



**The successful experience of the
Chamber of Accounts of the Kyrgyz Republic in the transition
from inspections to the full-fledged audit of the financial
statements and procurement operations**



The mandate of the Chamber of Accounts (CoA)

The CoA is a Supreme Audit Institution – the only external auditor for the public and municipal entities, organizations and institutions of the Kyrgyz Republic that are responsible for the efficient use of the public funds and resources and transparent execution of the public budget.

The CoA KR is a full member of the International Organization of Supreme Audit Institutions (INTOSAI);



The transition to the international auditing standards and good practices

Transition to ISSAI contributes to the increased efficiency of the government spending and is an important element of anti-corruption activities.

The ongoing efforts at the national level are aimed at ensuring transparency and increased efficiency of the oversight bodies for the purpose to manage the main challenges hindering the development of the country including corruption.



World Bank's Technical Assistance

IDF Grant, Project of the
World Bank "Capacity-building
of the public sector audit" 2009-
2011.

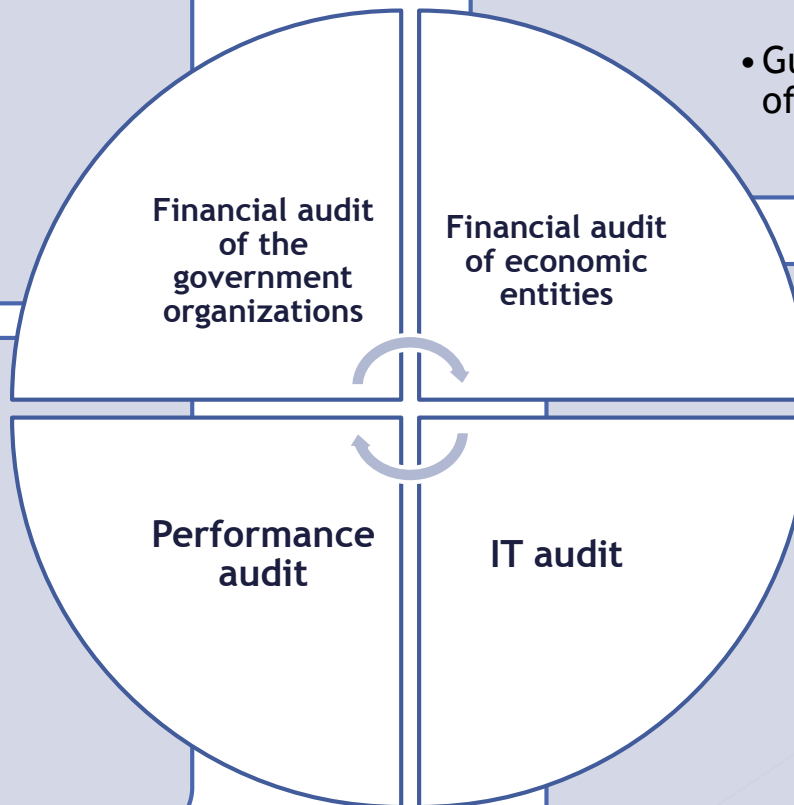
Multi-donor Program Trust
Fund for Europe and Central
Asia, Grant Project (TF #
017895) "Capacity-Building of
the Chamber of Accounts KR"
for 2015-2016





Implementation Process of the International Audit Standards (ISSAI)

- Guidelines for financial audit in conformity with the international auditing standards (ISA);
- Piloting with Latvian partners and the local audit firm;
- Pilot audits in the Ministry of Culture institutions.



- Guidelines for financial audit of economic entities developed

- Methodology Guide for Performance Audit;
- Staff Training;
- Pilot audit in the Ministry of Health facilities.

- Participation in the Global Program of training within the Initiative for development INTOSAI on IT audit (IDI Global Programme on Specialised Audits- Information Technology (IT) Audit);
- Pilot audit of the Information system “IS - Kazna.Byudzjet” in the Central Treasury under the Ministry of Finance.

