



Technical Assistance Report

Project Number: 47291-001
Regional—Capacity Development Technical Assistance (R-CDTA)
December 2014

Enhancing Roles of Supreme Audit Institutions in Selected Association of Southeast Asian Nations Countries (Financed by the Japan Fund for Poverty Reduction)

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
APFS	–	audited project financial statement
ASEAN	–	Association of Southeast Asian Nations
ASEANSAI	–	ASEAN Supreme Audit Institutions
BPK	–	Badan Pemeriksa Keuangan (Audit Board [of Indonesia])
COA	–	Commission on Audit (of the Philippines)
DMC	–	developing member country
GIZ	–	Deutsche Gesellschaft für Internationale Zusammenarbeit
ISSAI	–	International Standards of Supreme Audit Institutions
Lao PDR	–	Lao People's Democratic Republic
OAG	–	Office of Auditor General (of Myanmar)
SAI	–	supreme audit institution
SAO	–	State Audit Organization (of the Lao PDR)
TA	–	technical assistance

NOTE

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

Vice-President	S. Groff, Operations 2
Director General	J. Nugent, Southeast Asia Department (SERD)
Deputy Director General	R. Subramaniam, SERD
Team leader	A. Musa, Senior Financial Management Specialist, SERD
Team member	A. Santos, Senior Programs Officer, SERD

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE	4
A. Impact and Outcome	4
B. Methodology and Key Activities	4
C. Cost and Financing	5
D. Implementation Arrangements	5
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	9
3. Outline Terms of Reference for Consultants	10

CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 47291-001	
Project Name	Enhancing Roles of Supreme Audit Institutions in Selected Nations Association of Southeast Asian Nations Countries	Department /Division	SERD/SEOD
Country Borrower	REG, INO, LAO, MYA, PHI Regional	Executing Agency	ADB POHQ
2. Sector		Financing (\$ million)	
✓ Public sector management	Public administration		0.40
	Public expenditure and fiscal management		0.40
		Total	0.80
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Regional integration (RCI)	Pillar 3: Money and finance Pillar 4: Other regional public goods		
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Anticorruption Client relations, network, and partnership development to partnership driver of change Institutional development Institutional systems and political economy Organizational development Public financial governance	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities Pilot-testing innovation and learning		
Partnerships (PAR)	Implementation Regional organizations		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Not Applicable	
6. TA Category:		B	
7. Safeguard Categorization Not Applicable			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.00	
None		0.00	
Cofinancing		0.80	
Japan Fund for Poverty Reduction		0.80	
Counterpart		0.00	
None		0.00	
Total		0.80	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		Yes	

I. INTRODUCTION

1. The regional capacity development technical assistance (TA)¹ aims to empower four supreme audit institutions (SAIs) of the Association of Southeast Asian Nations (ASEAN): (i) the Audit Board (BPK)² of Indonesia, (ii) the Commission on Audit (COA) of the Philippines, (iii) the Office of Auditor General (OAG) of Myanmar, and (iv) the State Audit Organization (SAO) of the Lao People's Democratic Republic (Lao PDR).³ The TA aims to improve the capacity of selected SAIs in financial audits that comply with the International Standards of Supreme Audit Institutions (ISSAI) thus developing country systems. The ASEAN governments requested the TA in a dialogue between the ASEAN supreme audit institutions (ASEANSAI), BPK, COA, OAG, SAO, and the Asian Development Bank (ADB) at the end of 2013.⁴ The design and monitoring framework is in Appendix 1.

II. ISSUES

2. **Association of Southeast Asian Nations Supreme Audit Institutions for good governance.** The SAIs are the countries' lead public sector audit institutions, having the principal task of examining whether public funds—including loan and grant projects funded by development partners—are spent economically, efficiently, and effectively in compliance with existing rules and regulations. Well-functioning SAIs can play an important role in confirming that controls are operating effectively, identifying waste, and suggesting ways in which government organizations can operate better. By ensuring that public money is well spent, they can contribute to national development and the fight to reduce poverty. The reality is that SAIs in many developing member countries (DMCs) are not functioning as they should. In some cases, SAIs lack authority, skills, and resources to carry out proper and thorough audits and to report the results freely and without fear. Consequently, the quality of many audit reports in DMCs is not good, and most reports do not fully comply with the ISSAI.

