

Research Project No. 2



Measures on Improving about audit function in detecting fraud and corruption

Fiscal Year 2015

Research and Development Office
Office of the Auditor General of Thailand

Foreword

The Measures on Improving about audit function in detecting fraud and corruption is the final part of the 10th Research Project of ASOSAI which the main topic is *Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering*. Presently, corruption and money laundering are still major obstacles of economic development which many countries in Asia have been encountered these problems. Therefore, this study is focused on the role of Supreme Audit Institution (SAI) to anti-corruption and money laundering. During 2012-2014, our research team from 9 SAIs has attempted to explain current situation of corruption and money laundering under academic approach. Likewise, we clarified current situation of anti-corruption and anti-money laundering throughout Anti-Corruption Agencies (ACAs). Nowadays, SAI is the important ACAs to fight corruption and money laundering. Furthermore, we have tried to relate our audit experiences which might involve to anti-corruption and money laundering. Basically, SAI is involved with anti-corruption and money laundering in three roles, that is, prevention, detection, and report & follow up. However, this report will be discussed how to improve concrete measures about audit function in detecting corruption. We attempted to categorize these measures in three levels, that is, international, national and organizational levels.

Finally, the author expected that we could adopt these concrete measures from other SAIs in order to develop capacity of OAG Thailand for anti-corruption and money laundering.

Acknowledgments

This paper is involved enhancing concrete measures for audit function in detecting corruption. It is another part of the 10th ASOSAI Research Project. I take this opportunity to express Mr. Pisit Leelavachiropas (the Auditor General), Ms. Prapee Ankinandana, Deputy Auditor General, for her cordial support in this research project. I would like to express my deep gratitude to Mrs.Sirin Phankasem (Deputy AG) for her openness and kindness. Likewise, I would like to thank Mr. Monthien Charoenpol, and Ms.Poungchomnad Jariyajinda (Deputy AG) for their valuable recommendations. I would like to express my appreciation to Mrs. Jarawan Ruangswadipong (Director of Research and Development Office), and Mrs.Apasara Khunawat (Director of Executive Support and Cooperation Office) for their openness, generosity and encouragement. Special thank should be given to Mrs. Sompit Jantaramakin and Ms.Pankanok Srisomsak for their good advices. Finally, I am obligated ASOSAI research team especially Dr. Wang Xiaosheng (CNAO), Dr. Musa Kayrak (TCA), Mr. William Yapp Thou Kiong (NADM), and Mr. Alexander Buan Juliano (COA) for their cooperation and good friendship during this research project.

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Table of Contents

Foreword	A
Acknowledgements	B
Table of Contents	C
Executive Summary	i-v
Background	1
Part 1 Recommendations for strengthening SAI to anti-corruption	2
Lessons Learned from literature review in SAI and anti-corruption	
Part 2 SAI and improving anti-corruption measures in international level	10
Part 3 SAI and improving anti-corruption measures in national level	13
Part 4 SAI and improving anti-corruption measures in organization level	18
Bibliography	41
Boxes	
Box 1 Research Problems in part 6	2
Box 2 Association of Certified Fraud Examiner (ACFE)	13
Box 3 BPK and Performance audit on Government Fraud Control System	18
Box 4 The Anti-Corruption Strategy of the TCA	24
Box 5 BPK and Strengthening approach for whistle blowing system	30
Box 6 The Audit Manual on Forensic Auditing of COA	34
Box 7 ISAAI 1240	37
Tables	
Table 1 Recommendations for strengthening SAI to anti-corruption	4
Table 2 Highest area of corruption	19
Table 3 BPK and Red Flags in Public Procurement	23
Table 4 Anti-Corruption Complaint Mechanism and Whistle Blowing System	25
Table 5 Forensic audit and investigative audit	31
Table 6 Fraud Auditing Standard	35
Table 7 Utilization of audit findings for anti-corruption in the future	38

Figures

Figure 1	COA Public Information System	28
Figure 2	Public Complaint Channel in www.bpk.go.id	29
Figure 3	Internal Complaint Channel in siska.bpk.go.id	29
Figure 4	Internal Complaint Channel in siska.bpk.go.id	29
Figure 5	Ikwenta as Citizen Participatory Auditing of COA	30

Appendix 1	Questions for discussion in part VI
Appendix 2	Red flags in Public Procurement of COA Philippines
Appendix 3	Proposal of establishing forensic audit (FAU) of OAG Thailand
Appendix 4	How to develop inquiry technique for corruption case Lesson learn from ICAC Hong Kong
Appendix 5	Suggestions of SAI Iran and improving anti-corruption measures in international level:

Executive Summary of part VI

Measures on Improving about audit function in detecting fraud and corruption

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In part VI, we propose measures on improving about audit function in detecting fraud and corruption. For this report, it is consisted of four parts. The first part will be discussed with *recommendations for strengthening SAI to anti-corruption* which based on literature review about SAI and anti-corruption. The second one will be explained the relationship between SAI and improving anti-corruption measures in **the international level**. The third will be clarified to SAI and improving anti-corruption measures in **the national level**. Finally, the last part will be focused on improving anti-corruption measures in **the organization level**.

In the first part, we reviewed literatures about SAIs and anti-corruption. We found that the awareness of SAI in fighting corruption was appeared firstly in the 16th INCOSAI meeting which held in Montevideo, Uruguay in 1998. **Kenneth Dye (2007)** pointed that this meeting was devoted partly to preventing and detecting fraud and corruption. Especially, it focused on (a) the role and experience of SAIs in preventing and detecting fraud and corruption and (b) methods and techniques for preventing and detecting fraud and corruption.

On the other hand, the study of **Kenneth Dye (1999)** was the first paper which attempted to explain the role of SAI and anti-corruption. Dye mentioned that SAI should strengthen investigative power as well as establishing forensic audit. Moreover, he suggested that SAI should support and encourage with Anti-Corruption Agencies (ACAs) and civil society organization (CSOs) as Transparency International.

Subsequently, **Magnus Borge (1999b)** mentioned to preventive and detective roles of SAIs in anti-corruption. In prevention, SAI should evaluate internal control structure to identify and correct weakness in order to maintain a preventive environment. Meanwhile, the detection role should be relevant to identify fraud indicators. **Modena (2005) and Evan (2008)** supported that SAI should create a specialized unit for detecting fraud and corruption. Similarly, **Musa Kayrak (2008)**

pointed that investigating corruption and focusing audit on high areas were main strategy to detect corruption. Furthermore, he introduced that SAI should utilize IT audit as a tool for preventing corruption.

Therefore, it is obvious that the role of SAI should be relevant both in preventing and detecting roles. However, the detective role seems to be controversial about power of SAI which the paper of **Khan (2006)** clarified that the power of SAI was essential for detecting corruption.

In part 2, we discussed about concrete measures which focused on mechanism or relationship between SAI and international organization in anti-corruption. Generally, we found that SAIs have been coordinated with international organizations especially INTOSAI and ASOSAI. Normally, they jointed these organizations as member. Meanwhile, they were participated anti-corruption activities through working group, research project, seminar and workshop. In addition, SAIs utilized MOU as a tool for cooperation with international agencies.

Under international level, SAIs should create coordinating framework with international organizations as World Bank, IMF, Transparency International, and ACFE also international funding resources. The framework should be focused on (1) disseminating knowledge and share experience regarding the fight against corruption, for instance, organizing conference and seminar where SAIs and international organizations may share best practices, limitations and areas for improvement; (2) launching joint and parallel audits in relation to transparency and implementation of national anti-corruption strategies in coordination and collaboration with international organizations; and (3) establishing intelligence, data and information sharing system among SAI and international agencies.

In part 3, we focused on how to enhance SAI mandate especially role of detecting corruption. We found that the issue of strengthening investigative power in SAI mandate seemed to be inconclusive. **SAI China, Indonesia, and Philippines** agreed that SAI should strengthen investigative powers in SAI mandate. Meanwhile, **SAI Korea** referred that their mandates cover investigative power. Likewise, **SAI Malaysia** attempted to improve their capacity in investigative audit with set up of **Subject Matter Expert Team on Fraud**. However, it seems to be that **SAI Iran and Turkey** viewed that even if auditors find out suspected cases of corruption, they are

not able to investigate those cases elaborately by means of carrying out all feasible methods. This is the limitation of SAI to investigate fraud and corruption. Likewise, SAI Philippines pointed that the obstacle of enhancing investigative audit was lack of audit skill especially no experience, training or skill in fraud awareness, detection and investigation. However, **SAI Turkey** suggested a concrete measure which establishing **forensic audit units** would help the SAI develop a systematic and methodological approach in order to better investigate corruption indicators of suspected cases. In addition, most of SAI explained that they were not relevant with developing anti-corruption standard for public servants and code of conduct for business communities.

Therefore, we summarized that SAIs might improve concrete measure of anti-corruption in national level through the cooperation framework with other Anti-Corruption Agencies (ACAs) particularly in developing detective capacity for auditors.

For the last part, we attempted to find the measures in organization level which strengthen detective role particularly in developing audit techniques. In this part, we focused on four dimensions, i.e. (1) planning stage, (2) stage of formulating audit program, (3) audit techniques and methods, and (4) utilization of audit findings.

Initially, we found that corruption in public procurement seemed to be the highest area of corruption. However, some SAIs suggested their special audit; for example, **SAI Thailand** has emphasized **auditing public procurement** which could detect corruption in this area. Addition, they explained **red flags of corruption** were one tool being utilized by many international organizations, e.g., World Bank, ADB even TI. Red flags were seen a first line indicator of potential corruption and the triggering of the flags are presented as ground for further investigation.

In audit techniques and methods, we found that many SAIs suggested their typical practices. For example, **SAI China, Indonesia, Iran, Malaysia, and Philippines** have applied new technologies (information and communication technologies) to develop and strengthen the public reporting system. Typically, **SAI Korea** has offered rewards as incentives for whistleblower to detect corruption.

