



Technical Assistance Report

Project Number: 47198-001
Capacity Development Technical Assistance (CDTA)
November 2013

Mongolia: Development of State Audit Capacity

CURRENCY EQUIVALENTS

(as of 31 October 2013)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.000585
\$1.00	=	MNT1,709

ABBREVIATIONS

ADB	–	Asian Development Bank
IFAC	–	International Federation of Accountants
IFI	–	international financial institution
IFRS	–	International Financial Reporting Standards
IPSAS	–	International Public Sector Accounting Standards
ISA	–	International Standards on Auditing
ISSAI	–	International Standards of Supreme Audit Institutions
MNAO	–	Mongolian National Audit Office
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Capacity development technical assistance (CDTA)
Targeting classification	–	General intervention
Sector (subsector)	–	Public sector management (public expenditure and fiscal management)
Themes (subthemes)	–	Governance (economic and financial governance), economic growth (promoting economic efficiency and enabling business environment)
Location (impact)	–	Rural (low), urban (low), national (high)

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Government of Mongolia requested the Asian Development Bank (ADB) to provide technical assistance (TA) to strengthen the state audit capacity in Mongolia.¹ A TA fact-finding mission on 26–28 June 2013 reached agreement with the government on the impact, outcome, outputs, implementation arrangements, costs, financial arrangements, and terms of reference for consulting services of the TA. The design and monitoring framework is in Appendix 1.²

II. ISSUES

2. Since 1991 as its economy has transitioned from a planned economy, Mongolia has progressively initiated to strengthen its legal framework for auditing, improving transparency and accountability of economic activities to facilitate the adoption of a market economic system. A key initiative was the adoption in 1997 of the Law on Audit, which was subsequently amended in 2001, 2003, 2005, and 2006. The law governs auditing principles, organization, and administration for registering auditing companies, and requires meeting international standards, notably the International Standards on Auditing (ISA).³ Furthermore, Mongolia adopted the International Financial Reporting Standards (IFRS) as its standards for financial reporting in 2006.⁴

3. In addition to the Law on Audit, the adoption of the State Audit Law in 2003 strengthened the public audit system in Mongolia and transferred the responsibility of public audits from the State Audit Board to the Mongolian National Audit Office (MNAO). The MNAO is responsible for auditing the annual financial statements of all government entities and state-owned enterprises. In 2013, the MNAO expanded its responsibilities to include the auditing of projects financed by international financial institutions (IFIs) and bilateral institutions. This ensured compliance with the Integrated Budget Law passed in 2011.⁵ The MNAO now performs the public auditing and is making an important contribution to enhanced financial transparency and accountability of the public sector.

4. While the legal and regulatory framework of auditing has been strengthened, there is still a significant gap between actual practice and the required standards set in laws. A priority in the public sector is to ensure that the MNAO fully applies international standards to its audit methodology and procedures.

5. The ISA is a set of professional standards for auditing. In addition, the International Standards of Supreme Audit Institutions (ISSAI), aligned with the ISA, were introduced in 2007 as the international standards of auditing for the public sector.⁶ The ISSAI—a comprehensive

¹ The TA is included in ADB. 2013. *Country Operations Business Plan: Mongolia, 2013*. Manila.

² The TA first appeared in the business opportunities section of ADB's website on 16 September 2013.

³ The ISA is a set of standards for the professional practice of auditing issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board.

⁴ Since the European Union adopted the IFRS in 2005, the IFRS has rapidly expanded worldwide. Developing countries that had not fully developed their own standards on financial reporting also adopted the IFRS as their financial reporting standards. More than 100 countries have adopted the IFRS as their financial reporting standards or have converged their standards with the IFRS as of 2011.

⁵ The Integrated Budget Law (2011) categorizes IFI-financed projects as budgetary entities on which the MNAO needs to perform financial audits. This includes ADB and World Bank loan and grant projects. Since 2013, the MNAO has taken over the audit responsibility from the Ministry of Finance on ADB projects and has engaged private audit firms to audit ADB projects due to the Ministry of Finance's limited staffing capacity.