3. ADB's Public Communications Policy (PCP) 2011 expands the scope of information released to the public and speed of dissemination so as to increase transparency and accountability.⁵ It is harmonized with the disclosure policies of other development partners. According to the PCP 2011, audited annual project financial statements (APFSs) for sovereign (loan and grant) projects financed by and through ADB will be posted on ADB's website.⁶ ADB and the DMC governments may face potential reputational risks since the quality of the audited APFSs needs significant improvement. The key findings of ADB's Audit Report 2012 revealed that (i) only about 15% of APFSs were presented in strict conformity with the ISSAI, (ii) only 21% of APFSs complied with ADB's audit requirements, (iii) only about 57% of APFSs and audited entity financial statements were submitted on time, and (iv) about 77% of projects included management letters but only 32% covered substantial issues.⁷ Enhancing the roles of SAIs in compliance with the ISSAI may reduce various risks for the governments as well as development partners.

¹ The TA first appeared in the business opportunities section of ADB's website on 18 November 2014. A fact-finding mission was held intermittently from 1 October to 4 November 2014.

² *Badan Pengawas Keuangan dan Pembangunan* (Indonesia's supreme audit institution).

³ The country selection process is explained in para. 7.

⁴ The TA's concept clearance was approved on 9 June 2014, and the Government of Japan approved the TA to be funded by the Japan Fund for Poverty Reduction on 27 August 2014. It is expected that the TA will be approved by ADB Management by the end of 2014 and implementation will start by January 2015.

⁵ The policy was approved on 25 October 2011 and became effective on 2 April 2012.

⁶ This will apply to projects for which the invitation to negotiate was issued by ADB on or after 2 April 2012.

⁷ ADB. 2012. *Audit Report: Loan and Grant Administration*. Manila.

4. ASEANSAI was established in November 2011 as an autonomous, independent, professional, and nonpolitical organization to enhance the roles of its 10 members to promote good governance. It requested ADB and other development partners to support it in properly implementing its mandate and strengthen the organizational and audit capacity of its members, especially to implement the following programs: (i) developing audit manuals, guidance, and tools for its members; (ii) accelerating among its members the adoption of the ISSAI; and (iii) capacity building support to its members. ASEAN has been working with ADB in various sectors, and a memorandum of understanding between ADB and the ASEAN Secretariat was signed in 2006 and updated in 2012. The TA will complement regional cooperation in 10 ASEAN countries that has been centering around three main pillars: pro-poor sustainable economic growth, inclusive social development, and good governance for effective policies and institutions. The TA will support ASEAN integration by deepening technical and development cooperation to allow ASEAN member countries to move forward in a unified manner.⁸

5. According to the mandate of SAIs, projects funded by development partners shall be audited by SAIs, but this is not the case for all ASEANSAI members. This is mainly due to low capacity and political support. In Cambodia and Viet Nam, for example, audits of projects funded by development partners are performed by private sector auditors. These private auditors are not supervised by and/or accountable to the SAIs. Supported by ongoing ADB loan and grant,⁹ the SAI in Cambodia is preparing the subdecree on Implementing the Law on Audit of the Kingdom of Cambodia. The subdecree will include hiring external resources to complement the SAI's capacity. Following its approval, the subdecree will still require detailed guidelines, training, public dissemination, and other support for its proper implementation. The World Bank has been working with the Supreme Audit of Viet Nam to allow it to audit several projects funded by the World Bank on a pilot basis.

6. In Indonesia, projects funded by development partners approved up to 2008 are still audited by BPK. Following ongoing reforms in promoting good governance, the BPK was recently mandated to audit projects funded by development partners. As of December 2013, only four out of 22 ongoing ADB projects were audited by the BPK, as were a very limited number of other development partner projects. This SAI needs support to carry out its new mandate properly. ADB does not have ongoing projects in Brunei Darussalam and Singapore, while investments in Malaysia and Thailand are limited.

7. The BPK, COA, OAG, and SAO are selected as the participating SAIs with the following justification: (i) they audit most public funds and need further support to fully comply with the ISSAI;¹⁰ (ii) for OAG, development partners have only recently re-entered the country and there is a need to improve the external audit capacity; and (iii) the TA will complement the previous ADB investment for the SAO.¹¹ However, the SAO has expressed its need to prepare detailed guidelines to hire external resources to meet its obligations to deliver good quality audit reports on time and to enhance staff capacity. In addition, BPK is the ASEANSAI permanent secretariat and in a position to monitor progress of all ASEANSAI members. Furthermore, COA is the lead for the ISSAI knowledge-sharing committee, and will help disseminate TA outputs. Through this TA, SAIs will share their progress, and this may encourage all SAIs to further improve their capacity.

⁸ ASEAN. 2008. *ASEAN Economic Community Blueprint*. Jakarta.

⁹ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant for Subprogram 2, and Grant Assistance Public Financial Management for Rural Development Program*. Manila.

¹⁰ The TA will potentially offer support to the other ASEAN countries through their potential participation in knowledge sharing.

¹¹ ADB. 2001. *Technical Assistance to the Lao People's Democratic Republic for Institutional Strengthening of the National Audit Office*. Manila.