In addition, the whistle blowers concept is relevant with the citizen or people participation in anti-corruption which **SAI Philippines** was the excellent example.

Typically, **SAI Philippines** supported **citizen participation** that citizen could report a case or volunteer to be a **citizen auditor** in ***Ikwenta program***. In participatory audit, citizens (civil society, academic groups, community members, private sector) and the COA work together to audit the processes of delivering public services and government programs. As a result, transparency and accountability in the way government performs its functions is enhanced.

Finally, **SAI Turkey** explained the benefit of complaint system as following; (a) better knowledge creation and management regarding complaints by complying with the legal requirements of confidentiality and security; (b) producing regular or on-request management reports; (c) analyzing the complaints and assessments of the auditors so as to create fraud indicators and/or red flags for the future audits; and better meeting the expectations of external stakeholders.

In case of forensic and investigative audits, we found that some SAIs have departments which undertaken these audits. For example, **SAI Philippines** has **Fraud Audit Office** which conducted audits of government agencies with probable fraudulent transactions to safeguard government assets against abuse and fraud and to respond to the increasing public demand for fidelity in the use of government funds and properly. **SAI Korea** has “**a Headquarter for Inspection of Public Officials**” for playing the control tower role on detecting corruption which integrated Special Investigation Bureau, Audit Request Investigation Bureau, Inspection Information Group, and Internal Audit Support Group (About 150 members).

However, many SAIs have attempted to develop investigative audit through the trainings, seminars, and providing guidance especially in inquiry techniques for corruption cases. Interestingly, **SAI Thailand** proposed investigative corruption techniques which referred from the **Hong Kong Independence Commission Against Corruption (ICAC)**. Likewise, **SAI Turkey** mentioned to **ISSAI 1240 “The Auditor’s Responsibilities Relating to Fraud in the Audit of Financial Statements”** is specifically related to the cases of fraud.

Furthermore, we discussed how to utilize audit findings for anti-corruption in the future. Initially, we found that **SAI Turkey** explained that the utilization of audit results in **the planning of future audits** can be of great help to the fight against corruption. Analyses of risks (both inherent and control risks) and audit findings

involving a certain amount of public loss and corruption cases detected during regular audits should be carried out and results of these analyses should be taken into account in the following year when deciding which public entities will be audited or on which subjects will be focused. In addition, audit reports which are prepared and made public in accordance with the international standards play a deterrent role in coping with corruption. Such audit reports may highlight certain corruption-prone areas and help auditees take necessary measures to prevent future cases.

Likewise, **SAI Thailand** viewed auditors should develop these audit findings for red flags in each sector especially audit findings in high risk area. Meanwhile, **SAI Indonesia** focused on the **internal control** which they could learn from the cause of typical audit finding, especially the state loss finding that caused from the lack of internal control. The weakness will be proven through investigative audit.

In case of **SAI Iran**, they clarified the utilization of audit finding for anti-corruption at three levels, i.e., (1) international governmental and non-governmental anti-corruption organizations/agencies, (2) cooperation and coordination of SAI with the international anti-corruption bodies in detecting corruption and (3) finally how SAI can improve international measures on anti-corruption. Finally, SAIs emphasized that we could utilize audit findings for anti-corruption through lesson learns in case studies.

Exposure Draft Report
Summary Results of Part VI

Measures on Improving about audit function in detecting fraud and corruption

Background

1. This exposure draft is represented summary results in part VI (the last part of 10th ASOSAI research project – Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering). For this part, we concentrate on measures on improving about audit function in detecting fraud and corruption. ASOSAI researchers from **9 SAIs**¹ designed questions in order to answer research problems which involved developing measures for anti-corruption under SAI mandate. (See Box 1)

2. The research methodology of part VI is to discuss about measures on improving about audit function in detecting fraud and corruption. Initially, we developed structure of discussion in 3 parts, that is, the first part is involved to improve measures in the **international level** which SAI should be relevant to international organization. For the second one, it is related to improve measures in the **national level** which SAI is coordinated with Anti-Corruption Agencies (ACAs). However, the last part is focused on the **organization level** which will be clarified in four dimensions, that is, planning stage, formulating audit program, audit technique and methods, and utilization of audit findings. (Appendix 1)

3. For this report, it is consisted of four parts. The first part will be discussed with recommendations for strengthening SAI to anti-corruption which based on literature review about SAI and anti-corruption. The second one will be explained the relationship between SAI and improving anti-corruption measures in the international level. The third will be clarified to SAI and improving anti-corruption measures in the national level. Finally, the last part will be focused on improving anti-corruption measures in the organization level.

¹ SAI China, India, Indonesia, Iran, Korea, Malaysia, Philippines, Turkey and Thailand

Part VI**Measures on improving audit's function in detecting fraud and corruption**

1. Laws and regulations (including the establishment and completion of accountability mechanism, removing constraints that impede audit play a more important role in anti-corruption and money laundering)

2. The establishment of Organizational mechanisms

For example, to achieve synergy effect in anti-corruption area, the audit offices should work closely with other relevant domestic institutions and international anti-corruption agencies, and establish a sound information sharing and corruption investigation mechanism.

3. Techniques and methods

3.1 In the planning stage, attention should be given to high-risk positions and areas.

3.2 In formulating audit program and determining the audit contents, the high risk area and vulnerable spots should be focused on.

3.3 Audit techniques and methods, like whistle blowing, interviewing and information system audit, can be deployed.

3.4 Utilization of audit findings

Source: Research Proposal

Part 1 Recommendations for strengthening SAI to anti-corruption: Lessons Learned from literature review in SAI and anti-corruption

Actually, the awareness of SAI in fighting corruption was appeared firstly in the 16th INCOSAI meeting which held in Montevideo, Uruguay in 1998. **Kenneth Dye (2007)** pointed that this meeting was devoted partly to preventing and detecting fraud and corruption. Especially, it focused on (a) the role and experience of SAIs in preventing and detecting fraud and corruption and (b) methods and techniques for preventing and detecting fraud and corruption. The conclusion of Uruguay conference was **Uruguay accords** which proposed 12 recommendations for SAI to fight against fraud and corruption. One of interesting recommendations was that SAI should take more active role in evaluating the efficiency and effectiveness of financial and internal control systems and aggressively follow up on SAIs recommendation. Likewise, SAIs should focus audit strategy more on areas and operation prone to fraud and corruption by developing effective high risk indicators

for fraud or **red flags**. However, Uruguay accord was show only conceptual framework of SAI and anti-corruption.

On the other hand, the study of **Kenneth Dye (1999)** was the first paper which attempted to explain the role of SAI and anti-corruption. Dye mentioned that SAI should strengthen investigative power as well as establishing forensic audit. Moreover, he suggested that SAI should support and encourage with Anti-Corruption Agencies (ACAs) and civil society organization (CSOs) as Transparency International.

The recommendation of Dye is similar to the conclusion of **Magnus Borge (1999b)** which focused on preventive and detective roles. In prevention, Borge suggested that SAI should evaluate internal control structure to identify and correct weakness in order to maintain a preventive environment. Meanwhile, the detection role should be relevant to identify fraud indicators.

In case of detective role, **Modena (2005) and Evan (2008)** supported that SAI should create a specialized unit for detecting fraud and corruption. Similarly, **Musa Kayrak (2008)** pointed that investigating corruption and focusing audit on high areas were main strategy to detect corruption. Furthermore, he introduced that SAI should utilize IT audit as a tool for preventing corruption.

It is obvious that the role of SAI should be relevant both in preventing and detecting roles. However, the detective role seems to be controversial about power of SAI which the paper of Khan (2006) clarified that the power of SAI was essential for detecting corruption. For example, Khan recommended that SAI should have the power to audit the accounts of individual tax payers, where an audit of tax administration suggests possible collusion between the tax payer and tax staff. Likewise, in case of large public works, SAI should have the right to audit the payments received by the contractors from government. Khan (2006) categorized his 20 recommendation for 7 issues, that is, (a) independence of SAI, (b) power of SAI, (c) participatory auditing, (d) implementation of audit recommendations, (e) review of procedures and training of auditors, (f) code of ethics, and (g) cooperation and coordination. Additionally, he proposed guidelines for preparing the auditors for fight against corruption. (See table 1)

Table 1 Recommendations for strengthening SAI to anti-corruption

Authors	Recommendations
Uruguay Accords (1998)	<ol style="list-style-type: none"> 1. SAI should seek an adequate level of financial and operative independence and breadth of audit coverage; 2. SAI should take more active role in evaluating the efficiency and effectiveness of financial and internal control systems and aggressively follow up on SAI's recommendations; 3. SAI should focus audit strategy more on areas and operations prone to fraud and corruption by developing effective high risk indicators for fraud; 4. SAI should establish an effective means for the public dissemination of audit reports and relevant information including establishing a good relationship with the media; 5. SAI should produce relevant audit reports that are understandable and user friendly; 6. SAI should consider a closer cooperation and appropriate exchange of information with other national and international bodies fighting corruption; 7. SAI should intensify the exchange of experiences on fraud and corruption with other SAIs; 8. SAI should encourage the establishment of personnel management procedures for the public service that select, retain, and motivate honest, competent employees; 9. SAI should encourage the establishment of guidance for financial disclosure by public servants, and monitor compliance as part of the ongoing audit process; 10. SAI should use INTOSAI code of Ethics to promote higher ethical standards and a code of ethics for the public services; 11. SAI should consider the establishment of a well publicized means to receive and process information from the public on perceived irregularities; and 12. SAI should continue work regarding fraud and corruption through INTOSAI's existing committees and working groups; for example, the Auditing Standards Committee will consider these issues as part of developing implementation guidance as part of a broader standard framework.