⁶ The International Organization of Supreme Audit Institutions aligned ISA with public sector auditing to ensure the accuracy and credibility of financial statements in the public sector based on accrual-based accounting. All

and updated collection of professional standards and best practices—provides guidance for public sector auditors in applying the ISA to financial audit. However, the MNAO has not applied the ISSAI to its audit procedures and methodologies yet.

6. Due to a lack of resources, the MNAO lacks professional training and experience in ISSAI and in the requirements for auditing accrual-based financial statements. There is also a need to significantly improve the MNAO's audit quality control process to ensure credibility of its financial auditing. To improve the efficiency and quality of the auditing, the MNAO also needs to strengthen the information technology system, such as adopting audit software for its audit activities and connecting the network of the head office in Ulaanbaatar and local subsidiaries.

7. ADB's Mongolia Country Partnership Strategy, 2012–2016 identified two pillars of support for the generation of sustained and diversified employment: (i) competitive, sustainable, and regionally integrated growth and (ii) inclusive social development.⁷ In line with ADB's Strategy 2020, in which good governance is a driver of change, ADB will help improve the government's financial management and effectiveness of public expenditure.⁸ Improving the quality of the MNAO's auditing is fundamental toward achieving this objective.

8. To address the MNAO's capacity constraints, the TA will review the framework, procedures, and methodologies of financial auditing and audit quality control, and produce a feasibility study on the selection and adoption of information technology and software for the MNAO's audit activities. The TA will provide professional training on financial auditing and audit quality control for the MNAO (about 30 MNAO's auditors), private audit firms, and relevant professional organizations, including developing training materials based on the ISSAI, ISA, IFRS, and International Public Sector Accounting Standards (IPSAS).⁹ The TA will develop general audit guidelines and an audit quality control manual for IFI-financed projects, and enhance relevant government officials' awareness of the need for continued capacity development to improve the quality of financial auditing in Mongolia. The TA will facilitate implementation of the MNAO's strategic plan for 2013–2018, which aims to ensure full compliance with international audit standards.

9. The TA is a continuation of the support ADB has provided since the mid-1990s for strengthening audit capacity in Mongolia.¹⁰ Previous ADB support helped draft accounting and auditing laws, improved accounting systems of private and public entities to comply with the International Accounting Standards, and strengthened the capacity of accountants. The proposed TA will extend this assistance by helping further improve public audit quality and align public sector auditing with international standards and best practice.

documents complied with in the ISSAI are officially authorized and endorsed by the International Organization of Supreme Audit Institutions.

⁷ ADB. 2012. *Country Partnership Strategy: Mongolia, 2012–2016*. Manila.

⁸ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

⁹ Due to human resource limitations, the MNAO has contracts with local audit firms to conduct public auditing in many cases. The Accounting Policy Department in the Ministry of Finance plays an important role in monitoring audit quality. In addition, the Mongolia Institute of Certified Public Accountants is an important institute for domestic accountancy professions.

¹⁰ ADB. 1995 and 1997. *Technical Assistance to Mongolia for Improving Accounting and Auditing Systems*. Manila; ADB. 2002. *Technical Assistance to Mongolia for Capacity Building for Accounting and Auditing Professionals*. Manila; ADB. 2010 and 2011. *Loan to Mongolia for Second Phase of the Governance Reform Program*. Manila.

10. ADB's Public Communications Policy 2011 promotes transparency and requires that project audit reports be posted on the ADB website.¹¹ With the development of appropriate audit guidelines and an audit quality control manual for IFI-financed projects, the quality of audit reports prepared by the MNAO will be improved and disclosed in a timely manner to meet ADB's requirements.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The impact will be improved quality of the MNAO's financial auditing, which will be measured by assessing whether the MNAO's financial auditing complies with the ISSAI and ISA. The outcome will be improved financial auditing and audit quality control capacity of targeted auditors from the MNAO and private audit firms, which will be measured through a pre-intervention and post-training skills assessment.