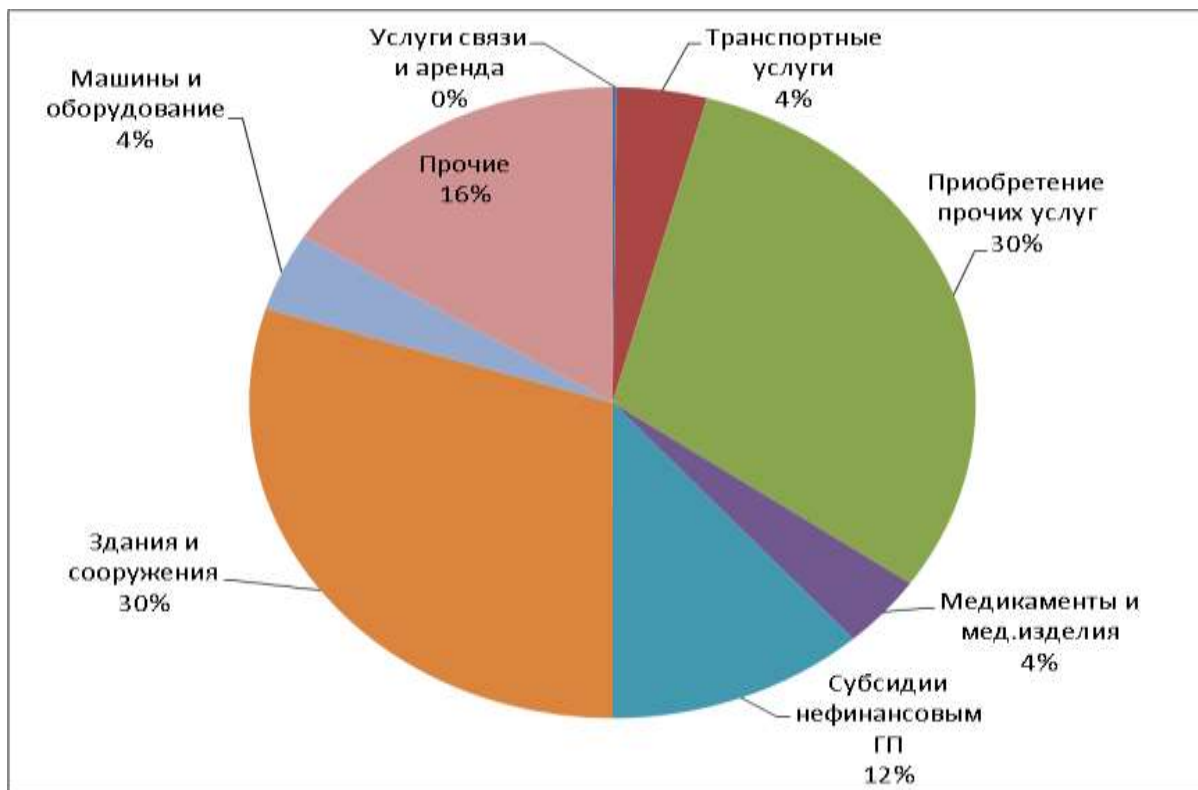


Public Procurement Audit

- ▶ **Public procurement** is the area with potentially high level of corruption, which significantly undermines the efficiency of public spending.
- ▶ **The amount of the state budget expenditures** for procurement of goods and services is estimated around 40.0% of total budget expenditures.