Authors	Recommendations
Kenneth M. Dye (1999)	<ol style="list-style-type: none"> 1. Making more courses and conferences on combating fraud and corruption; 2. Strengthening investigative powers; 3. Establishing forensic units; 4. Establishing fraud auditing standards; 5. Encouraging more professional designations; 6. Supporting Transparency International; 7. Supporting and cooperating with national anti-fraud agencies; 8. Encouraging ethics and fraud awareness training programs; 9. Encouraging ministries, departments , and agencies to create fraud control plans; 10. Encouraging ministries, departments, and agencies to contract out fraud control (hotlines, fraud risk assessment, fraud training, fraud control plan, and fraud investigation) if resources are unavailable in-house; and 11. Encouraging lawmakers to pass whistle-blower legislation to protect people who provide legitimate information to public control agencies.
Magnus Borge (1999a)	<ol style="list-style-type: none"> 1. Sound financial management and internal controls; 2. Focusing audit planning on high risk areas; 3. Recommendation to legislature; 4. Expertise in preventing corruption; 5. Improving public awareness; 6. Create a preventive environment
Magnus Borge (1999b)	<p>Prevention</p> <ol style="list-style-type: none"> 1. Fraud and Corruption : Maintaining a preventive environment 2. Strengthened Financial Management 3. Evaluating Internal control Structures to identify and correct weakness 4. Heightening public awareness of SAI findings <p>Detection</p> <ol style="list-style-type: none"> 1. High Risk Reviews; 2. Identifying Fraud indicators → Red Flags

Authors	Recommendations
<p>Carlos Ceasar Modena (2005)</p>	<ol style="list-style-type: none"> 1. Creating a specialized unit 2. Using fraud methodology 3. Providing training 4. Improving inter-institutional relations
<p>Muhammad Akram Khan (2006)</p>	<p>Independence of SAI</p> <ol style="list-style-type: none"> 1. The government should enforce a law that guarantees independence of the head of SAI, allows wide publication of its reports and ensures implementation of its recommendation. Likewise, the SAI should also be independent to decide what to audit and how to audit. 2. The audit law should allow or even require the SAI to report separately or at least distinctly, on opportunities of corruption that it noticed during its examination. <p>Power of SAI</p> <ol style="list-style-type: none"> 3. The SAI should have the power to audit the accounts of individual tax payers, where an audit of tax administration suggests a possible collusion between the tax payer and the tax staff. In case of large public works, SAI should have the right to audit the payments received by the contractors from government. 4. The law should provide the SAI with power to have access to all records in timely manner, power to interview government employees and other relevant persons, and duty of all public sector organizations and their staff to cooperate with the SAI. The law should provide sanctions against those staffs and organizations that fail to comply with the requirement or willfully delay the provision of information to the SAI. 5. The SAI should have the authority to engage experts or consultants, should the technical nature of a department or agency so require. 6. The scope of SAI's work should be comprehensive and the parliament should ensure its coverage to all such organizations where public funds are involved. 7. The audit law should also make it obligatory for the NGO receiving grant from the government to maintain their accounts in a transparent manner and such accounts should be within the power to the SAI to audit to the extent of funding by the government.

Authors	Recommendations
<p>Muhammad Akram Khan (2006)</p>	<p>Participatory auditing</p> <p>8. The SAI should develop a mechanism to engage the general public while planning its annual work.</p> <p>9. The SAI's website should have an e-mail address and a form for communication with the office relating to corruption and fraud.</p> <p>10. The SAI should plead with the government that in planning for development projects for the welfare to the people, especially, in areas of education, health, water supply, sanitation, etc. Furthermore, the local people should be reflected in deciding the location, size and service delivery management. Similarly, local committees can be formed to monitor the project execution and project performance.</p> <p>Implementation of audit recommendations</p> <p>11. The SAI should try to create, with the help of government, and institutional mechanism to feed the result of audit in future economic planning. Before a development project or program is finally approved, there should be a system of clearance from an independent body that the current project or program does not commit the same mistakes which the past audit reports had pointed out.</p> <p>Review of Procedures and training of auditors</p> <p>12. The SAI should play a leading role in persuading the government to set up an independent standing commission responsible for reviewing various law, rules, regulations and procedures in entire the government with a view to determining their adequacy for preventing corruption.</p> <p>13. The SAI should set up a core group in its office, which should review and analyze government-wide rules, regulations and law with a view to indicating areas that provide opportunities of corruption. The objective of this group should be to develop standard audit criteria for corruption auditing in various departments and agencies. The group should also prepare master trainers to train auditors in corruption auditing.</p> <p>14. The SAI should obtain in its budget resources for the training of its own staff as well for the staff of the executive departments and agencies in creating awareness about corruption and preparing them to combat corruption.</p>

Authors	Recommendations
<p>Muhammad Akram Khan (2006)</p>	<p>Code of Ethics</p> <p>15. The SAI should develop its own code of ethics. The head of SAI should put in place a monitoring system to ensure that the auditors observe the code of ethics in letter and spirit.</p> <p>16. The SAI should also persuade the government to develop and enforce code of ethics for all government employees.</p> <p>Cooperation and Coordination</p> <p>17. The SAI should develop a networking relationship with other enforcement agencies for sharing information and training personnel on reciprocal basis.</p> <p>18. Fighting corruption requires cooperation and commitment at all levels, from global to local and by government and NGO. The SAI should make concerted efforts to be part of the global network engaged in fighting corruption.</p> <p>19. The SAI, public authorities, CSO, and private sector should join hands in the fight against corruption through sharing of information and active coordination for division of labor.</p> <p>20. The SAI of different countries should sign MOU to cooperate with one another in promoting and developing measure to prevent and fight against corruption through international programs and projects, including sharing training facilities on corruption auditing.</p> <p>Additionally, Khan (2006) proposed guidelines for preparing the auditors for fight against corruption that is consisted of :</p> <ol style="list-style-type: none"> a. Effective measures to prevent, detect, investigative, punish and control corruption, including the use of evidence-gathering and investigative methods; b. Building capacity in development and planning strategic anti-corruption policy; c. A broad understanding of the operations of such public functions as public procurement, land revenue, income tax, custom, police, public works, utilities, etc where corruption is widespread; d. An understanding of the find transfer mechanism and money laundering techniques used by corrupt persons; e. Understanding of the laws relating to whistle blowing, protection of witness, experts and victims ; f. Audit criteria on corruption auditing for different departments and functions.

Authors	Recommendations
Alastair Evans (2008)	<ol style="list-style-type: none"> 1. Focusing Audit Planning on Areas of High Corruption risk 2. Incorporating public input about potential irregularities and malpractice 3. Implement specialized units 4. Building effective relationships with other national institutions 5. Building closer working relationship with law enforcement agencies 6. Publicizing corruption risk 7. Engaging in technical cooperation with other SAIs
Musa Kayrak (2008)	<ol style="list-style-type: none"> 1. Promoting transparency, accountability and good governance in public financial management 2. Strengthening of financial management system 3. Improving public awareness 4. Investigating corruption and/or passing suspected cases to the irrelevant authorities 5. Focusing audit on high risk areas 6. Helping identify fraud 7. Introducing new technique → IT audit

From table 1, we found that these recommendations could be categorized in both preventive and detective roles. Both roles are involved SAI mandates to anti-corruption. However, the detecting role seems to be challenged for SAI to improve concrete measures under audit function in detecting fraud and corruption. From the results in part V (Introduction of typical audit practice), we found 21 typical examples in detecting role in anti-corruption. However, we concluded these typical examples in 6 best practices as follows; (a) to develop audit technique; (b) to emphasize the investigative audit; (c) to create red flags; (d) to utilize general risk assessment; (e) to uncover corruption and communication with judicial institutions or law enforcement agencies; and (f) to develop knowledge sharing in detecting technique.

<p>Part 2 SAI and improving anti-corruption measures in international level</p>
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1. The objective of this part is to discuss about measures which focused on mechanism or relationship between SAI and international organization in anti-corruption. Initially, there were 8 SAIs which proposed their opinions for improving measures in the international level as follows.

- **SAI China** or National audit office of People ' s Republic of China (CNAO) suggested that SAI should have a cooperation with international agencies in jointly supervising Global financial institutions, to tracking suspicious activities as a whole, to eliminate blind legal area and to prevent risk transferring and deteriorating. Meanwhile, SAI should explore to establish intelligence, data and information sharing system because they could save SAI energy in the process of negotiating, judicial assistance.

- **SAI India** or Office of the Comptroller & Auditor General of India (CAG) viewed that SAIs should encourage bilateral and multilateral exchanges of views. They should cultivate a permanent exchange of information and experience. Also developing a network relationship with other enforcement agencies for sharing information and training of personnel on reciprocal basis.

- **SAI Indonesia** or The Audit Board of Republic of Indonesia (BPK) represented methods to establish between SAI and international organizations for detecting corruption as following ; (a) by having MOU between/among SAIs to share each other knowledge and experiences in promoting capacity building to fight against corruption ; (b) by actively jointing the international profession organization like **Association of Certified Fraud Examiner (ACFE)** (See Box 2) ; (c) by actively joining the international organization for SAIs such as INTOSAI or ASOSAI; and (d) by having cooperation with donor institution to enhance the SAI's capacities in detecting corruption.

- **SAI Iran** or Supreme Audit Court of Islamic Republic of Iran (SAC) explained the coordination between SAI Iran and several international organizations.

For example, since 2012 SAI Iran has been a member of the INTOSAI Working Group on Fight against Corruption and Money Laundering. In addition, Iran signed **UN Convention against Corruption (UNCAC)** since 2009. Likewise, Iran has been cooperated with World Bank and IMF in fighting against corruption and money laundering. Both World Bank and IMF have been promoted measures to counter the flow of illicit funds into the financial systems of countries and all aspect of corruptive actions.

- **SAI Korea** or the Board of Audit and Inspection (BAI) described that SAI Korea has been cooperated with INTOSAI over 50 years. Recently, SAI Korea and UN DESA have reviewed existing literature on the role of SAIs in the fighting corruption. (The title is A UN-INTOSAI Joint Project: Collection of Important Literature on Strengthening Capacities of Supreme Audit Institutions on the Fight against Corruption.)