B. Methodology and Key Activities

12. The TA will achieve the outcome through four major outputs:

- (i) Assessment of the MNAO's current financial auditing and audit quality control framework, procedures, and methodologies, with a review of general financial reporting framework and practices of public auditing, focusing on (a) a feasibility study of selecting and adopting needed information technology and software for the MNAO to improve the quality and efficiency of its audit activities and (b) policy recommendations for strengthening financial auditing and audit quality control framework, procedures and methodologies.
- (ii) General audit guidelines and an audit quality control manual for IFI-financed projects.
- (iii) Capacity development of (a) conducting financial audit, covering audit for public entities and IFI-financed projects and (b) audit quality control, including skills assessment of targeted auditors, development of training materials, and post-training skills assessment, based on ISSAI, ISA, IFRS, and IPSAS.
- (iv) Enhancement of relevant government officials' and other stakeholders' awareness of the need for continued capacity development to improve the quality of financial auditing in Mongolia.

13. To deliver the planned outputs, the consulting team leader will develop a detailed work plan in consultation with the MNAO. The consulting team will conduct a skills assessment of targeted auditors, including auditors from the MNAO, private audit firms, and relevant professional organizations such as the Mongolia Institute of Certified Public Accounts. Based on the skills assessment, the consulting team will specify the details of training and develop training materials. As part of the training materials, the consulting team will translate the ISSAI into Mongolian, focusing on documents related to financial audit at level 4.¹² The ISSAI will be indicated as the source in the final translated documents. ADB will own the translated documents, subject to the policies of the owners of the original documents. The consulting team

¹¹ According to the Public Communications Policy 2011, ADB shall post on its website annual audited project accounts for sovereign projects for which the invitation to negotiate is issued on or after 2 April 2012.

¹² ISSAI consists of four levels of document: the first level summarizes founding principles, the second lists prerequisites for the functioning of Supreme Audit Institutions, the third presents fundamental auditing principles, and the fourth covers auditing guidelines covering financial audit, compliance audit, and performance audit.

will provide professional training on financial audit and audit quality control for targeted auditors, and conduct post-training assessments.

14. The TA will also review MNAO's financial auditing and audit quality control framework, procedures, and methodologies. In addition, the TA will produce general audit guidelines and an audit quality control manual for IFI-financed projects. A workshop will be organized for relevant government officials to enhance awareness of the need for continued capacity development to improve financial auditing in Mongolia.

C. Cost and Financing

15. The TA is estimated to cost \$320,000, of which \$300,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of office accommodation; data and documents for the consultants; counterpart staff; logistical support, including costs of meeting arrangements; and other in-kind contributions. Detailed cost estimates are in Appendix 2.

D. Implementation Arrangements

16. The TA will be implemented over 28 months, from 1 December 2013 to 31 March 2016. The MNAO will be the executing agency.

17. The TA will cover remuneration, travel, and per diem allowances of consultants, as well as the costs of workshops, training programs, and miscellaneous expenses. Disbursements under the TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

18. A firm will be recruited to provide an international consultant and six national consultants. The preferred selection method is quality- and cost-based selection with a quality–cost ratio of 80:20. The applicable type of proposal will be a simplified technical proposal. All consultants will be recruited in accordance with the ADB Guidelines on the Use of Consultants (2013, as amended from time to time). Outline terms of reference for consultants with deliverables linked to the design and monitoring framework are in Appendix 3. All reports by the consultants will be prepared and provided in English, with copies in Mongolian. The consulting firm will implement a workshop and training. The consultants will maintain close working relations with the executing agency and ADB and will regularly discuss project progress.

