutions (SAIs); the role played by the International Organization of Supreme Audit Institutions (INTOSAI) in this sense is incomparable.

However, despite the progress achieved in this matter, some SAIs which independence is enshrined in the constitution or in the legislation, do not often have means of their independence, that's why, it is not surprising that the issue of SAIs independence continues to be a theme of discussion within INTOSAI ⁽¹⁾.

1. Why the Independence of SAIs?

SAIs play an important role in promoting accountability, transparency and integrity in the public sector. The

controls and audits which they carry out and the recommendations they formulate to the audited entities contribute to the improvement of public management.



This mission cannot be achieved and its objectives attained unless SAIs enjoy their entire independence apart from the interference of the executive and the parliament on the selection of the auditing subjects, the development of the control program and the follow up of the results, which guarantees the objectivity and credibility of the work they perform.

Independence cannot have its full meaning unless the SAI avails means necessary for the accomplishment of its missions, its members are independent and protected, its recommendations are followed up and its activities published.

2. The independence of SAIs: a great work of standardization

From the Lima declaration in 1977, to that of Mexico declaration in 2007, then the resolution of the United Nations A/66/209 in 2011 completed in 2014 and the Beijing declaration in 2013, INTOSAI continues to advocate for promoting the independence of SAIs.

These four great steps, that mark INTOSAI's commitment and adherence to such values and principles that underpin the mission of auditing public finances exercised by SAI's, and which are not exclusive of all efforts made and the actions fulfilled by this International Organization in favor of the independence of the SAIs, are good to be recalled:

- **The Lima Declaration on Public Financial Control Guidelines:** Adopted 39 years ago, the Lima Declaration is considered the great charter of the audit of public finances ⁽²⁾, it laid down the pillars governing the independence of SAIs.
- **The Mexico Declaration on the independence of SAIs:** Defines the eight principles of the Lima Declaration as well as the best practices guidelines for promoting the independence of SAIs.
- **The United Nations Resolution:** The adoption of UN resolution A/66/209 complemented by resolution A/RES/69/228 of 19 Dec 2014, marked a turning point in the history of INTOSAI and the global public sector ⁽³⁾, considering that SAIs can only effectively fulfill their responsibilities if they are independent of the entities they control and protected from any external influence.

Through this resolution, all SAIs, henceforth, have a global decision of the United Nations that allows them to demand more independence, this plays an important role, particularly in the field of capacity building, since their institutional independence is recognized for the first time by all member states of the United Nations, and chiefly by the controlled entities ⁽⁴⁾.

Furthermore, with the encouragement of the UN General Assembly addressed to all its members inviting them to embody the principles enshrined in the Lima and Mexico Declarations, the General Assembly Resolution will foster all SAIs, especially those who are still fighting for the principal factors of their independence ⁽⁵⁾.

- **The Beijing Declaration ⁽⁶⁾:** The Beijing Declaration explicitly insists on the importance of fostering the independence of SAIs by calling on their members to continue working for the independence of all SAIs, for ensuring that SAIs have the mandate

and independence necessary; for declaring the UN resolution on the independence of SAIs; and for sharing knowledge and opinions on the best means to achieve full independence, as advocated in the Lima Declaration and Mexico Declaration.

3. The independence of SAIs within the strategy of international organizations and donors:

The advantages that an independent SAI can bring to government and citizens and the role it can play in the national system of financial integrity have led international organization and donors to integrate them into their strategy by focusing on improving public financial control and advocating for the independence of SAIs.

The 21st UN/INTOSAI symposium confirmed the importance of the Lima and Mexico Declarations. These discussions contributed to the implementation of five of the six strategic priorities, as defined in INTOSAI's 2011-2016 strategic plan, among which "helping to ensure the independence of SAIs".

The 23rd UN/INTOSAI symposium emphasized the importance that the General Assembly continues, inter alia, to encourage and support in particular the independence of SAIs in order to ensure their effectiveness and contribution to the achievement of the objectives of the SAIs' sustainable development by integrating independent monitoring mechanisms.