- **SAI Malaysia** or National Audit Department Malaysia (NADM) signed MOU as a tool for bilateral cooperation with international organization. For instance, SAI Malaysia signed MOU in the field of auditing, training and research with SAI Afghanistan, Iran, Swaziland, Kyrgyzstan, and United Arab Emirates. Additionally, they jointed in working groups, research project, and workshops of INTOSAI, ASOSAI and ASEANSAI

- **SAI Philippines** or Commission of Audit (COA) illustrated their interesting examples about coordination between SAI Philippines and other international organizations. For example, the cooperation of SAI Philippines and World Bank which develop and adopt using the Integrate Results and Risk Based Audit (IRRBA). Likewise, SAI Philippines jointed the project of Integrity for Investments Initiative (i³) which contributed to inclusive growth by reducing costs of corruption to investments and trade also promoting open and fair competition. This project will work together with anti-corruption agencies as Office of the Ombudsman (OMB), Commission of Audit, Civil Service Commission (CSC), Securities and Exchange Commission (SEC) and the Governance Commission for Government –Owned and Controlled Corporations (GOCCs).

- **SAI Turkey** or Turkish Court of Accounts (TCA) recommended approaches for coordinating between SAI and international organization. The first suggestion was that SAI should set up feasible mechanism of communication and collaboration among all actors in anti-corruption. The second was to disseminate knowledge and share experience regarding the fight against corruption, for instance, organizing conference and seminar where SAIs and international organizations may share best practices, limitations and areas for improvement. Additionally, SAI could carry out international research projects together with academicians and theoretical or empirical results could be shared with participants. Furthermore, a database including the corruption cases detected by SAIs could be set up to assist other SAIs and international organizations. Finally, SAIs could launch joint and parallel audits in relation to transparency and implementation of national anti-corruption strategies in coordination and collaboration with international organizations. However, SAI Turkey viewed that international efforts should be restricted solely to detect corruption. Instead preventing corruption need to be paid attention by SAIs as well when discovering possible ways of international cooperation.

2. In conclusion, all SAIs have been coordinated with international organizations especially INTOSAI and ASOSAI. Normally, they jointed these organizations as member. Meanwhile, they were participated anti-corruption activities through working group, research project, seminar and workshop. In addition, SAIs utilized MOU as a tool for cooperation with international agencies.

3. **Under international level**, SAIs should create coordinating framework with international organizations as World Bank, IMF, Transparency International, and ACFE also international funding resources. The framework should be focused on (1) disseminating knowledge and share experience regarding the fight against corruption, for instance, organizing conference and seminar where SAIs and international organizations may share best practices, limitations and areas for improvement; (2) launching joint and parallel audits in relation to transparency and implementation of national anti-corruption strategies in coordination and collaboration with international organizations; and (3) establishing intelligence, data and information sharing system among SAI and international agencies.

Box 2**Association of Certified Fraud Examiner (ACFE)**

The Association of Certified Fraud Examiners (ACFE) was established in 1988 which governs professional fraud examiners. Its activities include producing fraud information, tools and training. It governs the professional designation of Certified Fraud Examiner. The ACFE is the world's largest anti-fraud organization and a provider of anti-fraud training and education, with nearly 75,000 members. The Certified Fraud Examiner (CFE) credential denotes expertise in fraud prevention, detection and deterrence. CFEs are trained to identify the warning signs and red flags that indicate evidence of fraud and fraud risk. CFEs around the world uncover fraud and implement processes to prevent fraud from occurring in the first place.

Source: www.wikipedia.org and www.acfe.com

Part 3 SAI and improving anti-corruption measures in national level

1. The objective of this part is to discuss how to enhance SAI mandate especially role of detecting corruption. In this part, seven SAIs suggested to improve anti-corruption measures in **national level**. However, we focused on main issues which involved strengthening investigative powers in SAI mandate, developing anti-corruption standard for public servants, and developing anti-corruption code of conduct for business communities. The results could be concluded as follows.

- **SAI China** agreed with the suggestion of Kenneth Dye (2000) which recommended that SAI should strengthen investigative powers in SAI mandate. They believed that investigative audit could play an importance role in combating corruption and money laundering. This audit type is a tool which auditors could

focus on certain issues or institutions/individuals for in-depth analysis, e.g. high risk area, report clues, etc. Under investigative audit, auditors could utilize variety types of resources, which cover commercial banks, industrial & commercial bureau, and tax bureau and law enforcement agencies. Furthermore, by constructing early warning system, auditors could monitor processes of targeted suspicious activities in a time flow sequence which SAI china viewed that it could change the traditional audit process of post audit to **proactive audit**.

Under national level, SAI China suggested the following measures to improve the anti-corruption which the first measure was to enhance the joint meeting for Economic Accountability System. However, SAI China should keep close working relationship with the Commission for Discipline Inspection of the Central Committee of the CPC. Also they should strengthen the guidance and supervision of internal audit of government institutions and state owned business. Finally, they should provide relevant guidance and supervision to enhance internal auditors' capacities in preventing and detecting corruption.

In case of enhancing collaboration with anti-money laundering agencies (AMLA), SAI China proposed that they should be joined as member of anti-money laundering conference. SAIs could get more information and cooperation with AMLA. Likewise, they suggested extending the "Audit platform & data system of commercial bank" program which auditor could gain remote access to banks' database to obtain necessary information in analyzing suspicious activities (e.g. doubtful transactions, bank loans information, etc.)

- **SAI Indonesia** agreed with the suggestion that SAI should strengthen investigative powers in SAI mandate. The reason was that fraud may exist in any area. Since fraud was hidden, thus we still need to enhance SAI's capacity to uncover fraud in all audit assignments. Meanwhile, SAI Indonesia explained that they did not have direct authority to develop anti-corruption standard for public servants and code of conduct. However, they attempted to support establishing anti-corruption standard through **a performance audit on Government Fraud Control System**. (See Box 3)

- **SAI Iran** explained their role about investigative power which SAI did not have fraud detection tools. SAIs' authority on the subject of detecting fraud and

corruption is in the domain of financial documents that are reviewed during the audit. Although auditing standards differ from the principles of inspection and exploring corruption is not in the auditing standards, so the General Inspection Organization of the Islamic Republic of Iran has duty to uncover corruption and SAI Iran is mandated to prevent corruptive activities by adopting proper administrative procedures. In addition, if during an audit of government agencies, SAI discovers corruption, fraud and money laundering, it will report the case to the Prosecution Office of SAI Iran for further investigation and follow up.

- **SAI Korea** represented that under the Constitution and BAI Act, the BAI of Korea has the investigate power to the government officers by inspecting and examining whether they break the law or work in an illegal manners. Inspection extracts problems of statutory and institutional, or administrative contradictions for the prevention of corruption to disclose misconducts including personal inspection (only for public-related officers) to be corrected and improved. Presently, SAI Korea made an effort to build a cooperative relationship among other ACAs, such as law enforcement agencies (police, supreme prosecutors' office and etc.) Internal Audit Units (IAUs) and ACRC (Anti-corruption and civil right commissions) by sharing information and exchanging staffs regularly.

- **SAI Malaysia** clarified their cooperation with Malaysian Anti-Corruption Commission which they signed MOU to implement a cross-fertilization program by attaching officers from both agencies. The aim was to strengthen the ability and capacity in terms of techniques to detect existence of malpractice, fraud, corruption and violations of systems and procedures. Hence, SAI Malaysia has attempted to move toward investigative audit with set up of **Subject Matter Expert Team on Fraud**. Currently they conduct investigation on suspected fraud cases within SAI mandate. In addition, they proposed code of ethics and declaration of assets as anti-corruption standard for public servants. Likewise, they suggested the Integrity Pledge in government procurement and contract as anti-corruption code of conduct for business communities.

- **SAI Philippines** agreed that SAI should strengthen investigative powers in SAI mandate. SAI Philippines viewed that contemporary audit standards impose an obligation on the auditor, to take positive actions that will help assure the detection of probable fraud if it exists. However, they still concerned the limitation of SAI in detecting fraud. They gave reasons why auditors did not detect more fraud. The main reason was lack of audit skill especially no experience, training or skill in fraud awareness, detection and investigation. Interestingly, they criticized that auditors were unaware of the implications of red flags or other fraud indicators that it made failure to include fraud detection when planning audits. Additionally, it was failure to follow up on fraud symptoms and indicators. However, SAI Philippines showed patterns of cooperation between SAIs and other agencies in national level in order to anti-corruption. For example, COA collaborated with Office of the Ombudsman (OMB) to created **COA-OMB Joint Investigation Team** which ensured the efficient and successful filing, investigation and prosecution of cases involving graft, corruption and violations of the ethical code of conduct for public officials and employees. The joint team gave priority to the investigation and prosecution of selected high profile cases.

- **SAI Turkey** viewed that most SAIs, even if auditors find out suspected cases of corruption, they are not able to investigate those cases elaborately by means of carrying out all feasible methods. Beside the lack of necessary mandate or limited powers, some SAIs will not be able to launch full-fledged investigation given the available audit resources (budget and human resources). That's why most SAIs send such cases to the concerned authorities immediately. Hence, it might not necessary to strengthen the investigative power of SAIs. Besides, it should be kept in mind that most SAIs do not directly fight against corruption because of the nature of the supreme audit function and lack of investigative powers should not be considered as a detriment to the supreme audit function. SAIs should be competent enough to conduct an initial review of a suspected case so that they would not involve judicial or other authorities into the case unnecessarily. If an SAI has the mandate to investigate suspected cases of corruption, establishing "**forensic audit units**" would help the SAI develop a systematic and methodological approach in order to better investigate corruption indicators of suspected cases. Additionally,

SAI Turkey explained that they are not equipped with the mandate to develop an anti-corruption standard for public servants and code of conduct for business communities.