8. The TA will work closely with ASEANSAI to disseminate the lessons from the four selected SAIs to its other members, especially to SAIs in Cambodia and Viet Nam. Based on lessons among SAIs, the TA will assist ASEANSAI to explore other investments to enable other SAIs to move towards full application of the ISSAI and improve the quality of public finance audits in ASEAN.

9. **Lessons from other investments.** From the mid-1980s to 2002, ADB approved 42 TA grants totaling \$22 million for developing audit capacity to promote good governance in Asia and the Pacific.¹² Although progress has been made, ongoing support is needed and being provided.¹³ The following are some of the lessons from all these TAs: (i) requirements for regional training programs need to be thoroughly investigated to ensure that programs do not offer techniques or processes that cannot be applied by DMCs and the cost estimates cover the entire programs and not just the part supported by ADB; (ii) there is compatibility between the International Organization of Supreme Audit Institutions Development Initiatives and ADB for audit development; (iii) that the SAI mandate should go beyond financial and compliance audits is not explicit for all DMCs; their audit laws and regulations may be amended to expand the scope of auditing to cover environment, performance, system, special investigation, and state-owned enterprises; (iv) weak accounting and the lack of effective follow-up after auditing undermine the effectiveness of the overall audit process; and (v) more compelling justification for commercialization of audit responsibilities is needed.

10. To strengthen the SAIs, the TA will (i) adopt a more comprehensive assessment for addressing audit weaknesses, including coordination with other development partners; (ii) support training programs to strengthen audit effectiveness; (iii) ensure closer coordination between SAIs and ADB departments; (iv) improve accounting and reporting to ensure accountability, timely availability of audit reports, and effective governance; and (v) explore potential roles of SAIs in the audit process to cover performance audit and special investigations to generate net public expenditure savings, and ensure proper use of funds.

11. **Collaboration with other development partners.** Enhancing partnership with development partners is one of the ASEANSAI's strategic plan objectives. German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has long-term commitment and allocated about \$20 million (for a 10-year program) to help ASEANSAI implement the prioritized activities such as funded studies on ISSAI compliance on financial, performance, and compliance audit. The studies are expected to be completed by late 2014.¹⁴ To complement GIZ's assistance, the TA will focus its investments on improving financial audit standards in selected SAIs based on the GIZ initial findings. GIZ also indicated its commitment to support similar activities for Cambodia and Viet Nam since both countries are not included in the TA. The World Bank is considering another TA to complement the efforts of ADB and GIZ, such as with the COA. Like ADB, the World Bank's investment activities are focused on selected DMCs. The coordination between GIZ, the World Bank, the Japan International Cooperation Agency (JICA), ADB, and other development partners is conducted through ASEANSAI, as well as through country-specific issues. The ASEANSAI proposed that ADB

¹² ADB. 2002. *Technical Assistance Performance Audit Report on Strengthening Audit Capacity*. Manila.

¹³ ADB. 2003. *Support to State Audit Reform*. Manila; ADB. 2004. *Support for the Implementation of the State Audit Reform Program*. Manila; ADB. 2004. *Support for the Implementation of the State Audit Reform Investment*. Manila; ADB. 2003. *Enhancing Government Accounting Regulations and Procedures Phase II*. Manila; ADB. 2007. *Improved Public Financial Management Systems*. Manila; ADB. 2008. *Strengthening Public Financial Management*. Manila; ADB. 2011. *Strengthening the Capacity of the State Audit Organization*. Manila.

¹⁴ The studies are not finalized yet; these will be shared by GIZ with the project team once finalized.

coordinate with other development partners to ensure that the TA will complement, and not overlap with, the support being provided by other development partners.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

12. The impact will be financial audits by the ASEANSAI members conducted in accordance with ISSAI. The outcome will be the quality of financial audit guidelines of the selected SAIs improved to ISSAI level.

B. Methodology and Key Activities

13. **Output 1: Assessment of existing guidelines and capacity of selected supreme audit institutions completed.** The output key indicators are (i) identified ISSAI compliance on financial audit in four selected SAIs, and (ii) completed action plans of four SAIs to implement the ISSAI. Findings from the GIZ-funded assessment on ISSAI compliance will be used as the baseline data and the TA will enhance SAI capacity to comply with the ISSAI. The assessment will include capacities on financial management, procurement, financial auditing, outsourcing resources, and training needs. Under the TA a regional workshop will be conducted to disseminate findings, recommendations, and plans of action. SAIs from other ASEAN countries will be invited, together with GIZ, JICA, the World Bank, and other development partners, to participate in the workshops to disseminate the guidelines and to gather inputs from stakeholders so as to finalize the action plan of each participating SAI to implement the TA.