In addition, other institutions such as the World Bank and the African Development Bank have adopted a joint strategy for strengthening external audit systems in Africa, and stressed the importance of having an independent SAI in promoting integrity, transparency and responsibility within the scheme of the utilization and administration of funds so as to assure the aids' effectiveness.

4. Consolidate and protect the independence of SAIs:

Emphasizing SAIs' independence within the constitutions or within the national legislations is certainly necessary, yet it is not by itself sufficient to guarantee its exercise with absence of the capacity building

of SAIs in terms of organization, means, human resources and training.

The implementation of the ISSAI framework is a key element in promoting the independence of SAIs. Further, with specifically adopting standards of control, codes of ethics and quality assurance, and with ensuring their application, SAIs improve their internal governance, become more credible and their reports and recommendations are followed up.

The independence of SAIs, widely proclaimed by member states, could be compromised. In EUROSAI's decision, one can read "that some of EUROSAI SAIs declare to view their independence and the efficient exercise of their missions threatened by variant means such as substantial alteration or non – recognition of their powers and the consideration due to them, their activities control, the attempts to influence their conclusions, the limitation of their resources, undermining their reputation or also questioning their political neutrality" (7), it means that the responsibility of each country to ensure that a structure is executed in order to maintain the independence of its SAI (8).

Conclusion

Although it is admitted that currently no SAI fulfill all implementation provisions contained in the Mexico Declaration (9), INTOSAI continues to work with a view to acquiring the complete independence for all SAIs.

Efforts made have led the recognition of this independence by the states, the international institutions and the donors as being the basic principle of auditing public finances by the SAI.

Enhancing the professional capacities of SAIs, which is a principal factor in consolidating their independence, has also occupied its room in the concerns of INTOSAI, in its strategic plan, in that of the IDI (INTOSAI Development Initiative) as well as in the SAIs strategic plans and donor actions.

It is the duty of SAIs to demonstrate, through the quality of audits conducted, recommendations made and relations held with the stakeholders, particularly the executive, the parliament and the citizens, that such an independence is beneficiary for all.

Finally, the independence of SAIs never means to isolate the institution from the other partners, on the contrary, it should promote their ties with the parliament, the executive and the judiciary since the recommendations they formulate are of no importance unless they are followed up and executed by these partners.

Notes :

1. Dr Franz Fiedler, Ex-Secretary General of INTOSAI, ISSAI 1 Lima Declaration (Forward), 1998
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3. Terrence Nombembe, International Journal of Government Auditing, Jan 2014
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7. EUROSAI Decision on "Strengthening the independence of Supreme Audit Institutions" on the occasion of the VII EUROSAI Congress held in Lisbon from 30 May to 2 June 2011
8. Henrik Otbo Chair of the INTOSAI Professional Standards Committee and auditor general of Denmark, SAI independence: a founding principal of INTOSAI, International Journal of Government Auditing, special issue on SAI independence, Oct. 2009
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Illicit Financial Flows in Africa; A Matter of Great Concern by the AFROSAI



**Prepared by: ASA – Egypt; President of the
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Illicit Financial Flows (IFF) recently represent a worrying issue on national and international scale because of its harmful impact on the economy in particular. Several conferences held in different countries dealt the issue of fighting against corruption especially against IFF.



The most prominent concerning this subject is "the 3rd International Conference on Financing for Development", held in Addis Ababa, Ethiopia. During this conference, the discussion emphasized

the creating of a program to mitigate the aggravation of IFFs comes to an end by 2030.

In addition, the World Bank plays a very important role in Africa (the continent of the developed countries) to realize the expected goals of the aforementioned Conference and others.

In our article, we will present this issue with regard to the African situation by revealing the role of AFROSAI.