2. In summary, we found that the issue of strengthening investigative power in SAI mandate seemed to be inconclusive. SAI China, Indonesia, and Philippines agreed that SAI should strengthen investigative powers in SAI mandate. Meanwhile, SAI Korea referred that their mandates cover investigative power. Likewise, SAI Malaysia attempted to improve their capacity in investigative audit with set up of **Subject Matter Expert Team on Fraud**. However, it seems to be that SAI Iran and Turkey viewed that even if auditors find out suspected cases of corruption, they are not able to investigate those cases elaborately by means of carrying out all feasible methods. This is the limitation of SAI to investigate fraud and corruption. Likewise, SAI Philippines pointed that the obstacle of enhancing investigative audit was lack of audit skill especially no experience, training or skill in fraud awareness, detection and investigation. However, SAI Turkey suggested a concrete measure which establishing **forensic audit units** would help the SAI develop a systematic and methodological approach in order to better investigate corruption indicators of suspected cases. In addition, most of SAI explained that they were not relevant with developing anti-corruption standard for public servants and code of conduct for business communities.

3. Finally, SAIs might improve concrete measure of anti-corruption in national level through the cooperation framework with other Anti-Corruption Agencies (ACAs) particularly in developing detective capacity for auditors. For example, SAI China proposed to join as member of anti-money laundering conference. SAI Malaysia utilized MOU as a tool to cooperate with Malaysian Anti Corruption Commission. In addition, SAI might recommend government anti-corruption system by using performance audit such as good example of SAI Indonesia. Also SAI Philippines jointed with Office of Ombudsman to establish **COA-OMB Joint Investigation Team** which gave priority to the investigation and prosecution of selected high profile cases.

Box 3**BPK and Performance audit on Government Fraud Control System**

On 2011 SAI Indonesia or BPK conducted a performance audit on Government Fraud Control System. The audit objective was to assess the effectiveness of the design and implementation of Government Anticorruption Efforts. The audit scope encompassed the assessment of the design and implementation of prevention, detection, and responses system to corruption developed by Government. One of the audit results was about the lack of ethics and disciplinary conduct for civil servants. Most of the code of conduct developed by government did not regulate the indiscipline attitude related to corruption, such as accepting illegal gratuities, bribery, kickback, etc. Hence, their recommendation was to put a specific article in the code of conduct related to anticorruption for the civil servants. The rule has to be clearly defined what corruption is, and what is the sanction for civil servants who break the conduct.

Source: Result in part VI of SAI Indonesia

Part 4 SAI and improving anti-corruption measures in organization level

1. The aim of this part is to find the measures which strengthen detective role particularly in developing audit techniques. In this part, we focused on four dimensions, i.e. (1) planning stage, (2) stage of formulating audit program, (3) audit techniques and methods, and (4) utilization of audit findings. From our results, we found that 9 SAIs showed their opinions for improving anti-corruption measures in each dimension. The results could be concluded as follows.

Planning Stage**Table 2 Highest area of corruption**

SAIs	Highest area of corruption	How to detect corruption in the highest area
China	1. Public Fund Management 2. Public works 3. Releasing of bank loans 4. Transfer land and mineral resource 4. Disposal of state owned assets an investment of state owned business	1) Assessment of auditee in compliance with law & regulations, as well as the robustness of the internal control & reporting system; 2) Collection irregularity information about the auditee and the industry from law enforcement agencies, public media and whistle blowers; 3) Screening out suspicious activities and preparing for further investigation. To identify suspicious activities, normally three ways will be taken: <ul style="list-style-type: none"> ✧ Follow the fund flow: Tracking the flow of public fund, and find out whether the unqualified institutions or business enterprises got the fund, or public fund is embezzled to private account. ✧ Follow the transaction flow: Analyzing the transition processes and find out the irregularities. ✧ Analyze the power using and accountability system of auditees to locate possible rent-seeking behaviors. 4) Access to external information → In order to fully reflect the process of suspicious activities, auditors usually obtain variety of external information to assist judgment, such as business registration information, tax payment records, household registration information, property registration information, and some cases even the personal accounts, etc.
India	1. Contracts of service/procurement 2. Inventory and asset management 3. Sanctions/clearances 4. Performance information 5. Revenue receipts, cash management 6. and other areas involving public private interface	1. Auditors should carry out an independent risk assessment and prioritize/strategize their audit planning. 2. Based on the risk assessment, the auditor should develop audit objectives and design audit procedures so as to have reasonable expectations of detecting irregularities arising from presumptive cases of corruption. 3. Red flags for anti-corruption → At the commencement of each Audit, information about fraud and corruption awareness, adequacy of internal controls, detection and prevention policy and related environment including any instances of fraud and corruption noticed since last audit and any action taken on such instances including further strengthening of internal control systems; is collected from the audited entity management. 4. During the course of audit, the audit team/officers are vigilant (professional skepticism) and seek explanations/clarifications, if they come across possible fraud or corruption indicators.

SAIs	Highest area of corruption	How to detect corruption in the highest area
Indonesia	Public Procurement	By applying audit technique in such area, i.e. documentation, physical examination, confirmation, analytical review, inquiries of the auditee, reperformance, observation. In addition, they could also apply investigative technique , i.e. data mining, data recovery, net worth method and expenditure method.
Iran	1. Revenue collection and 2. Payment facilities in banks.	For example in the case of loan payment by banks, SAI Iran controls instructions and documentary procedures to identify the possible problems. In revenue collection area, SAI Iran verifies the actual proceeds of figures and statistics by audit checklists. SAI Iran also controls the mechanism of internal controls and proper implementation of the law by the revenue collection agency.
Korea	Tax sector, construction sector, education sector, defense sector, and the contracting sector etc.	1. Risk assessment analysis by Audit and Inspection Research Institute (AIRI) and related teams, the BAI of Korea selected main fraud risk areas in every year. 2. The BAI of Korea made a fraud control plan for the risk areas - Based on the plan, it accumulates corruption related information and monitors entities on a regular basis
Malaysia	Public Procurement and contracting	To detect fraud and corruption effectively, a structured approach need to be applied which includes: - Perform risk assessment to narrow down area of highest risk - Evaluation of internal control → Where are the weakest links in the process and chain of control; What is the likelihood of deviation from conventional good accounting practices ;How are off-line transaction handled and who can authorize it - With the aid of computer-assisted audit techniques (CAATs) - Systematical and analytical understanding each process and person involved - Look beyond and behind the transactions - Apply logical sense - Flow of money - Thin File Syndrome
Philippines	1. Public procurement and contracting 2. Infrastructure projects 3. Funds transferred to NGOs/projects implemented by NGOs using government funds	Using red flag in public procurement and contacting (See Appendix 2)
Turkey	Public constructions which include the construction of public buildings, roads etc.	Physical observation and site visits, Risk analysis, Analysis of complaints and referrals received and Cross control of data obtained especially from different sources.

SAIs	Highest area of corruption	How to detect corruption in the highest area
Thailand	Public Procurement	Normally, auditing public procurement are consisted of three methods, that is, (1) document verification, tendering observation, and physical observation. Nowadays, OAG Thailand develops audit technique to detect public procurement area by using the guideline of audit screening public procurement projects. In 2012, OAG Thailand published the guideline of audit screening in public procurement projects. The aim of this guideline is to facilitate for auditor in screening public procurement projects as risk assessment method. In addition, this guideline is a tool for reviewing public procurement control.

2. From table 2, it represented the area of corruption that corruption in public procurement seemed to be the highest area of corruption. Initially, **SAI Thailand** has emphasized **auditing public procurement** which could detect corruption in this area. SAI Thailand explained that auditing public procurement was consisted of three methods, that is, document verification, tendering observation, and physical observation. Furthermore, they developed audit techniques to detect public procurement area by using the guideline of audit screening in public procurement projects. The aim of this guideline was to facilitate for auditor in screening public procurement projects as risk assessment method. However, **SAI Malaysia** clarified that the risk assessment will be narrow down area of highest risk. Additionally, they focused on the evaluation of internal control as another tool for detecting fraud and corruption. Similarly, **SAI Turkey** described their audit techniques to detect public construction area which was highest area. Their audit techniques were consisted of physical observation and site visits, risk analysis, analysis of complaints and referrals received and cross control of data which obtained especially from different sources. Meanwhile, **SAI Indonesia** applied techniques to audit in public procurement area, for example, documentation, physical examination, confirmation, analytical review, inquiries of the auditee, reperformance, observation. In addition, they could also apply investigative technique, i.e. data mining, data recovery, net worth method and expenditure method. Furthermore, **SAI India and Philippines** referred to **the red flag in public procurement** as a tool for detecting corruption in this area.

3. Beyond public procurement area, **SAI Iran** pointed that revenue collection and payment facilities in banks were another sector which appeared highest corruption area. For their audit techniques, they verified the actual proceeds of figures and statistics by audit checklists. SAI Iran also controls the mechanism of internal controls and proper implementation of the law by the revenue collection agency. Likewise, **SAI China** showed public fund management as the highest area of corruption which they clarified their detecting techniques. In the first step, auditors will assess auditee in compliance with law & regulation, as well as the robustness of the internal control & reporting system. After that, they will collect irregularity information about the auditee and the industry from law enforcement agencies, public media and whistle blowers. However, the important step will be screening out suspicious activities and preparing for further investigation. In the last step, auditors will access to external information. In addition, **SAI Korea** explained their risk assessment analysis which conducted by Audit and Inspection Research Institute (AIRI) and related team. Every year SAI Korea selects main fraud risk area also make a fraud control plan for the risk areas. Based on their plan, they could accumulate corruption related information and monitor entities on a regular basis.

Stage of formulating audit program

4. **SAI India, Iran, Indonesia, Korea, Philippines and Thailand** mentioned to the red flags in the stage of formulating audit program. **SAI Thailand** explained that red flags of corruption were one tool being utilized by many international organizations, e.g., World Bank, ADB even TI. Red flags were seen a first line indicator of potential corruption and the triggering of the flags are presented as ground for further investigation (Kenny and Musatova 2010). Therefore, we should create red flags for anti-corruption especially in public procurement sector. Initially, we should categorize red flags for each sector, for example, red flags of corruption in construction sector or public works, red flags of corruption in health sector, and red flags of corruption in defense sector. However, **SAI Indonesia** elaborated red flags of each stage in public procurement area as following table 3.