14. **Output 2: Country guidelines on international standards of supreme audit institutions financial audits piloted and updated.** Key indicators of this output are that (i) ISSAI-based guidelines on financial audit of four selected SAIs are updated, (ii) staff of four SAIs are trained in implementing the guidelines, (iii) financial audit guidelines are field tested, and (iv) results of the field test are presented in a workshop and shared with other SAIs in ASEAN. For these targets, the compliance of financial audit guidelines with the ISSAI will be improved, including guidelines for outsourcing resources. The guidelines will include manuals, audit tools, and other support to comply with the ISSAI on financial audit. The TA will assist in preparing training modules to implement ISSAI-based guidelines and field test the guidelines in selected projects. In addition to regular projects, one or two emergency projects will be included in the field tests to find out whether a specific audit manual is required for such projects. A round table discussion to compare results in the four countries will also be held. The TA will also assist ASEANSAI to develop a scorecard to assess the compliance of its members with the ISSAI.

15. **Output 3: Country guidelines on international standards on financial audits disseminated to other ASEANSAI members.** Key indicators of this output are that (i) the new improved guidelines are disseminated to other ASEANSAI members; and (ii) an exit strategy, including road maps, is completed. Under the TA, a regional workshop will be conducted to disseminate lessons from the four selected countries to other ASEANSAI members. Development partners will be invited to share the results and confirm funding inputs to prepare road maps to roll out the results. The road maps will be the exit strategy and will be the basis for ASEANSAI and its members to roll out the lessons to fully comply with the ISSAI. Following the completion of the road maps, it is expected that ASEANSAI will roll out the new guidelines with lessons from the pilot SAIs to the remaining ASEANSAI members, and each SAI will explore various sources to implement its road map. The SAIs may secure funding from other

development partners as well as from internal government sources to scale up the investments to other public funds and/or to other countries.

C. Cost and Financing

16. The TA is estimated to cost \$800,000, which will be financed on a grant basis by the Japan Fund for Poverty Reduction and administered by ADB.

D. Implementation Arrangements

17. ADB will administer the TA as the executing agency. As discussed with the four governments, the TA will establish a working group in each selected SAI, which will be supported by consultants, to implement the activities set out in the design and monitoring framework (Appendix 1). Both SAI staff and consultants will work closely with ADB headquarters in Manila; resident missions in Indonesia, the Lao PDR, and Myanmar; and the Philippines Country Office. ADB will also work with other government agencies, development partners, and stakeholders to intensify the knowledge sharing among ASEANSAI members. All disbursements under the TA will be conducted in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). ADB will support the working groups in recruiting the consultants,¹⁵ purchasing equipment, and in managing other expenses funded by ADB. All equipment and assets purchased under the TA will be turned over to the related SAIs upon TA completion. Procurement, if any, will follow ADB Procurement Guidelines (2013, as amended from time to time).

18. ADB officers will work closely with staff of the Office of Anticorruption and Integrity and the Operations Services and Financial Management Department, as well as financial management focal points in participating countries. ADB staff may act as resource persons to provide technical and management support for the TA. The TA will recruit one international consultant (10 person-months) and four national consultants (total 32 person-months) as individuals in accordance with the ADB Guidelines on the Use of Consultants (2013, as amended time to time). Under supervision of a working group in each SAI, the consultants will work closely to support TA implementation. The terms of reference for the consultants are given in Appendix 3.

19. ASEANSAI, BPK, COA, OAG, and SAO will provide counterpart support in the form of office space, supporting staff, and other in-kind contributions to implement TA-related activities. For their participation as resource persons in knowledge sharing during workshops and other consultations, travel costs of SAI staff from other ASEANSAI members will be funded by the TA. The TA will be implemented over 2 years, from January 2015 to January 2017.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$800,000 to be financed on a grant basis by the Japan Fund for Poverty Reduction for Enhancing Roles of Supreme Audit Institutions in Selected Association of Southeast Asian Nations Countries, and hereby reports this action to the Board.