AFROSAI is highly interested in fighting corruption despite its form. This organization adopts good governance among its principles (especially good financial governance). Accordingly, it emphasized on the IFFs during their conferences, seen that the situation of the problem increase. The interest given in this regard was expressed through various meetings, as follows:

- **AFROSAI Governing Board (GB) Meetings:**

(50th GB in Maputo, Mozambique from 21 to 23 Sept. 2015 and 51st GB in Windhoek, Namibia from 26 to 29 July 2016)

During these meetings, discussions focused on various emergent issues, among whom the IFFs. The recommendation which was issued, in this regard, to the General Secretariat, the Technical Committees and the Working Groups of AFROSAI, was to integrate the actions aimed to appropriate themes to the IFFs. The GB approved also the proposal of the General Secretariat to organize a conference on IFFs in Yaoundé in 2017.

- **The International Communication Meeting within the AFROSAI:**

Representatives of various organs of AFROSAI participated at this Meeting held in Cape Town, South Africa (6-7 Oct.2016). During this meeting, the Chair of Knowledge Management and Sharing Committee of AFROSAI; the Supreme Audit Institution (SAI) of Kenya offered to lead the process of a cooperative audit on

IFFs and communicate with interested SAIs through a survey to move the process forward.

- **The International Conference on IFFs in Yaoundé (May 2017):**

On the theme: "Tackling Illicit Financial Flows: an African approach to a global phenomenon", the Good Financial Governance Network in Africa (GFG) organized a conference from 24 to 26 May 2017, hosted by the Audit Office of the State of Cameroon, General Secretariat of AFROSAI. This Network consists of the African Tax Administration Forum (ATAF), the Collaborative Africa Budget Reform Initiative (CABRI) and AFROSAI.



- **The participants at this conference recommended the following:**

- 1- That GFG members implement the IFF Action Plan in their respective areas of competence.

- 2- Establishing a framework for sharing knowledge and experiences in the field of IFFs to enable African countries to benefit from the expertise of the other countries in the regard to fight against this dangerous phenomenon.
 - 3- That the fight against IFF is to be the center of mutual consultation among governments, the private sector, civil society and international institutions within the framework of a joint approach.
 - 4- Adopting a more committed policy in order to make from the fight against IFF a development priority.
 - 5- Establishing updated data on individuals and organizations involved in IFFs.
 - 6- That a harmonization of the judicial and legal framework of African countries be made with regard to the penalization of offenses related to illicit enrichment.
 - 7- That the development partners of the African Countries, as well as the government authorities at the Continental and sub-regional level, encourage the States to lead combat actions in the field and to present a report of the obtained results.
 - 8- Adopting a global strategy of regional and continental combat, which governments must implement.
 - 9- That the Wildlife and forest field made the object of a particular attention because they constitute a niche of development of activities related to IFFs in Africa.
- **States and the African Union (AU) are also invited to the following:**
 - 1- Pursue education of the public morality for the citizens of African Countries.
 - 2- Fight against money laundering through the use of tools that has been developed by the African Tax Administration Forum (ATAF) and the African Regional Center for Endogenous and Community Development (CRADEC).
 - 3- Appoint a champion Head of State to stimulate the mechanisms of fight against IFFs in Africa.
 - 4- Advocate for an AU resolution to declare this year "African year of IFFs fighting" or "year of Zero Tolerance against IFFs in Africa".



- 5- Use the results of the International Center for Spoliation Asset Recovery which can provide states with training on the prevention and detection of IFFs.

The conference ended with the signing of a declaration on the fight against IFFs through good financial governance. The signatories of this Declaration are the members of the Network of Good Financial Governance with the African Organization of Public Accounts Committees (AFROPAC) that later joined the Network.

- **The Task Force Meeting on Monitoring and Evaluating the 2015 – 2020 Strategic Plan of the AFROSAI:**

The representatives of the AFROSAI Management and Sharing Knowledge Committee in the Meeting, held in Cairo (18 – 20 July 2017), presented the progress of the joint audit on IFF. They

indicated that a questionnaire was sent to all AFROSAI member SAIs to express their willingness to participate in this cooperative audit and that a planning meeting was held in February 2017, which was attended by representatives of 13 African SAIs. Memorandum of Understanding on this audit was signed during the meeting on the audit of assets declaration and the public procurement audit. A calendar and planning matrices have been developed; however, the report on this joint audit is not published yet.