Table 3 BPK and Red Flags in Public Procurement

No	Stage	Red Flag
1.	Planning	a. Inadequate needs assessment
		b. Lack of data and information about the potential supplier
		c. Senior employee/ management involvement without any proper reason
		d. Big amount of disposal
		e. A very specific requirement (but not really important) so that only can be fulfilled by certain supplier
2.	Bidding	a. Unclear goods specification
		b. Fewer number of proposal from suppliers
		c. Inadequate publication for "request for proposal"
		d. High variation in price from suppliers
3	After bidding	a. Contract amendment causing high cost increase
		b. Inadequate contract change without proper explanation
		c. Complaints on good received

5. **SAI Iran** explained that the planning department will create red flags for anti-corruption according to scientific studies and practical experience and external reports, previous reports that prepared during the previous audits and the results of previous studies and also the suggested cases by the audit committees. Likewise, **SAI Korea** clarified that the headquarter for inspection (about 150 members) will create red flags for corruption and will conduct a full blown investigation

6. In addition, **SAI Malaysia** pointed out that fraud indicators are adopted from INTOSAI, ASOSAI and International Auditing Standards into the National Audit Department Fraud Auditing Guidelines to guide and assist auditors in detecting fraud. Currently, compilation of fraud cases detected by auditors is being booked and this includes fraud indicators for various type of audit. It will serve as a guideline for auditor to detect fraud more effectively. Beyond red flags, **SAI India** developed fraud indicators while applying normal auditing procedures during regular audit or fraud examination by being alert for situations and environment conducive for fraud, For example; control weaknesses, inadequacies in record keeping, errors and unusual transactions and results, which could be indicative of fraud and corruption, improper expenditure and lack of probity; and focusing audit strategies on the areas

and operations prone to fraud and corruption by developing high risk indicators for fraud. Meanwhile, **SAI Iran** created fraud indicators within the framework of "**Health promotion in the context of administrative system**" Law and its related by-laws. On the other hand, **SAI Indonesia** didn't have fraud indicators but they have fraud awareness manual to guide auditors to develop their awareness in finding and analyze red flags as a fraud indicator. They also provided a lot of trainings to develop auditor sense in detecting corruption. Likewise, though **SAI Turkey** didn't have fraud auditor, they explained this point in the Anti-corruption Strategy of the TCA which involved an action to prepare audit strategies and annual audit programs by considering the high risk areas of fraud and corruption. (See Box 4)

Box 4**The Anti-Corruption Strategy of the TCA**

The Anti-corruption Strategy of the TCA involves an action to prepare audit strategies and annual audit programs by considering the high risk areas of fraud and corruption. The following points are considered in determining these high risk areas:

- Frequently mentioned subjects in the official reports of criminal act written by auditors and submitted to the Presidency of the TCA,
- Analysis of inherent and control risks determined by audit teams during the planning phase of regularity audits,
- Main issues highlighted in the denunciation letters,
- Hot topics or alleged cases of corruption in the media regarding the subjects or public institutions under the audit mandate of the TCA,
- Suggestions to be made by the auditors and
- Legal conflicts which involve auditees of the TCA.

On the other hand, the TCA carries out general risk assessments on a yearly basis and its methodology includes the following risk criteria related to corruption:

- Number of denunciation letters about the auditee received by the TCA
- Number of alleged cases of corruption concerning the auditee

Source Result in part VI of SAI Turkey

Audit techniques and methods

Table 4 Anti-Corruption Complaint Mechanism and Whistle Blowing System

SAIs	Anti-Corruption Complaint Mechanism	How to strengthen Whistle Blowing System
China	Website, hotline, report letters/emails, are typical channels for people to report suspicious corruption and money laundering related activities. Although most of them are anonymous, the system is becoming an important supplement for SAIs in detecting corruption and money laundering acts.	<ul style="list-style-type: none"> - Education of the auditors the importance of protecting whistle blowers and confidentiality of related information & materials - Strengthen efforts in announcement & disclosure audit results to the general public - Development of an online complain and feedback system to increase the transparent of the audit work which can accessed by the whistle blower
India	Complainants can address their complaints directly to the Head of Audit formations in the Field offices or to the SAI of India directly. SAI India being a public authority is under the preview of Right to Information Act – 2005 , wherein any citizen can ask for any information about the audit processes or administration within the SAI. Their website lists out details of the relevant authorities to home the complaints regarding anti-corruption can be addressed. Continuous two way interaction and strengthening and open communication environment between SAI and the audited entity during the entire audit process. Any complaint so received or any information received which indicates towards red flags is considered to be material and is acted upon in a time bound manner. This is either taken care in a special audit or becomes a part of the risk assessment factor while planning for the next audit depending on its gravity.	SAI India also substantiates and establishes the facts as provided by the whistle blower or complainant by corroborating it in the field audit. Thus the facts are established with a rigorous process of audit and are backed by key documents. By welcoming such information and acting on them firmly, in the meanwhile keeping the identity of the source confidential.
Indonesia	BPK had both external and internal complaint mechanism. For public complaint (external), people can access www.bpk.go.id . Besides external complaint channel, BPK also provideed internal complaint channel. BPK's employee can put their complaints through our intranet web. Our Internal Audit Department operate this channel.	Currently BPK already had the whistle blowing system (WBS), although it is still need to be improved. They had built this system on 2011, stipulated by General Secretary Decree No 507/2011 about Whistle blowing in BPK. It was part of our SAI Fraud Control System (FCS). (See Box 6)
Iran	Website, hotline, SMS messaging system and submit written reports via visiting, mail or fax	SAI Iran applies new technologies (information and communication technologies) to develop and strengthen the public reporting systems.

SAIs	Anti-Corruption Complaint Mechanism	How to strengthen Whistle Blowing System
Korea	The BAI of Korea has Hotline (on-line system) devoted solely to corruption complaints. It also has 4 regional Civil Petition and Complaints Centers in order to collect and analyze information on local corruption. It has "Audit Request Investigation Bureau", which people request Audit on corrupt activities that cause considerable harm to the public goods (at least 300 persons over the age of 19 must sign the petition)	Since 2012, The BAI of Korea has offered rewards for whistleblower for detecting corruption and plan to raise the money.
Malaysia	NADM had "Message to Auditor General" that was the platform for public to lodge complaints about fraud in the NADM's website. This link had provided the NADM with another source of information from the public to detect fraud and corruption Complaints received from the public will be investigated and informer will be responded within 15 working days.	System has been set up.
Philippines	COA had Public Information System that was to efficiently respond to requests; COA utilized this Helpdesk using a support ticket system. Every support request was assigned a unique ticket number as reference for tracking your concern. Every request requires a valid email address.	COA supported citizen participation that citizen could report a case or volunteer to be a citizen auditor in Ikwenta program. In participatory audit, citizens (civil society, academic groups, community members, private sector) and the COA work together to audit the processes of delivering public services and government programs. As a result, transparency and accountability in the way government performs its functions is enhanced
Turkey	The TCA received denunciation and/or complaint letters via e-mails, post office and a web-based application designed to meet the right to information of the public. All denunciation letters gathered via different channels are sent to the audit groups and the audit teams responsible for the audit of public institutions mentioned in those letters.	The TCA planned to develop a dedicated web-based complaint system with the help of a robust business process and document management system. In this context, denunciation and/or complaint letters will be automated and auditors will be able to prepare working papers and make evaluations regarding each complaint.
Thailand	OAG Thailand provided anti-corruption complaint mechanism which opened area for citizen to report irregularity cases or believable corruption behavior in spending public expenditure. However, all complaint or anonymous letters will be screened under OAG regulation of investigative audit procedures B.E. 2549 (2006).	In 2006, OAG promulgated the OAG regulation of investigative audit procedures B.E. 2549 (2006). This regulation was the fraud and corruption standard for investigative auditors. In case of whistle blowing system, it was appeared in the first chapter of this regulation which involved receiving the complaint letters and screening cases forward to investigative audit. Thus, preliminarily the investigative auditor will assess chances of corruption behavior by using obvious criteria.

7. From table 4, it represented anti-corruption complaint mechanism and whistle blowing system. We found that all SAIs had anti-corruption compliant mechanism. These SAIs utilized their hotlines, websites or on-line system as a channel to report suspicious cases. Interestingly, **SAI India** mentioned to a public authority was under the preview of **Right to Information Act – 2005**, wherein any citizen could ask for any information about the audit processes or administration within the SAI. Meanwhile, **SAI Malaysia** had developed “**Message to Auditor General**” that was the platform for public to lodge complaints about fraud in the NADM’s website. This link had provided the NADM with another source of information from the public to detect fraud and corruption. Complaints received from the public will be investigated and informer will be responded within 15 working days. Similarly, **SAI Philippines** had **Public Information System** that was to efficiently respond to requests; COA utilized this Helpdesk using a support ticket system. Every support request was assigned a unique ticket number as reference for tracking your concern. Every request requires a valid email address. (See figure 1 and Box 5)

8. **SAI Indonesia** explained that they had both external and internal complaint mechanism. For public complaint (external), citizen could access www.bpk.go.id. Besides external complaint channel, they also provided internal complaint channel. BPK’s employee can put their complaints through our intranet web. Our Internal Audit Department operate this channel. (See figure 2-4 and Box 5) However, **SAI Thailand** indicated that even though they had mandate to receive complaint letter from citizen, all complaint or anonymous letters should be screened under regulation of investigative audit. Meanwhile, **SAI Turkey** explained that all denunciation letters will be gathered via different channels were sent to the audit groups and the audit teams responsible for the audit of public institutions mentioned in those letters.