19. The executing agency will supervise the consultants' day-to-day work, take responsibility for consulting with stakeholders, and disseminate the outputs to relevant government agencies. ADB will assist the executing agency in overall TA operations, monitoring, and dissemination of a knowledge product. The executing agency will provide the consultants with necessary information about the MNAO's audit activities and other services, such as support in collecting needed data. The executing agency will also support the consultants in translating the background information into English.

20. The project-specific indicators and targets in the design and monitoring framework will be monitored by the executing agency, with ADB support. Policy dialogue will be maintained with the relevant government agencies, and project-specific issues will be taken up with government counterparts during review missions. Technical milestones will be monitored by

reports to be prepared by the consultants and reviewed by the executing agency and ADB project officers. Milestones related to TA implementation will be monitored by the team leader.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$300,000 on a grant basis to the Government of Mongolia for Development of State Audit Capacity, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Improved quality of MNAO's financial auditing of public entities and IFI's projects</p>	<p>By 2020 (Baseline: 2012)</p> <p>80% of MNAO's audit reports fulfill the standards on financial auditing set by ISSAI and ISA by 2020 (Baseline: none)</p>	<p>Relevant official documents</p> <p>MNAO audit reports</p>	<p>Assumption</p> <p>MNAO provides continued professional training for its auditors as needed</p>
<p>Outcome</p> <p>Improved financial auditing and audit quality control capacity of targeted auditors</p>	<p>Improvement in the post-training skills assessment compared with the pre-intervention skills assessment by March 2016</p>	<p>TA completion report</p> <p>Reports on post-training assessment</p>	<p>Assumption</p> <p>The targeted auditors are able to apply the acquired skills to actual practice</p>
<p>Outputs</p> <p>1. Assessment of the MNAO's financial auditing and audit quality control framework, procedures, and methodologies: (a) feasibility study, and (b) policy recommendations</p> <p>2. General audit guidelines and audit quality control manual for IFI-financed projects</p> <p>3. Capacity development of financial auditing and audit quality control, including skills assessment, development of needed training materials, and post-training assessment</p>	<p>Assessment of framework, procedures, and methodologies: (a) feasibility study completed by October 2014, (b) policy recommendations completed by September 2015</p> <p>General audit guidelines and audit quality control manual for IFI-financed projects completed by March 2016</p> <p>Skills assessment of targeted auditors completed, and training contents and materials developed by November 2014</p> <p>Training of financial auditing including post-training assessment completed by April 2015</p> <p>Training of audit quality control including post-training assessment completed by July 2015</p>	<p>TA progress reports</p> <p>Training reports</p> <p>Final report</p>	<p>Assumption</p> <p>Necessary information is made available in English by July 2014</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks														
4. Enhancement of relevant government officials' and other stakeholders' awareness of the need for continued capacity development to improve the quality of financial auditing in Mongolia	Workshop conducted before December 2015																
Activities with Milestones		Inputs															
<p>1.1 Hold the inception meeting by April 2014</p> <p>1.2 Develop the detailed work plan by May 2014</p> <p>1.3 Conduct review and assessment of framework, procedures, and methodologies of financial audit and audit quality control with focus on a feasibility analysis by October 2014</p> <p>1.4 Produce policy recommendations for strengthening the framework and improving procedures and methodologies by September 2015</p> <p>1.5 Submit the completed report and policy recommendations by December 2015</p> <p>2.1 Complete and submit general audit guidelines and audit quality control manual for IFI-financed projects by March 2016</p> <p>3.1 Conduct a pre-intervention skills assessment by July 2014</p> <p>3.2 Specify the training contents and training schedule by July 2014</p> <p>3.3 Develop training materials including needed translation of a part of ISSAI by November 2014</p> <p>3.4 Conduct training on financial auditing, including a post-training skills assessment, by April 2015</p> <p>3.5 Conduct training on audit quality control, including a post-training skills assessment, by July 2015</p> <p>3.6 Submit the completed technical reports by December 2015</p> <p>3.7 Submit a completed final report by March 2016</p> <p>4.1 Conduct workshops before December 2015</p>		<p>ADB: \$300,000 Technical Assistance Special Fund (TASF-V)</p> <table border="1" data-bbox="862 743 1429 1262"> <thead> <tr> <th data-bbox="862 743 1170 806">Items</th> <th data-bbox="1175 743 1429 806">Amount (\$'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="862 835 1170 905">International consultants (6 person-months)</td> <td data-bbox="1175 835 1429 905">120.00</td> </tr> <tr> <td data-bbox="862 926 1170 995">National consultants (23.5 person-months)</td> <td data-bbox="1175 926 1429 995">73.00</td> </tr> <tr> <td data-bbox="862 1016 1170 1052">International and local travel</td> <td data-bbox="1175 1016 1429 1052">7.00</td> </tr> <tr> <td data-bbox="862 1079 1170 1115">Workshop and training</td> <td data-bbox="1175 1079 1429 1115">70.00</td> </tr> <tr> <td data-bbox="862 1142 1170 1178">Miscellaneous administration</td> <td data-bbox="1175 1142 1429 1178">15.00</td> </tr> <tr> <td data-bbox="862 1205 1170 1241">Contingencies</td> <td data-bbox="1175 1205 1429 1241">15.00</td> </tr> </tbody> </table> <p>Note: The government will provide counterpart support in the form of local office accommodation, data and documents for the consultants; counterpart staff; logistical support, including costs of meeting arrangements; and other in-kind contributions.</p>		Items	Amount (\$'000)	International consultants (6 person-months)	120.00	National consultants (23.5 person-months)	73.00	International and local travel	7.00	Workshop and training	70.00	Miscellaneous administration	15.00	Contingencies	15.00
Items	Amount (\$'000)																
International consultants (6 person-months)	120.00																
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Contingencies	15.00																