¹⁵ To reduce administrative burden and improve economy, efficiency, and value for money, all consulting services under the TA will be engaged under output-based (lump-sum) contracts.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Financial audits by the ASEANSAI members conducted in accordance with ISSAI</p>	<p>By 2020:</p> <p>Enhanced by 20% of ISSAI compliance on financial audit conducted by ASEANSAI members Baseline (2014): TBD (scale of 0–100%)</p> <p>Reduced by 10% qualified opinion on financial audits of public funds audited by ASEANSAI members Baseline (2014) = TBD</p>	<p>Annual progress reports and websites of ASEANSAI and its members</p> <p>Reports of BPK, COA, OAG, and SAO</p>	<p>Assumptions</p> <p>Close coordination among members through ASEANSAI</p> <p>Adequate funds to reform SAIs in adopting ISSAI</p> <p>Risk Conflicting interpretation and implementation of laws in DMCs may affect progress toward compliance with ISSAI</p>
<p>Outcome</p> <p>The quality of financial audit guidelines of the selected SAIs improved to ISSAI level</p>	<p>By 2016: Four SAIs have adopted the guidelines on implementing ISSAI financial audit Baseline (2014) = 2</p> <p>ASEANSAI regularly used a scorecard for assessing ISSAI compliance Baseline (2014) = 0</p>	<p>Websites of ASEANSAI and its members</p> <p>TA Progress reports, ASEANSAI, and related SAIs</p>	<p>Assumption</p> <p>The willingness of SAIs to share and accept the lessons from other members to improve their capacity</p>
<p>Outputs</p> <p>1. Assessment of existing guidelines and capacity of selected SAIs completed</p> <p>2. Country guidelines on international standards of SAI financial audits piloted and updated</p>	<p>By 2016</p> <p>Assessed level of ISSAI compliance in financial audits in four selected SAIs Baseline (2014) = 0</p> <p>Completed action plan of four SAIs to implement ISSAI on financial audit Baseline (2014) = 0</p> <p>ISSAI-based guidelines on financial audit are updated for four selected SAIs Baseline (2014) = 0</p> <p>Staff of four SAIs have been trained in implementing financial audit guidelines Baseline (2014) = 0</p>	<p>TA progress reports</p> <p>TA progress reports</p> <p>TA progress reports</p> <p>TA progress reports</p>	<p>Assumptions</p> <p>Strong support (budget and other sources) from governments for selected SAIs to adopt ISSAI</p> <p>Willingness of the governments, especially the departments of finance in DMCs, to enhance accountability of SAIs for external auditors in the countries</p> <p>Qualified outsourcing resources to complement SAIs' capacity</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>3. Country guidelines on international standards of SAI financial audits disseminated to other ASEANSAI members</p>	<p>Four financial audit guidelines are field tested Baseline (2014) = 0</p> <p>Three regional workshops , and four packages of round table discussion on findings and recommendations held Baseline (2014) = 0</p> <p>Guidelines developed by four SAIs are disseminated to other ASEANSAI members Baseline (2014) = 0</p> <p>Four completed exit strategy including road maps and follow-up action plan to further enhance ISSAI compliance Baseline (2014) = 0</p>	<p>TA progress reports</p> <p>TA progress reports</p> <p>TA progress reports</p> <p>TA progress reports</p>	<p>Risks</p> <p>No budget commitments from the selected DMC governments to support development of selected SAIs</p> <p>Unwillingness of governments to work with SAIs and outsourcing resources</p> <p>Long process to get approval and to field test various guidelines</p>

Activities with Milestones ^a	Inputs
<p>1. Assessment of existing guidelines and capacity of selected SAIs completed</p> <p>1.1 Establish working group in each SAI (Q1 2015)</p> <p>1.2 Based on GIZ's assessment of the status of each SAI on ISSAI adoption, validate ongoing practices in COA, SAO, BPK, and OAG (Q1–Q2 2015)</p> <p>1.3 Review existing guidelines on financial audit in assessing compliance with ISSAI (Q1–Q2 2015)</p> <p>1.4 Assess the capacity of existing staff and the needs for outsourcing resources to anticipate potential workload (Q2 2015)</p> <p>1.5 Assess needs on training and other resources to enhance SAI capacity in implementing financial audit in line with ISSAI (Q1–Q2 2015)</p> <p>1.6 Develop action plans to improve capacity and SAIs' status on ISSAI compliance for financial audit, including identifying pilot project (consider emergency project) for the field test ^b (Q2 2015)</p> <p>1.7 Conduct regional workshop to present findings, recommendations, and action plan (Q2 2015)</p> <p>2. Country guidelines on international standards of SAI financial audits piloted and updated</p> <p>2.1 Draft updated guidelines for the four selected SAIs, including for outsourcing resources (Q2–Q3 2015)</p> <p>2.2 Develop updated audits tools, such as manuals (Q3–Q4 2015)</p> <p>2.3 Review and update the TORs of SAI in auditing development partners' funded projects to ensure compliance with ISSAI (Q3–Q4 2015)</p> <p>2.4 Implement the training plan from component 1 (Q4 2015)</p>	<p>ADB: 800,000.00</p>