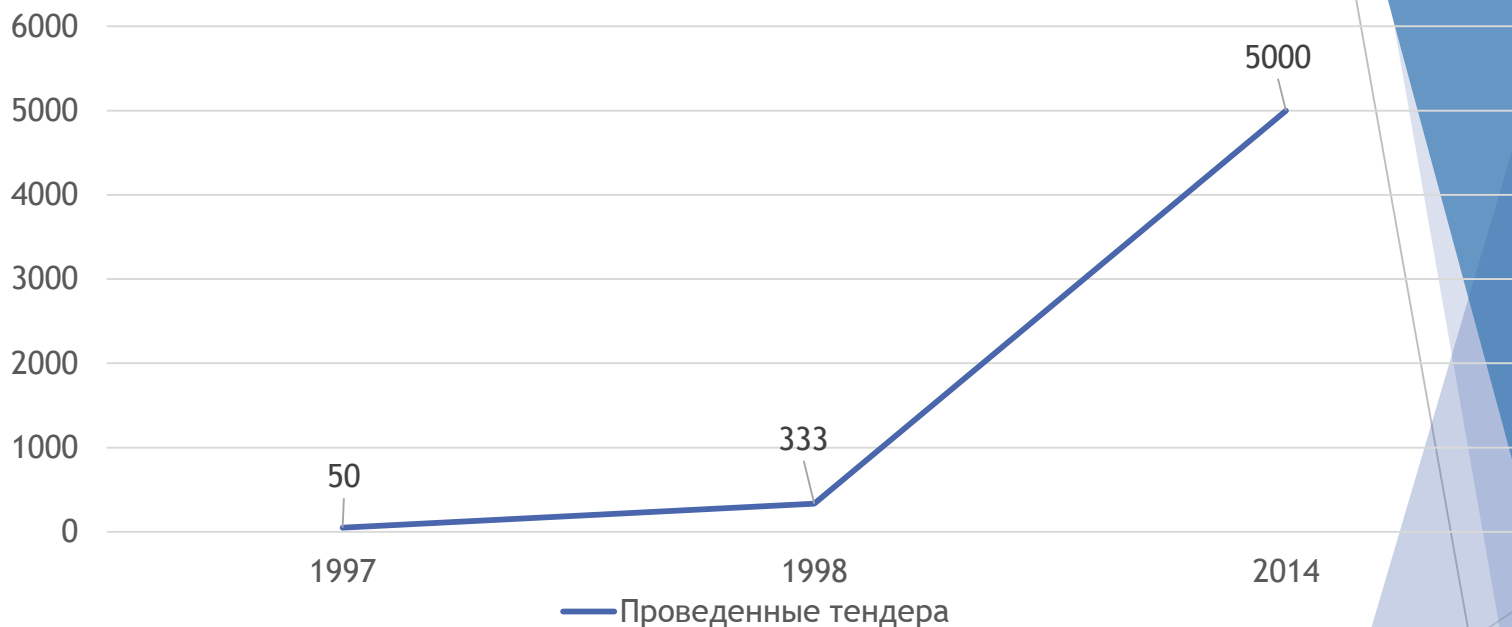


Figure 1. Public Expenditures for Procurement per economic classifications, 2014, % in total procurement (less DPI)