9. In case of strengthening whistle blowing system, **SAI China** suggested that education of the auditors was the importance of protecting whistle blowers and confidentiality of related information & materials. Also auditors should strengthen efforts in announcement & disclosure audit results to the general public. In addition, they should develop an online complain and feedback system to increase the

transparent of the audit work which can access by the whistle blower. These suggestions were similar with **SAI Iran** which applied new technologies (information and communication technologies) to develop and strengthen the public reporting systems. Typically, **SAI Korea** has offered rewards as incentives for whistleblower to detect corruption. Generally, the whistle blowers concept is relevant with the citizen or people participation in anti-corruption which **SAI Philippines** was the excellent example. They supported **citizen participation** that citizen could report a case or volunteer to be a **citizen auditor** in **Ikwenta** program (See figure 5). In participatory audit, citizens (civil society, academic groups, community members, private sector) and the COA work together to audit the processes of delivering public services and government programs. As a result, transparency and accountability in the way government performs its functions is enhanced. Finally, **SAI Turkey** explained the benefit of complaint system as following; (a) better knowledge creation and management regarding complaints by complying with the legal requirements of confidentiality and security; (b) producing regular or on-request management reports; (c) analyzing the complaints and assessments of the auditors so as to create fraud indicators and/or red flags for the future audits; and better meeting the expectations of external stakeholders.

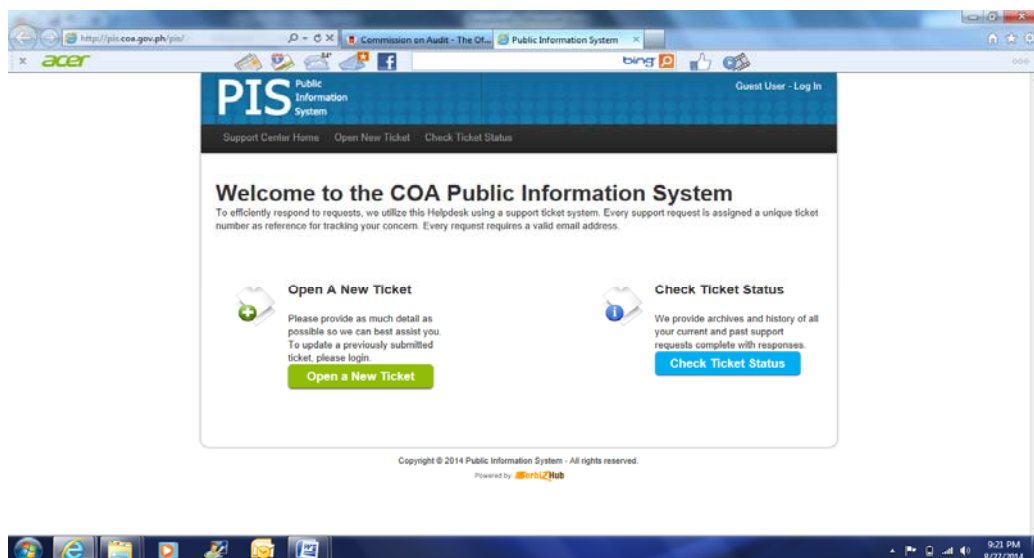


Figure 1 COA Public Information System

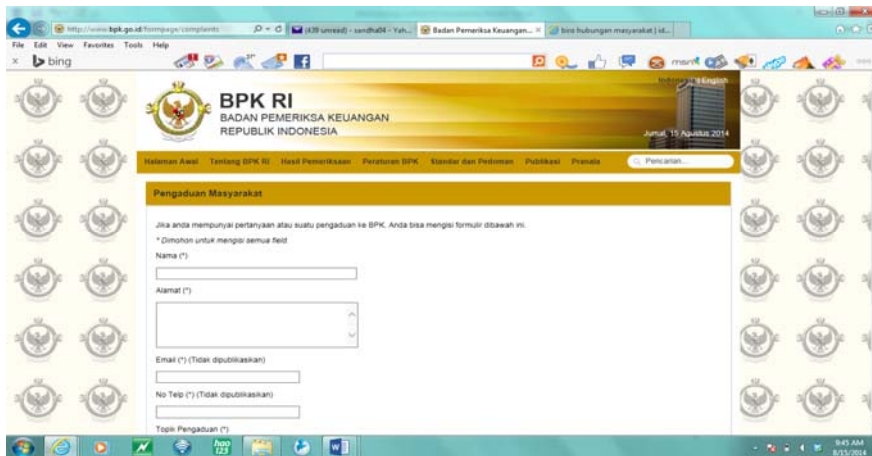


Figure 2 Public Complaint Channel in www.bpk.go.id



Figure 3 : Internal Complaint Channel in siska.bpk.go.id

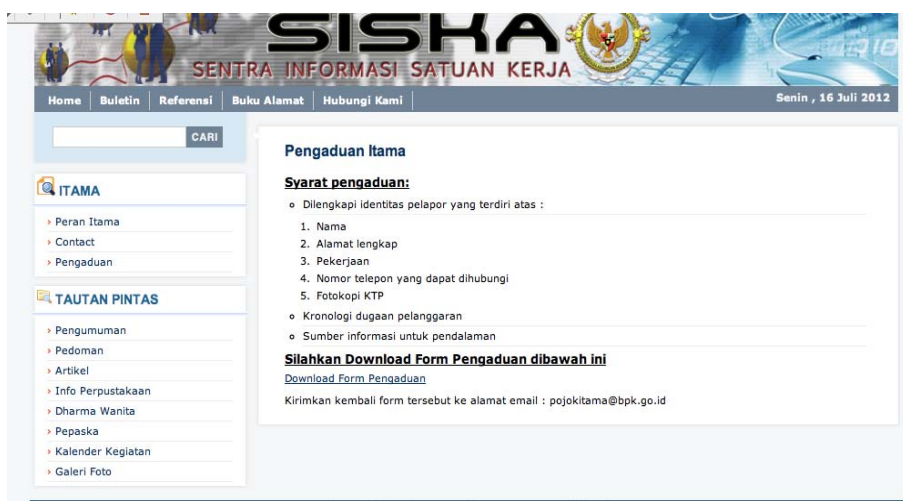


Figure 4 Internal Complaint Channel in siska.bpk.go.id



Figure 5 Ikwenta as Citizen Participatory Auditing of COA

Box 5

BPK and Strengthening approach for whistle blowing system

- a. Protection of the whistleblower identity or anonymity
- b. Safeguard on information disclosed, electronic information security
- c. Information receiving mechanism (ease of reporting through hotline and other channels)
- d. Communication with the whistleblower with anonymity guarantee (ex; accessing people and information inside and outside BPK)
- e. Proper staffing and training
- f. Responsiveness to complaints
- g. Oversight and follow up process
- h. Vigilance to Supervise and Eliminate Human Error
- i. Ongoing Public Relations Campaign about the WBS

Source: Result in part VI of SAI Indonesia

Table 5 Forensic audit and Investigative audit

SAIs	Did your SAI have forensic audit units?	Did you SAI have investigative audit units?
China	No	No
India	No	No, however, SAI India undertakes investigative audits which they were part of regular auditing procedures.
Indonesia	No	No, however, SAI Indonesia has developed investigative audit task force (ad hoc).
Iran	No	No, concerning the separation of powers in Iran, General Inspection Organization of Iran (GIO) does this significant task (investigative auditing). This organization operates under the Judiciary system of Iran.
Korea	No	Yes, the BAI of Korea has “a Headquarter for Inspection of Public Officials” for playing the control tower role on detecting corruption which integrated Special Investigation Bureau, Audit Request Investigation Bureau, Inspection Information Group, and Internal Audit Support Group. (About 150 members)
Malaysia	No	Yes, it is part of our regular audit. In the course of audit, indications of fraud are being investigated by the team that conducted the audit. On ad-hoc basis, the Auditor General will instruct the Special Audit Division in the Special Audit and Research sector to undertake investigation of perceived frauds received through the website or complaint letters to the department.
Philippines	Yes, SAI Philippines has Fraud Audit Office which conducted audits of government agencies with probable fraudulent transactions to safeguard government assets against abuse and fraud and to respond to the increasing public demand for fidelity in the use of government funds and properly. It is a multi-disciplinary office with staff composed of lawyers, Certified Fraud Examiners, engineers and Certified Public Accountants. It has a Forensic Auditing Manual developed under the Integrity Project contracted by the Management Systems International and funded by the USAid. The SAI has also issued Guidelines in the Conduct and Reporting of Fraud.	Yes, Fraud Audit Office was responsible for investigative audit.

Table 5 Forensic audit and Investigative audit

SAIs	Did your SAI have forensic audit units?	Did you SAI have investigative audit units?
Turkey	NO, the TCA does not have a separate forensic audit unit and does not have a plan to establish one in the future.	NO, the TCA does not have a separate investigative audit unit. If auditors encounter with a suspected case of corruption, they carry out a preliminary review to gather sufficient information and evidence to be able to find out whether the case concerned can be regarded as an act involving guilt. For this reason, the TCA does not have a plan to establish an investigative audit unit in the future.
Thailand	No	Yes, SAI Thailand has attempted to develop the investigative audit since 1974. However, in normal audits, when the auditor found irregularities or suspicious corruption cases, the investigation was only stage of collecting sufficient evidences and reporting suspicious corruption cases. During 1974-2001 OAG auditors used the investigative audit manual to carry out anti-corruption mission. Nevertheless, in 2002 OAG promulgated the OAG regulation of investigative audit procedures B.E. 2545 (2002) in order to develop the investigative audit.

10. From table 5, it was represented the forensic audit and investigative audit units of each SAI. Initially, we found that **SAI Philippines** has **Fraud Audit Office** which conducted audits of government agencies with probable fraudulent transactions to safeguard government assets against abuse and fraud and to respond to the increasing public demand for fidelity in the use of government funds and properly. It is a multi-disciplinary office with staff composed of lawyers, Certified Fraud Examiners, engineers and Certified Public Accountants. It has a Forensic Auditing Manual developed under the Integrity Project contracted by the Management Systems International and funded by the USAid. The SAI has also issued Guidelines in the Conduct and Reporting of Fraud. In addition, they developed the Audit Manual on Forensic Auditing (See Box 6). Meanwhile, **SAI Korea** has “**a Headquarter for Inspection of Public Officials**” for playing the control tower role on detecting corruption which integrated Special Investigation Bureau, Audit Request Investigation Bureau, Inspection Information Group, and Internal Audit Support Group (About 150 members).