<p>2.5 Conduct field test of updated guidelines in selected SAIs (by auditing pilot projects) (Q4 2015–Q1 2016)</p> <p>2.6 Conduct country workshops in the four SAIs to present results of field tests and gather recommendations (Q1 2016)</p> <p>2.7 Conduct a round table discussion or videoconference to present the findings in all four SAIs and gather recommendations (Q1 2016)</p> <p>2.8 Revise guidelines based on findings and recommendations (Q1 2016)</p> <p>2.9 Assist ASEANSAI to develop scorecard to assess the compliance of its members with ISSAI adoption (Q4 2015–Q2 2016)</p> <p>3. Country guidelines on international standards of SAI financial audits disseminated to other ASEANSAI members</p> <p>3.1 Conduct knowledge-sharing regional workshop to present findings and revised guidelines (Q2 2016)</p> <p>3.2 Finalize ISSAI-based country guidelines, incorporating inputs from other ASEANSAI members (Q3–Q4 2016)</p> <p>3.3 Support the process for official approval for final guidelines and publish the guidelines in the SAIs' websites and other media (Q3–Q4 2016)</p> <p>3.4 Assist four SAIs in preparing road maps and follow-up actions to further improve their compliance with ISSAI (Q3–Q4 2016)</p> <p>3.5 Assist ASEANSAI to tap other sources for financing its follow-up actions to replicate similar services to other public funds and SAIs in other DMCs (Q3–Q4 2016)</p>	
---	--

ADB = Asian Development Bank, ASEANSAI = Association of Southeast Asian Nations Supreme Audit Institutions, BPK = Audit Board (of Indonesia), COA = Commission on Audit (of the Philippines), DMC = developing member country, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, ISSAI = International Standards of Supreme Audit Institutions, OAG = Office of Auditor General (of Myanmar), SAI = supreme audit institution, SAO = State Audit Organization (of the Lao People's Democratic Republic), Q = quarter, TBD = to be determined, TOR = terms of reference.

^a Some activities will involve collaboration with other development partners such as GIZ, Japan International Cooperation Agency (JICA), and the World Bank, through parallel financing. The technical assistance will ensure that there will be no double financing for specific activities. For example, for the COA, activities 2a, 2b, 2d and 2h will be funded by the World Bank. Similar arrangements are being discussed with GIZ and JICA.

^b Including project(s) supporting recovery programs to determine whether a specific manual is required for such projects. For the Philippines, a pilot project on a recovery program will be funded by the World Bank.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Amount
Japan Fund for Poverty Reduction^a	
1. Consultants ^b	
a. Remuneration and per diem	
i. International consultants	150.0
ii. National consultants	160.0
b. International and local travel	55.0
c. Reports and communications	25.0
2. Equipment ^c	40.0
3. Training, seminars, and conferences ^d	
a. Facilitators	110.0
b. Training program	200.0
4. Miscellaneous administration and support costs ^e	30.0
5. Contingencies	30.0
Total	800.0

^a Administered by the Asian Development Bank (ADB).

^b To reduce administrative burden and improve economy, efficiency, and value for money, all consulting services under the TA will be engaged under output-based (lump-sum) contracts.

^c Equipment includes computers, software, printers, networks, and routers. All equipment and assets purchased under the project will be turned over to the related supreme audit institutions upon completion of the technical assistance project.

^d As in the memo of the Budget, Personnel and Management Systems Department (BPMSD) dated 28 February 2000 and a joint memo of the Strategy and Policy Department and the BPMSD dated 26 June 2013, in case ADB staff act as resource persons for training, seminars, workshops, and other purposes of effectiveness and for preparatory works, implementation, and administrative support, travel costs of ADB staff are charged to the regional TA while their salaries and benefits are absorbed by ADB's internal administrative expenses. Financial management specialists of the Southeast Asia Department Office of the Director General and Operations Services and Financial Management Department as well as staff from other ADB departments will work as resource persons for the regional TA.

^e Including expenses for administrative staff who will help during workshops and training. See also footnote d.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Coordination

1. An Asian Development Bank (ADB) team, from various departments at ADB headquarters as well as from resident missions, supported by consultants, will work closely with the following supreme audit institutions (SAIs) to implement the technical assistance (TA): (i) the Audit Board (BPK) of Indonesia, (ii) the Commission on Audit (COA) of the Philippines, (iii) the Office of Auditor General (OAG) of Myanmar, and (iv) the State Audit Organization (SAO) of the Lao People's Democratic Republic (Lao PDR). The team will also coordinate and work closely with other development partners including the World Bank, the Japan International Cooperation Agency, and German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to complement, synchronize, and avoid potential overlap in their support. Project documents will be shared and regular meetings will be conducted to gather stakeholder inputs to further improve coordination efforts.