- **The 14th General Assembly of the AFROSAI:**

The Meeting was held in Windhoek, Namibia from 23 to 27 Oct. 2017. SAI representatives approved a resolution endorsing the declaration relative to the fight against IFF signed during the International Conference held in Yaoundé as mentioned above. They invited the Governing Board, the General Secretariat and the Technical Committees of AFROSAI to implement the resolution in their respective areas of competence.

The Effects of Changes in Foreign Exchanges Rates



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The IAS 21 "Effects of Changes in Foreign Exchanges Rates", which is included in the IFRS, is considered one of the most applicable standards for it is rarely to find an entity that does not involve transactions in foreign currencies; besides, the standard defines how foreign operations are translated (subsidiaries, associates, joint ventures and foreign branches of a reporting entity). The Standard also contains the rules and the basics for the translation of its statements, a matter that significantly affects the users of the financial statements, especially in light of fluctuations occur in foreign exchanges rates. The key issues of this standard is represented in determining the exchange rate(s) to be used, and how to record the effect of changes in exchange rates in the financial statements.



A summary of the methodology to be applied in accordance with this standard

On preparing the financial statements, each entity -whether a stand-alone entity, an entity with foreign operations (such as a parent) or a foreign operation (such as a subsidiary or branch) - determines its functional currency. The entity translates foreign currency items into its functional currency and reports the effects of such translation due to what is mentioned hereinafter.

Factors to be considered in determining the functional currency:

Main Factors:

Functional currency is which;

- Mainly influences sales prices (of) goods and services,
- Considered the country official currency,
- The currency that mainly influences labour, material and other costs of providing goods or services.

Additional factors:

- The currency in which funds from financing activities (i.e. issuing debt or equity instruments) are generated.
- The currency in which receipts from operating activities are usually retained.

Determining the functional currency of the foreign operation:-

The following factors are considered in determining the functional currency of a foreign operation, and whether its functional currency is the same as that of the reporting entity (parent):-

- Whether the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy. Foreign operation is regarded as being the one that carries out its activities with a great extent of autonomy, for instance, when it accumulates cash and other monetary items, incurs expenses, generates income and arranges borrowings, all substantially in its local currency.

- Whether transactions with the reporting entity are a high or a low proportion of the foreign operation's activities.
- Whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the reporting entity.

In terms of the previous factors, we can determine the functional currency of foreign operations pursuant to how autonomous they are from the parent entity, for if the foreign activity practices its operations with a large degree of autonomy, thus its functional currency will be the currency that is determined on the basis of the main and additional factors mentioned above. while if it does not exercise a high degree of autonomy, the functional currency of the foreign activity will then be of the parent entity.



Accounting treatment for the effects of changes in foreign exchanges rates

First: Determination of the exchange rate to be used in the translation of transactions and balances in foreign currencies and how to prove the impact of changes in exchanges rates in the financial statements:

- A foreign currency transaction shall be recorded, on initial recognition in the entity functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
- **At the end of each reporting period:**
- **Foreign currency monetary items** shall be translated using the closing rate and exchange differences

should be recognized in profit or loss such as; cash items on treasury and banks, bonds held to maturity, customers, suppliers, loans, accrued expenses and accrued income.

- **Non-monetary items** that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income, such as financial assets which are measured by fair value through other comprehensive income (FVTOCI). Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss, such as financial assets which are measured by Fair Value Through Profit or Loss (FVTPL).

Accounting treatment for currency differences arising from borrowing in foreign currency :-

Borrowing costs may include, as determined in IAS 23 (on Borrowing Costs), the exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs, and their effect as result of recognizing such differences as a part of borrowing costs through profit or loss (in case of not qualifying assets) or should be capitalized (in case of qualifying assets).

Second: Translation of the financial statements of a foreign operation (subsidiary, associate or joint venture, branch):-

The results and financial position of a foreign operation are translated into a presentation currency so that the foreign operation can be included in the financial statements of the reporting entity by consolidation or the equity method in accordance with IFRS 3 (Business Combinations) and IAS 28 (Investments in Associate and Joint Ventures).