ADB = Asian Development Bank, IFI = international financial institution, IFRS = International Financial Reporting Standards, ISA = International Standards on Auditing, ISSAI = International Standards of Supreme Audit Institutions, MNAO = Mongolian National Audit Office, TA = technical assistance.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (6 person-months)	120.00
ii. National consultants (23.5 person-months)	73.00
b. International and local travel	7.00
2. Workshop, training, and seminars ^b	70.00
3. Miscellaneous administration and support costs ^c	15.00
4. Contingencies	15.00
Total	300.00

Note: The technical assistance (TA) is estimated to cost \$320,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of local office accommodation, data and documents for consultants, counterpart staff, logistics including costs of meeting arrangements, and other in-kind contributions. The value of government contribution is estimated to account for 6.25% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b Includes venue rental; participants' travel and accommodation; and interpretation, translation, and other logistics for conferences, seminars, workshops, training, research networking, and other high-level meetings. Any workshop, training, or seminar must occur in eligible ADB member countries.

^c Includes editing and translation of reports, and other logistical and administrative costs.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will require a total of 29.5 person-months of consulting services (one international consultant for a total of 6 person-months and six national consultants for a total of 23.5 person-months). The international consultant should preferably have 10 years of practical audit experience and international experience in his or her field of expertise. The national consultants should each preferably have 8 years of professional experience in their respective field of expertise. The international consultant will primarily be responsible for providing advisory services and recommendations for policy makers based on international experience and practice. In addition, the international consultant will ensure the technical relevance of training to international standards and will serve as a peer reviewer on reports on technical issues and other documents translated from Mongolian to English. The international consultant will work with the national consultants in cooperation with designated staff of the executing agency. A firm will be recruited to provide the international consultant and six national consultants. The preferred selection method is quality- and cost-based selection. All consultants will be recruited in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time) of the Asian Development Bank (ADB).