B. Terms of Reference

2. In addition to the support from ADB staff, the TA will require one international consultant (International Standards of Supreme Audit Institutions [ISSAI] specialist) and four national consultants (one financial audit expert for each SAI), for a total of approximately 42 person-months.¹ The consultants will be recruited as individuals in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

3. The international consultant should have a master's degree or equivalent in accounting, finance, or commerce. A university degree combined with specialized experience in accounting, auditing, and finance may be considered in lieu of a master's degree. Since she or he should be eligible to work as a certified auditor, a professional designation in accounting, auditing, or financial analysis is required. She or he should have at least 8 years of relevant professional experience in audit firms, private sector, or public sector financial management (i.e., accounting, budgeting, auditing), and in project administration, and have excellent oral and written communication skills in English. Experience working in financial management and development in several countries and/or international organizations is essential.

4. For national consultants, each position will be opened for experts who are citizens of the country in which the position is based, provided that the experts have experience with international organizations. One will be based in Jakarta to assist the BPK and to coordinate the overall project implementation in Indonesia; one will be based in Manila to assist the COA and coordinate the overall project implementation in the Philippines; one will be based in Myanmar to support a working group established at the OAG and other stakeholders to implement the project in Myanmar; and one will be based in the Lao PDR to assist the SAO. The four national consultants will work on an intermittent basis under the supervision of the international consultant to support the four SAIs to implement the TA.

5. The national consultants should have an education background in accounting and experience and knowledge in the standard and regulation of the financial reporting and auditing in the Association of Southeast Asian Nations (ASEAN), especially in the country where she or he will be assigned (Indonesia, Myanmar, the Lao PDR, or the Philippines). She or he should

¹ To reduce administrative burden and improve economy, efficiency, and value for money, all consulting services under the TA will be engaged under output-based (lump-sum) contracts.

have adequate knowledge of ADB operations including its policies, guidelines, and operational frameworks. The national consultants should be based in the country where she or he will be assigned.

C. International Standards of Supreme Audit Institutions Specialist (team leader, international, 10 person-months, intermittent)

6. The specialist should have sufficient international experience and qualifications in adopting and implementing ISSAI compliance. Under the direction of the ADB officer and ASEANSAI, she or he will participate in reviewing the selection process of financial management experts (four national consultants for a total of 32 person-months, or 8 person-months for each expert, intermittent) and then she or he will lead the four financial management experts (one of whom will be based in Jakarta for Indonesia, one in Vientiane for the Lao PDR, one in Nay Pyi Taw for Myanmar, and one in Manila for the Philippines). The ISSAI specialist and the four financial management experts will work closely with working groups to assist the ASEANSAI and the SAIs in the four selected countries to accomplish the following tasks:

7. Assessment of guidelines and capacity of selected supreme audit institutions on financial audit completed. For this task the specialist will

- (i) support each SAI in establishing a working group for the TA;
- (ii) review findings and recommendations of assessment and research, such as those funded by other development partners regarding the status or level of each selected SAI in ISSAI adoption;
- (iii) review ongoing practices and guidelines in financial audit of the selected SAIs to recommend changes in guidelines to comply with the ISSAI;
- (iv) assess the capacity of existing staff of selected SAIs, including the need for outsourcing resources to anticipate potential work overload;
- (v) assess needs on training and other resources to enhance capacity of selected SAIs in implementing financial audit in line with the ISSAI;
- (vi) assist selected SAIs in developing action plans in order to improve capacity and SAIs' status on ISSAI compliance for financial audit;
- (vii) assist in selecting projects funded by development partners, including one emergency project, in the four countries to field test financial audit of the guidelines and their compliance with the ISSAI; and
- (viii) prepare workshop modules and conduct workshops.

8. Update of country-based international standards of supreme audit institution guidelines on financial audit. For this task the specialist will

- (i) support the implementation of the action plan for each SAI;
- (ii) update existing guidelines on financial audit to improve ISSAI compliance;
- (iii) draft guidelines for outsourcing resources by incorporating references and lessons from other countries;
- (iv) develop or update audit tools such as manuals, training materials, and other materials, and recommend if specific audit manuals are required for the selected emergency pilot projects;
- (v) review and update the terms of reference of external auditors for the ADB-funded project to ensure its compliance with the updated guidelines;
- (vi) prepare training modules for implementation of the revised guidelines on financial audit in selected projects funded by development partners;
- (vii) conduct training workshops based on the updated guidelines;
- (viii) conduct field test (on pilot projects);

- (ix) conduct round table discussions and meet with the other national consultants to consolidate common issues and recommendations and how these inputs can be used to further improve guidelines of the four SAIs; and
- (x) assist ASEANSAI in preparing a scorecard for assessing progress on ISSAI compliance.