The standard of the effects of changes in foreign exchange rates (IAS 21) is different when translating foreign operation between two situations: translating foreign operation whose functional currency is **a currency of a hyperinflationary economy**¹ and foreign operation that the functional currency is **a currency of a non-hyperinflationary economy**, as follows: -

1- The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a presentation currency so that the foreign operation can be included in the financial statements of the reporting entity using the following procedures:

- Assets and liabilities (i.e. only assets and liabilities) for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;

1) IAS 29 tackled, interalia, Characteristics of the economic environment of a country which indicate the existence of hyperinflation include the cumulative inflation rate over three years approaches, or exceeds 100%.

- Income and expenses for each income statement presented (i.e. including comparatives) shall be translated at the dates of the transactions;
- All resulting exchange differences shall be recognized as a separate item in other comprehensive income.

For practical reasons, a rate that approximates the exchange rates at the dates of the transactions, for example an average rate for the period, is often used to translate income and expense items. These exchange differences are not recognized in profit or loss (income statement).

All amounts of the exchange differences are presented in a separate component of equity until disposal of the foreign operation.

COUNTRY	Currency	Exchange Rate
Bulgaria	Lev	26.1384 9.3421
Czech, Repub	Koruna	7.2860 88.4683
Egypt	Pound	63.4020 4.1963
India	Rupee	3.3722 5.3424
Lithuania	Litas	4.8855 5.5630
Malaysia	Ringgit	4.4640 53.9075
Poland	Zloty	42.9180 2.6558
Russia	Rouble	2.1677 13.7635
Turkey	Lira	10.4853
Ukraine	Hryvnia	

2 – The results and financial position of an entity whose functional currency is "the currency of a hyperinflationary economy" shall be translated into a

presentation currency so that the foreign operation can be included in the financial statements of the reporting entity using the following procedures:

All amounts (i.e. assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position.

In light of the above, the accounting treatment of currency exchange differences for foreign operation can be summarized in the separate financial statements and consolidated financial statements as follows:

Separate Financial Statements **Exchange differences included in the separate income statement**

The exchange differences resulting from:

- Translation of monetary items to be settled (such as customers and suppliers) at the closing rate.
- Translating of monetary items that are not expected to be settled in the foreseeable future - net investment in a foreign operation (such as loans) at the closing rate.

Consolidated statement of financial position(a non-hyperinflation economy):

Exchange differences recorded in the consolidated statement income;

Exchange differences resulting from the translation of monetary items that are expected to be settled at the closing rate.

Exchange differences recorded in the consolidated statement of comprehensive income;

Accumulated exchange differences resulting from:

- 1- Translating of monetary items that are not expected to be settled in the foreseeable future (net investment in a foreign operation) at the closing rate.
- 2- Translation of income and expenditure items at the average rate.
- 3- Translation of asset and liability items at closing rate.
- 4- Translation of fair value differences on assets, liabilities and goodwill (business combinations adjustments) at closing rate.

Translation of Statement of Cash Flows

- IAS 7 Statement of cash flows is applied when the cash flows are translated from the functional currency into the presentation currency.

Paragraphs 25 to 28 of the Standard clarify the cash flow translation rules summarized below:

- 1- The exchange rate used for translation of cash flows should be the rate in effect at the date of the cash flows, for practical reasons - as IAS 21- permits a weighted average exchange rate for a period may be used but this standard does not permit use of the exchange rate at the end of the reporting period (closing rate).
- 2- The effect of exchange rate changes on cash and cash equivalents is presented separately from cash flows from operating, investing and financing activities it is reported in a separate item in order to reconcile cash and cash equivalents at the beginning and the end of the period.

Mexico Declaration on SAI Independence

Supreme Audit Institutions generally recognize eight core principles, which flow from the Lima Declaration and decisions made at the XVIIth Congress of INTOSAI (in Seoul, Korea), as essential requirements of proper public sector auditing.