According to the analysis

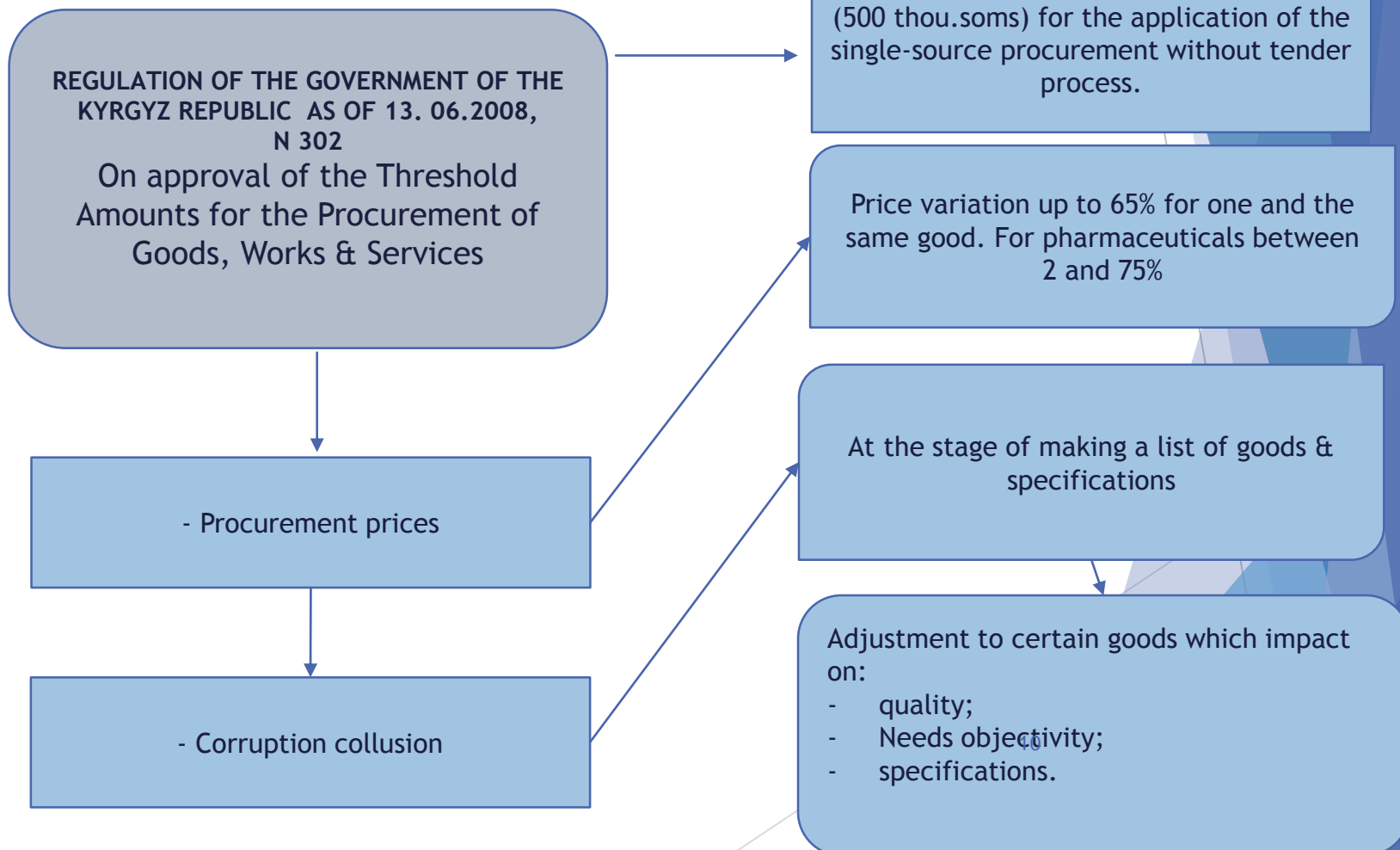


The system of public procurement based on competitive bidding is implemented for the most part. However, there are still problems with the operations of the public procurement system





Corruption in the public procurement process





Situation Analysis in Public Procurement

Compliance Audits in the field of public procurement demonstrated that virtually all conducted tenders had typical irregularities and violations:..

- Numerous violations of the procurement procedures and record keeping
- The tender documentation does not comply with the basic provisions of the Law "On public procurement"
- Bid Evaluation, record of the minutes of procurement procedures, the award and conclusion of the contracts
- Lack of proper administration of contracts, which was also carried out with high risk of loss of public funds
- Lack of approved standard documentation



Situation Analysis in Public Procurement (continued)

- Bidder does not meet the requirements, procurement protocol contains inaccurate information
- Amount of the contract exceeds the allocated budget
- The winners of the tender have not presented the bid security or guarantee for the implementation of the contract
- The conflict in dating
- Protocol of the procurement is not submitted to the authorized body
- Protocol of the procurement submitted to the authorized body upon the expiration of the due date
- Advances made without security according to the terms and conditions
- Penalties prescribed in the contract for late delivery of goods or completion of works are not applied



Methodology Approaches

The toolkit is based on mandatory provisions of the Law of the Kyrgyz Republic "On Public Procurement" and regulations governing procurement procedures.