2. The consultants will be responsible for the timely submission of TA outputs and deliverables, and organizing and implementing all TA activities. The consultants will (i) assess the current financial auditing and audit quality control framework, procedures, and methodologies of the Mongolian National Audit Office (MNAO), with a review of the general financial reporting framework and practice of public auditing, focusing on (a) a feasibility study of selecting and adopting needed information technology and software for the MNAO to improve the quality and efficiency of its audit activities, and (b) policy recommendations for strengthening MNAO's financial audit and audit quality control framework, procedures and methodologies. The consultant will (ii) provide training on financial auditing of public entities and projects financed by international financial institutions (IFIs), and training on audit quality control to ensure the quality of financial auditing based on International Standards of Supreme Audit Institutions (ISSAI), International Standards on Auditing (ISA), International Financial Reporting Standards (IFRS), and International Public Sector Accounting Standards (IPSAS). The consultant will (iii) prepare general audit guidelines and an audit quality control manual for IFI-financed projects, and (iv) enhance relevant government officials' awareness on further needs for capacity development in auditing in Mongolia. The consultants will implement training and a workshop, including logistics. All reports are to be of high quality and produced in English with copies in Mongolian. A precise work timeline and deliverables with dates will be defined at inception, documented in the final inception report, and agreed upon with the executing agency and ADB. Regular monitoring and reporting of costs, time schedule, human resources, and communications will be performed by the ADB TA project officers and their support team, which will include local project officers and consultants hired under the TA.

A. International Consultant

3. **Auditing specialist and team leader** (6 person-months). The international expert will be a member of the professional accounting body of an International Federation of Accountants (IFAC) member institute and hold Certified Public Accountant or equivalent qualification. He or she should preferably have substantial expertise and sufficient experience in auditing, particularly financial auditing and audit quality control, and in developing and implementing training on the use and adoption of the ISSAI, ISA, and IFRS. Knowledge of Mongolia's audit industry and IFI-financed projects will be preferable. The expert will perform the following tasks:

- (i) Work closely with other consultants and the executing agency, and be responsible for overall management of TA implementation; lead all TA efforts by guiding, supervising, and coordinating the work of all team members.
- (ii) Lead the review and assessment of the MNAO's current financial audit and audit quality control framework, procedures, and methodologies, with a focus on a feasibility analysis of selecting and adopting information technology and software for the MNAO's audit activities; prepare a summary of review and policy recommendations for strengthening MNAO's financial audit and audit quality control framework, procedures and methodologies as technical report I for submission to the executing agency and ADB.
- (iii) Work closely with the executing agency, and conduct a skills assessment and training needs analysis for the targeted auditors; specify the training targets, details of training courses, and schedule for the training on financial auditing and audit quality control based on the ISSAI, ISA and IFRS.
- (iv) Work closely with the executing agency, and specify the documents under the ISSAI that will be translated from English to Mongolian.
- (v) Assist national consultants in developing training materials.
- (vi) Assist national financial audit expert and audit quality control expert in reviewing the translation of the ISSAI to ensure the accuracy and quality of the translation.
- (vii) Assist national consultants in implementing the training courses on financial auditing and audit quality control for targeted auditors from the MNAO, local audit firms, and relevant institutions, such as the Accounting Policy Department, Ministry of Finance, and Mongolia Institute of Certified Public Accountants; ensure the quality and effectiveness of the training courses.
- (viii) Prepare post-training skills assessment for the financial audit and audit quality control training courses; assist national consultants in implementing the post-training assessment.
- (ix) Prepare technical report II summarizing the training courses, achievement, and post-training assessment; submit technical report II to the executing agency and ADB.
- (x) Assist the national financial auditing expert (project auditing) and national audit quality control expert in preparing the general audit guidelines and an audit quality control manual for IFI-financed projects, and submit them to the executing agency and ADB.
- (xi) Draft an inception report, including details of the work plan, and submit the completed inception report to the executing agency and ADB.
- (xii) Draft and submit a final report comprising a summary of the project and technical reports I, II, and III to the executing agency and ADB.
- (xiii) Lead discussions with consultants and the executing agency in identifying key issues to be covered during a workshop, and identify resource persons.
- (xiv) Take the lead in implementing training and a workshop, including logistics.
- (xv) Deliver sessions at a workshop and prepare appropriate presentation materials.