9. Dissemination of financial audit guidelines on international standards for supreme audit institutions compliance. For this task the specialist will

- (i) conduct regional workshops within four SAIs and with other ASEANSAI members to disseminate lessons from field tests and gather inputs to finalize all guidelines;
- (ii) finalize the guidelines for outsourcing resources to support SAI staff to conduct their tasks properly;
- (iii) finalize the financial audit guidelines for selected SAIs and ensure compliance towards the ISSAI;
- (iv) support the process for official approval of final guidelines and publish the guidelines on SAIs' websites and other media;
- (v) assist SAIs in preparing road maps and follow-up actions to further improve their compliance with the ISSAI; and
- (vi) assist ASEANSAI in dealing with other financiers to replicate similar capacity building program for its other members.

D. Financial Management Experts (one national consultant for 8 person-months for each supreme audit institution, intermittent)

10. The experts will be based in Jakarta for Indonesia, in Vientiane for the Lao PDR, in Nay Pyi Taw for Myanmar, and in Manila for the Philippines. They should have sufficient international experience and qualifications, and must at least have worked with international development agencies. Under the direction of the international consultant, ASEANSAI, and ADB officers, the experts will facilitate SAI in related countries to accomplish the following tasks:

11. Assessment of guidelines and capacity of selected supreme audit institutions on financial audit completed. For this task the experts will

- (i) assist the team leader in establishing working groups;
- (ii) with guidance from the team leader, coordinate the working group in each related SAI in reviewing findings and recommendations of assessment and research, such as those funded by other development partners regarding the status or level of each related SAI with regard to ISSAI compliance and adoption;
- (iii) coordinate the working group in each related SAI in reviewing ongoing practices and guidelines in financial audit of the selected SAIs and recommend changes in guidelines to comply with the ISSAI;
- (iv) coordinate the related working group in assessing the capacity of related SAI existing staff and the need for outsourcing resources to anticipate potential work overload;
- (v) coordinate the related working group to assess training needs and other resources to enhance SAI capacity in implementing financial audit in line with the ISSAI;
- (vi) facilitate the related working group in developing an action plan in order to improve capacity and the related SAI's status on ISSAI compliance for financial audit;
- (vii) facilitate the related working group in selecting projects funded by development partners, including one emergency project, and field test financial audit of the guidelines and their compliance with the ISSAI;

- (viii) assist the international consultant and the working groups in preparing workshop modules and conduct workshops; and
- (ix) be responsible for SAI-related workshop logistics and administration.

12. Update of country-based international standards guidelines on financial audit. For this task the experts will

- (i) with guidance from the team leader, work closely with the related working group in updating SAI existing guidelines on financial audit to improve ISSAI compliance;
- (ii) assist the related working group in drafting guidelines for outsourcing private auditors by incorporating references and lessons learned from other countries;
- (iii) assist the working group in developing or updating audit tools and other support to further improve ISSAI compliance on financial audit;
- (iv) facilitate the related working group in preparing the detailed modules to implement ISSAI guidelines on financial audit in selected projects funded by development partners and recommend if a specific audit manual is required for the selected pilot emergency projects;
- (v) facilitate the working group to review and update the terms of reference of external auditors for the ADB-funded project to ensure its compliance with the updated guidelines;
- (vi) assist the working group in establishing teamwork between SAI permanent staff and outsourcing staff, if applicable, on implementing the guidelines in financial audit on selected projects funded by development partners;
- (vii) work with the working group and the international consultant in preparing training modules for the field test, conduct training, and conduct field test (support the audit of pilot projects);
- (viii) provide inputs to the international consultant in assisting ASEANSAI in preparing a scorecard for assessing progress on ISSAI compliance;
- (ix) provide inputs to the working groups and international consultant to consolidate common issues and recommendations and how these inputs can be used to improve guidelines of the four SAIs;
- (x) assist the international consultant and related working group in preparing modules and conduct workshops and round table discussions; and
- (xi) be responsible for in-country workshop logistics and administration.

13. Dissemination of financial audit guidelines on international standards of supreme audit institutions compliance. For this task the experts will

- (i) coordinate and assist the team leader in conducting regional workshops within four selected SAIs and with other ASEANSAI members to disseminate lessons from field tests and gather inputs to finalize all guidelines;
- (ii) work with the team leader in finalizing the guidelines, if required, for outsourcing of human resources to support SAI staff to conduct their tasks properly;
- (iii) work with the team leader in finalizing the financial audit guidelines for four SAIs and ensure compliance towards the ISSAI;
- (iv) process official approval for final guidelines and publish the guidelines on SAIs websites and other media;
- (v) assist the related working group in preparing exit strategies including road maps and follow-up actions to further improve their compliance with the ISSAI;
- (vi) assist ASEANSAI in dealing with other financiers to replicate similar capacity building programs for its other members; and
- (vii) be responsible for SAI-related workshop logistics and administration.