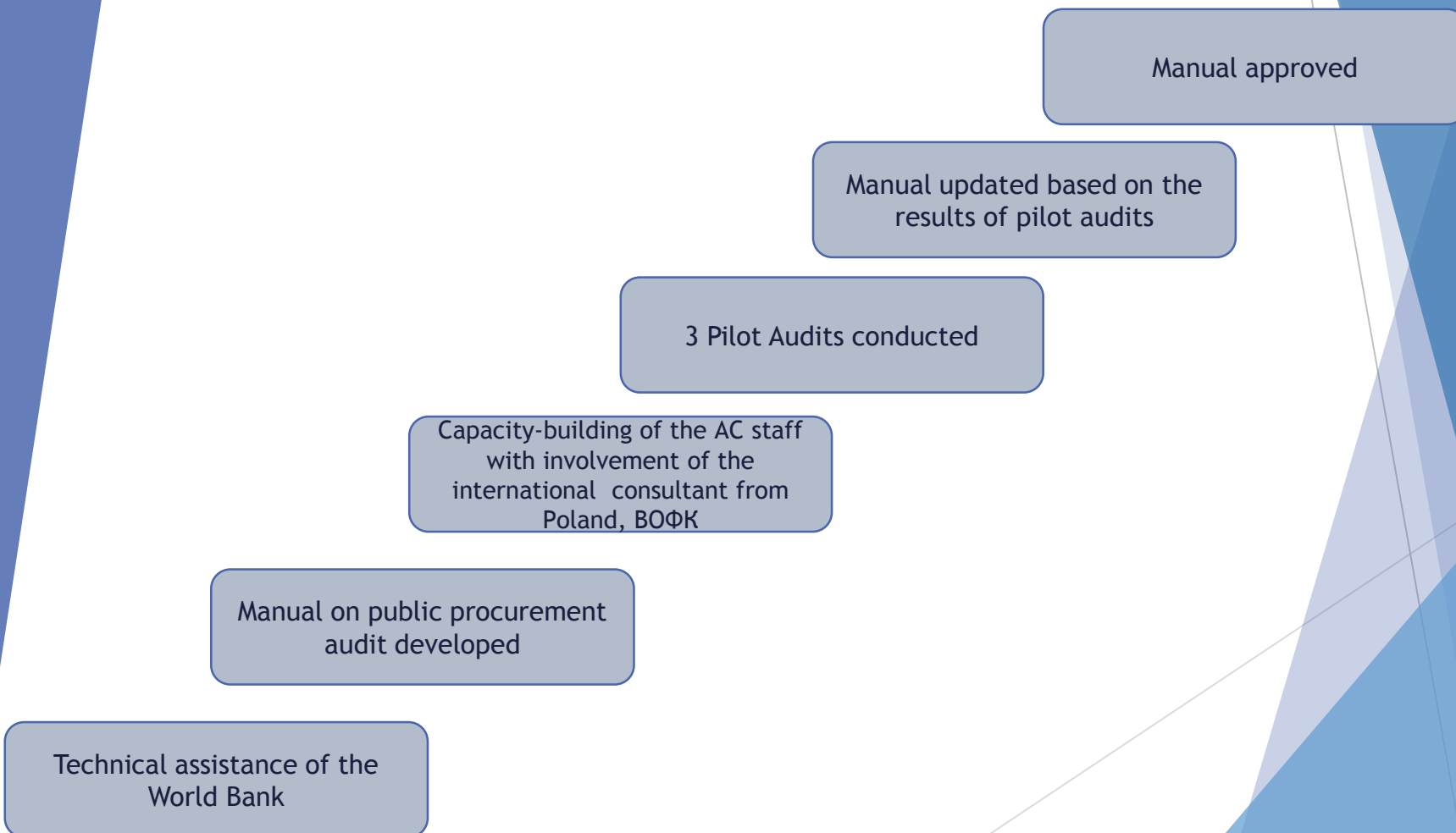
The main format of verification of tender documents and reports: checklists:

- assessment of the organization's capacity
- pre-qualification
- auction with unlimited participation
- request for quotations
- single-source procurement





Public Procurement Audit





The structure of the checklist for tenders with unlimited participation

1. Procurement initiation
2. Tender process management (tender receipt, opening and evaluation)
3. Award and signature of contract
4. Re-tender (when necessary)
5. Contract administration and payment
6. Conclusions and recommendations

**Audit of procurement [subordinate organization, agency, [Period of auditing -]
Checklist 2.2: Assessment of the procuring agency**

Проверяемая организация:		Дата:				
<p>Инструкции: Целью этого чеклиста является оценка способности отдела закупок осуществлять закупки.</p> <ul style="list-style-type: none"> • Пройдите интервью с персоналом отдела для получения четкого представления организационной структуры. • Получите необходимые документы. • Определите сильные и слабые стороны внутреннего контроля, а также области 						
№.	вопросы	Да	Нет	н/п¹	Примечания	Ссылка на НПА²
А. Оценка среды контроля						
1	<p>Существует ли отдел, занимающийся вопросами закупок? (Запросить организационную структуру, внутренние правила). (Ст.13 пункт 1).</p> <p>Подотчетен ли отдел закупок непосредственно руководителю высшего звена? Кому непосредственно подотчетен отдел? (Запросить организационную структуру, внутренние правила)</p> <p>Внедрено ли соответствующее разделение обязанностей каждого члена штата? Четко ли разграничены и документированы функции и обязанности? (Запросить внутренние правила, охват и разделение функций)</p> <p>Располагает ли проверяемое учреждение достаточной численностью и качеством человеческих ресурсов? Имели ли место какие-либо колебания в составе штата в 2012 г.? (Запросить информацию о численности сотрудников в 2012 г. и изменениях в составе штата)</p> <p>Внедрены ли какие-либо системы внутреннего контроля для обеспечения соблюдения законов и правил?</p>					