B. National Consultants

4. **Financial auditing expert (public entities)** (5 person-months). The expert will be a member of the professional accounting body of an IFAC member institute and hold Certified Public Accountant or equivalent qualification. He or she should preferably have substantial expertise and sufficient experience in auditing, particularly financial audit of public entities, and developing and implementing training on the use and adoption of the ISSAI, ISA, and IFRS. He

or she must be familiar with the financial audit of public entities in Mongolia. The expert will perform the following tasks:

- (i) Work closely with the executing agency; assist the team leader in reviewing and assessing the MNAO's current financial auditing and audit quality control framework, procedures, and methodologies; and assist the team leader in preparing technical report I.
- (ii) Assist the team leader in specifying the training targets, details of training courses, and schedule for financial auditing of public entities based on international standards.
- (iii) Work closely the executing agency, team leader, and other consultants, and develop training materials on financial audit for public entities (except translation of the ISSAI); implement the training courses for the targeted auditors.
- (iv) Work closely with the executing agency and team leader, and conduct post-training skills assessment on public entities' financial audit; summarize the assessment; and assist the team leader in preparing technical report II.
- (v) Work closely with the team leader, national financial auditing expert (project), and national audit quality control expert; review the translated ISSAI to ensure the accuracy and quality of the translation.
- (vi) Assist the national financial auditing expert (project auditing) and national audit quality control expert in preparing general audit guidelines and an audit quality control manual for IFI-financed projects.
- (vii) Assist the team leader in identifying key issues to be covered during a workshop, and deliver sessions at the workshop with appropriate presentation materials.
- (viii) Assist the team leader in implementing training and a workshop, including logistics.
- (ix) Assist the team leader in drafting technical reports, an inception report, and a final report.

5. **Financial auditing expert (project auditing)** (5 person-months). The expert will be a member of the professional accounting body of an IFAC member institute and hold Certified Public Accountant or equivalent qualification. He or she should preferably have substantial expertise and sufficient experience in auditing, particularly financial audit of projects financed by IFIs, and developing and implementing relevant training. He or she must be familiar with financial audit and IFI-financed projects in Mongolia. Knowledge of ISSAI will be preferable. The expert will perform the following tasks.

- (i) Work closely with the executing agency; assist the team leader in reviewing and assessing the current framework, procedures, and methodologies of MNAO's financial auditing and audit quality control; and assist the team leader in preparing technical report I.
- (ii) Assist the team leader in specifying the training target, details of training courses, and schedule for financial auditing of IFI-financed projects.
- (iii) Work closely with the team leader, national financial auditing expert (public entities), and national audit quality control expert; review the translation of ISSAI to ensure the accuracy and quality of translation.
- (iv) Work closely with the executing agency, team leader, and ADB, and develop training materials on financial audit particularly for IFI-financed projects, except translation of ISSAI; implement the training courses for the targeted auditors.

- (v) Work closely with the executing agency and the team leader, and conduct post-training skills assessment; summarize the assessment; assist the team leader in preparing technical report II.
- (vi) With assistance of the team leader and other experts, prepare general audit guidelines for IFI-financed projects; assist the national audit quality control expert in preparing an audit quality control manual for IFI-financed projects.
- (vii) Assist the team leader in identifying key issues to be covered during a workshop; deliver sessions at the workshop with appropriate presentation materials.
- (viii) Assist the team leader in implementing trainings and a workshop, including logistics.
- (ix) Assist the team leader in drafting technical reports, an inception report, and a final report.