Principle 1

The existence of an appropriate and effective constitutional/ statutory/ legal framework and of de facto application provisions of this framework

Legislation that spells out, in detail, the extent of SAI independence is required.

Principle 2

The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties

The applicable legislation specifies the conditions for appointments, re-appointments, employment, removal and retirement of the head of SAI and members of collegial institutions, who are:

- appointed, re-appointed, or removed by a process that ensures their independence from the Executive (see ISSAI-11 Guidelines and Good Practices Related to SAI Independence);

- given appointments with sufficiently long and fixed terms, to allow them to carry out their mandates without fear of retaliation; and
- immune to any prosecution for any act, past or present, that results from the normal discharge of their duties as the case may be.

Principle 3

A sufficiently broad mandate and full discretion, in the discharge of SAI functions

SAIs should be empowered to audit the:

- use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature;
- collection of revenues owed to the government or public entities;
- legality and regularity of government or public entities accounts;
- quality of financial management and reporting; and
- economy, efficiency, and effectiveness of government or public entities operations.

Except when specifically required to do so by legislation, SAIs do not audit government or public entities policy but restrict themselves to the audit of policy implementation.

While respecting the laws enacted by the Legislature that apply to them, SAIs are free from direction or interference from the Legislature or the Executive in the

- selection of audit issues;
- planning, programming, conduct, reporting, and follow-up of their audits;
- organization and management of their office; and
- enforcement of their decisions where the application of sanctions is part of their mandate.

SAIs should not be involved or be seen to be involved, in any manner, whatsoever, in the management of the organizations that they audit.

SAIs should ensure that their personnel do not develop too close a relationship with the entities they audit, so they remain objective and appear objective.

SAI should have full discretion in the discharge of their responsibilities, they should cooperate with governments or public entities that strive to improve the use and management of public funds.

SAI should use appropriate work and audit standards, and a code of ethics, based on official documents of INTOSAI, International Federation of Accountants, or other recognized standard- setting bodies.

SAIs should submit an annual activity report to the Legislature and to other state bodies - as required by the constitution, statutes, or legislation - which they should make available to the public.

Principle 4

Unrestricted access to information

SAIs should have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of their statutory responsibilities.

Principle 5

The right and obligation to report on their work

SAIs should not be restricted from reporting the results of their audit work. They should be required by law to report at least once a year on the results of their audit work.

Principle 6

The freedom to decide the content and timing of audit reports and to publish and disseminate them

SAIs are free to decide the content of their audit reports.

SAIs are free to make observations and recommendations in their audit reports, taking into consideration, as appropriate, the views of the audited entity.

Legislation specifies minimum audit reporting requirements of SAIs and, where appropriate, specific matters that should be subject to a formal audit opinion or certificate.

SAIs are free to decide on the timing of their audit reports except where specific reporting requirements are prescribed by law.

SAIs may accommodate specific requests for investigations or audits by the Legislature, as a whole, or one of its commissions, or the government.

SAIs are free to publish and disseminate their reports, once they have been formally tabled or delivered to the appropriate authority - as required by law.

Principle 7

The existence of effective follow-up mechanisms on SAI recommendations

SAIs submit their reports to the Legislature, one of its commissions, or an auditee's governing board, as appropriate, for review and follow-up on specific recommendations for corrective action.

SAIs have their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations as well as those made by the Legislature, one of its commissions, or the auditee's governing board, as appropriate.

SAIs submit their follow-up reports to the Legislature, one of its commissions, or the auditee's governing board, as appropriate, for consideration and action, even when SAIs have their own statutory power for follow-up and sanctions.

Principle 8

Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

SAIs should have available necessary and reasonable human, material, and monetary resources - the Executive should not control or direct the access to these resources. SAIs manage their own budget and allocate it appropriately.

The Legislature or one of its commissions is responsible for ensuring that SAIs have the proper resources to fulfill their mandate.

SAIs have the right of direct appeal to the Legislature if the resources provided are insufficient to allow them to fulfill their mandate.