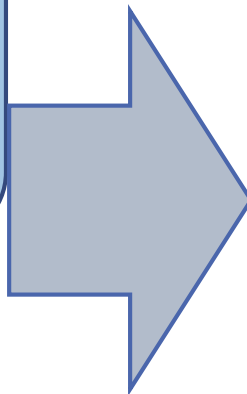
**Audit of procurement [subordinate organization, agency, [Period of auditing -]
Checklist 2.2: Tender with unlimited participation**

Procurement agency: Contract No: Contractor:		Date: Contract amount: Contract description:				
Инструкции: <i>Данный чеклист должен заполняться для торгов с неограниченным участием. Ответы должны основываться на соответствующих документах/информации, относящейся к прессу закупок по каждому контракту, начиная от момента одобрения тендерной документации и до завершения контракта. Обсудите их с ответственными сотрудниками, если необходимо.</i>						
No.	Вопросы	Да	Нет	н/п ¹	Примечания	Ссылка на НПА ²
A. Оценка среды контроля						
1	<p>Была ли стоимость предложения/контракта рассчитана правильно?</p> <p>Правильно ли были оценены потребности в товарах, услугах или работах и основывались ли они на реалистичных предположениях?</p> <p>Кто одобрил пакет тендерной документации. Была ли утверждена тендерная документация? (кто это сделал)</p> <p>Оценочная цена контракта равна или выше максимальной пороговой суммы [ст. 17, п.2]</p>				<p>Дата одобрения тендерных документов:</p> <p>_____ [ст. 19 п.3]</p>	



Methodology

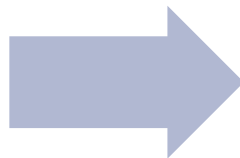
At present, the methodology of the public procurement audit is mandatory Guidelines for the staff of the Chamber of Accounts during auditing of public procurement.



The results of the audits have shown that there is every reason to believe that the use of the Guidelines while auditing public procurement will reduce the amount of abuse and increase transparency in public procurement.



New Law of the
Kyrgyz Republic “On
Public Procurement”
adopted (2015)



New Public
Procurement
Auditing
Methodology under
development



In accordance with the decision of the 64 meeting of the Governing Council of the International Organization of Supreme Audit Institutions (INTOSAI) the Ad Hoc Group INTOSAI on auditing of public procurement was established

Mission

Coordination of activities of the Supreme Audit Institutions, INTOSAI members, on the development of generic approaches and procedures for the audit of public procurement

Strategic Objective

Support SAIs in assessing the efficiency and effectiveness of public procurement



Goals and Objectives:

Goal 1

- Develop general principles of public procurement audits in accordance with the fundamental documents INTOSAI

Objectives:

- Analysis of international experience and methodologies for the organization and process of the procurement audit, including in member states of the Task Force INTOSAI on audit of public procurement;
- Development of approaches and requirements for the formation of methodological and information support to the audit of public procurement;
- Promote the development of modern forms of cooperation between national supreme audit institutions and international organizations in the sphere of audit of public procurement.



Goal 2

- Preparation of a practical guide on the audit of public procurement. Development of the system of information exchange on the issue of the audit of public procurement

Objectives:

- Clarify and update a glossary of the INTOSAI auditing of public procurement;
- Creation of a permanent system for the exchange of experience based on modern information technologies and traditional forums, including the development and maintenance of a dedicated website;
- Preparation and implementation of pilot projects related to the audit of public procurement in the Member States of the Ad Hoc Group of INTOSAI on contract audit;
- Preparation of a practical guide on the audit of public procurement.



Prospective areas of activity

1. Develop the international standard for the public procurement audit;

2. Develop manuals and guides for the public procurement audits in specific sectors and spheres of priority interest for the supreme financial controls;

3. Develop further the communication systems in the field of the public procurement audit.



The Chamber of Accounts continues the capacity-building measures with the World Bank's support

The CoA intends to make major progress with practical and consistent application of the ISSAI and continue the capacity-building process through the implementation of a number of actions focused on the following topics:



1. Institutionalization Capacity-building of the Chamber of Accounts
2. Further development and use of audits in conformity with MCA
3. New Draft Law “On the Chamber of Accounts” according to ISSAI
4. Development of training programs and delivery of trainings
5. Mechanisms of transparency for the report users



Кыргыз Республикасынын
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Thank you!