6. **Audit quality control expert** (4.5 person-months). The expert will be a member of the professional accounting body of an IFAC member institute with CPA or equivalent qualification. He or she should preferably have substantial expertise and sufficient experience in auditing, particularly audit quality control, and developing and implementing training on the use and adoption of the ISSAI, ISA, and IFRS. He or she must be familiar with the current status of audit quality control and IFI-financed projects in Mongolia. The expert will perform the following tasks:

- (i) Work closely with the executing agency; assist the team leader in reviewing and assessing the MNAO's current financial auditing and audit quality control framework, procedures, and methodologies; and assist the team leader in preparing technical report I.
- (ii) Assist the team leader in specifying the training target, details of training courses, and schedule for audit quality control based on the ISSAI, ISA, and IFRS.
- (iii) Work closely with the team leader and national financial auditing experts (public entities and projects); review the translated ISSAI to ensure the accuracy and quality of the translation.
- (iv) Work closely with the executing agency and the team leader, and develop training materials on audit quality control (except translation of the ISSAI); implement the audit quality control training for the targeted auditors to ensure the quality of financial audit.
- (v) Work closely with the executing agency and the team leader, and conduct post-training skills assessment on audit quality control; summarize the assessment; and assist the team leader in preparing technical report II.
- (vi) With assistance of the team leader and other experts, prepare an audit quality control manual for IFI-financed projects and assist the national financial auditing expert (project auditing) in preparing general audit guidelines for IFI-financed projects.
- (vii) Assist the team leader in identifying key issues to be covered during a workshop; deliver sessions at the workshop with appropriate presentation materials.
- (viii) Assist the team leader in implementing training and a workshop, including logistics.
- (ix) Assist the team leader in drafting technical reports, an inception report, and a final report.

7. **Certified information systems auditor** (3 person-months). The expert will be a member of the professional accounting body of an IFAC member institute or equivalent qualification. He or she should have substantial expertise and sufficient experience in auditing, particularly information technology and software for audit activities to meet standards set by the

ISSAI, ISA, and IFRS. He or she must be familiar with the current status of public auditing and its information technology environment in Mongolia. The expert will perform the following tasks:

- (i) Work closely the executing agency and the team leader, and conduct a feasibility analysis of selecting and adopting information technology and software for the MNAO to improve the quality and efficiency of its audit activities; prepare technical report III; and submit technical report III to the executing agency, team leader, and ADB.
- (ii) Assist the team leader in preparing technical report II.
- (iii) Assist the team leader in identifying key issues to be covered during a workshop; deliver sessions at the workshop with appropriate presentation materials.
- (iv) Assist the team leader in implementing training and a workshop, including logistics.
- (v) Assist the team leader in drafting technical reports, an inception report, and a final report.

8. **Audit and translation expert** (two consultants, 6 person-months total). The experts should have substantial expertise and sufficient experience in auditing-related translation. They must be familiar with technical issues in auditing both in English and Mongolian. Knowledge of the ISA, IFRS, and ISSAI, as well as IFI-funded projects, will be preferable. The experts will preferably be members of the Mongolia Institute of Certified Public Accountants. The experts will perform the following tasks:

- (i) Work closely with the executing agency, team leader, and other consultants, and translate the specified documents of the ISSAI from English to Mongolian; submit the translated documents to the executing agency, team leader, other consultants, and ADB.
- (ii) Translate technical reports I, II, III, and the inception and final reports from English to Mongolian; submit the translated reports to the executing agency, team leader, other consultants, and ADB.
- (iii) Assist the team leader in drafting technical reports, an inception report, and a final report.
- (iv) Assist the team leader in implementing training and a workshop, including logistics.

C. Reporting Requirements

9. The following reports and documents will be prepared and submitted to the executing agency and ADB:

- (i) Inception report.
- (ii) Technical report I: review and needs assessment with policy recommendations.
- (iii) Technical report II: summary of training courses, achievement, and post-training assessment.
- (iv) Technical report III: feasibility analysis of selecting and adopting information technology and software in the MNAO.
- (v) Final report, comprising a summary of the project and technical reports I, II, and III.
- (vi) General audit guidelines for IFI-financed projects.
- (vii) Audit quality control manual for IFI-financed projects.