11. In case of **SAI Malaysia**, the investigative audit was part of regular audit. In the course of audit, indications of fraud are being investigated by the team that conducted the audit. On ad-hoc basis, the Auditor General will instruct the Special Audit Division in the Special Audit and Research sector to undertake investigation of perceived frauds received through the website or complaint letters to the department. For the meantime, **SAI Indonesia** has developed investigative audit task force (ad hoc).

12. Similarly, **SAI Thailand** has attempted to develop the investigative audit since 1974. However, in normal audits, when the auditor found irregularities or suspicious corruption cases, the investigation was only stage of collecting sufficient evidences and reporting suspicious corruption cases. During 1974-2001 OAG auditors used the investigative audit manual to carry out anti-corruption mission. Nevertheless, in 2002 OAG Thailand promulgated the OAG regulation of investigative audit procedures B.E. 2545 (2002) in order to develop the investigative audit. OAG Thailand described that the aim of investigative audit was to examine facts and collect evidence in the fraud suspected case or mistaken regulation. In 2006, OAG Thailand established Procurement and Investigative Office (PIO) in order to serve investigative audit directly. Interesting, SAI Thailand referred to establish forensic audit units or FAU which determined the strategy in five phases². (See Appendix 3)

13. However, **SAI China, India, Iran, and Turkey** do not have both forensic audit and investigative audit units. **SAI India** explained investigative audits were part of regular auditing procedures. Likewise, **SAI Iran** viewed that General Inspection Organization of Iran (GIO) did this significant task (investigative auditing). This organization operated under the Judiciary system of Iran. In addition, **SAI Turkey** clarified that they didn't have a separate forensic audit unit and did not have a plan to establish one in the future. If auditors encountered with a suspected case of corruption, they carried out a preliminary review to gather sufficient information and evidence to be able to find out whether the case concerned can be regarded as

² This idea was adopted from Randolph Ivan Young (2011) who studied about the Establishing an Effective Forensic Audit Function at OAG Belize. This study was individual research of CCAF-FCVI Fellow during 2010/2011 by OAG Canada.

an act involving guilt. For this reason, the TCA didn't have a plan to establish an investigative audit unit in the future.

Box 6**The Audit Manual on Forensic Auditing of COA**

The Audit Manual on Forensic Auditing discusses forensic auditing as a tool to prevent, detect, investigate and support the prosecution of fraud. It explained the auditor's responsibility to take a proactive approach in detecting, documenting, and referring instances of probable fraud, the concept and principles underlying forensic audit; the standards in the effective conduct of forensic audit; the techniques, analytical tools and approaches used in forensic auditing; the gathering, preservation and use of forensic evidence for purposes of establishing administrative, civil and criminal liability; the specific stages and the logical procedures involved in forensic audit; and fraud detection and investigative processes specific in the conduct of forensic audit and investigation.

Source: Result in part VI of SAI Philippines

14. Many SAIs have attempted to develop investigative audit through the trainings, seminars, and providing guidance especially in inquiry techniques for corruption cases. **SAI China** suggested that they provide training seminars with the theory of inquiry techniques and scenario simulation. Likewise, **SAI India** explained continuous capacity building of the human resources within the SAI. They partake continuous training to our auditing personnel's which help them train in the investigative auditing techniques and procedures. In case of **SAI Indonesia**, they developed the audit guidance in conducting interview in investigative audit. In addition, they developed an audit guidance to understand the nonverbal communication spoken by the auditee. They also provided training to develop the inquiry skill of our auditors when they were conducting investigative audit. In the training they had a session to watch the real interview conducted in investigative audit and then they asked the participants to evaluate the interview process. **SAI Iran, Korea, Malaysia, Philippines** still emphasized training auditors. For example, the BAI of Korea constantly trains and educates their staff members on investigation

skills and technique by “**Audit and Inspection Training Center**”. Similarly, auditors of **SAI Malaysia** were sent to attend courses such as forensic accounting whereby techniques of inquiry, investigating and interviewing are being taught. Guideline on Interviewing was the upcoming project of **the office’s Subject Matter Expert Team on Fraud**. For **SAI Philippines**, they had **A General and Sector Specific Fraud Awareness Training** which was conducted on 30 July 2014. The training focused on understanding fraud, detecting and addressing fraud, assessing and preventing fraud and investigating fraud. Also included in the training was the infrastructure fraud awareness. Interestingly, SAI Philippines supported **Certified Fraud Examination Training** which provided COA personnel continuous development of their skills and competence. Moreover, they had cross training with Anti-Corruption Agencies and ADB’s training on anti-corruption.

15. However, **SAI Thailand** suggested their opinions in order to develop investigative techniques. They explained that even though OAG Thailand established investigative units in order to carry out anti-corruption mission, they still need to develop our investigative technique for corruption cases. They proposed investigative corruption techniques which referred from the **Hong Kong Independence Commission Against Corruption (ICAC)** (See Appendix 4). Actually, ICAC is popular regarded as a successful model in fighting corruption. However, they reminded that we had to tailor these techniques in order to suitable for our mandates.

Table 6 Fraud Auditing Standard

SAI	Fraud Auditing Standard
China	CNAO did not separate fraud auditing standard which released by CNAO, however, it was combined in the Government Auditing Standard, and this part is called “investigation on major violence of laws”. In this part, it defined: (1) how to find major risk areas of an auditee; (2) how to create red flags; and (3) possible response measures to suspicious law violence transactions.
India	The standards provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated. The auditing standards of the INTOSAI have been suitably adapted with due consideration of the Constitution of India, relevant Statutes and rules for the auditing standards for the Supreme Audit Institution of India (SAI).

SAI	Fraud Auditing Standard
Indonesia	<p>Currently, audit standards of BPK are as follows:</p> <ol style="list-style-type: none"> 1. State Audit Standard (including Financial, Performance, and Special Purpose Audit) 2. Audit Manuals (Financial Audit Manual, Performance Audit Manual, Special Purpose Audit Manual, Investigative Audit Manual) 3. Audit Guidance (ex: Investigative audit, Fraud Awareness, Interview, Nonverbal Communication, etc) <p>In the first level (Audit Standard level), they do not have a special standard for fraud auditing. But there is a requirement in our standard that every auditor should consider about fraud possibility in every audit they conduct. Currently, SAI Indonesia is in the process of changing our audit standards hierarchy to comply with ISSAI. In the next hierarchy they will develop investigative audit standard to have the same level as Financial and Performance Audit (They use the term investigative audit instead of fraud auditing.)</p>
Iran	<p>The SAI Iran has initiated the localizing of audit standards in order to take advantage of the international experiences and the guidance that developed by professional associations (INTOSAI and ASOSAI). Also SAI IRAN has localized the International Standard - No. 2400, entitled "The standard principles of transparency and accountability". Accordingly, all auditors are required to follow the same standard.</p> <p>Also after ratification of "Health promotion in the context of administrative system" ACT, SAI Iran follows up and reports about implementation of this important law in the combating corruption. SAI Iran does this work by issuing guidance and preparing check lists. According to the constitution, SAI Iran is required to prepare annual reports and make it public through its official website. This is an effort to promote transparency and accountability.</p>
Korea	<p>The BAI of Korea has a fraud audit standard which called "Inspection Regulation" and other guidelines and manuals such as "Methods of Affairs Inspection", "Guidelines on Case of Fraud Audit".</p>
Malaysia	<p>Technical standards from INTOSAI, ASOSAI and International Auditing Standards on fraud are incorporated into the National Audit Department Fraud Auditing Guidelines.</p>
Philippines	<p>The Audit Manual on Forensic Auditing (See Box 7)</p>
Turkey	<p>According to the article 35 of the TCA Law, audit shall be carried out in accordance with the generally accepted international auditing standards. International Standards of Supreme Audit Institutions are considered as the main standard for the implementation of TCA audit and ISSAI 1240 "The Auditor's Responsibilities Relating to Fraud in the Audit of Financial Statements" is specifically related to the cases of fraud. In order to make it easier to understand the standards and stave off the language barrier, the TCA established a team that has already translated some of the ISSAIs including ISSAI 1240.</p>
Thailand	<p>OAG Thailand promulgated the OAG regulation of Investigative audit procedures B.E. 2549 (2006) as fraud auditing standard which consisted of main five chapter in 69 sections. The first chapter is involved how to receive the complaint letters and screen cases forward to the investigative audit. However, the second chapter is about the processes of investigative audit which concluded the stages of investigative audit.</p>

16. From table 16, it showed fraud auditing standard of each SAI. All SAIs have fraud auditing standard; however, we might classify them in two groups. The first group was SAIs which referred INTOSAI or ASOSAI standard. This group was consisted of **SAI China, India, Indonesia, Iran, Malaysia, and Turkey**. Especially, **SAI Turkey** mentioned to **ISSAI 1240 “The Auditor’s Responsibilities Relating to Fraud in the Audit of Financial Statements”** is specifically related to the cases of fraud (See Box 7). On the other hand, the second group created fraud auditing standard, i.e. **SAI Indonesia, Korea, Philippines, and Thailand**. In case of **SAI Indonesia**, they developed audit guidance as fraud auditing standard. Similarly, **SAI Korea** has a fraud audit standard which called **“Inspection Regulation”** and other guidelines and manuals such as **“Methods of Affairs Inspection”**, **“Guidelines on Case of Fraud Audit”**. Meanwhile, **SAI Philippines** developed the Audit Manual on Forensic Auditing. Interestingly, **SAI Thailand** promulgated **the OAG regulation of Investigative audit procedures B.E. 2549 (2006)** as fraud auditing standard which consisted of main five chapter in 69 sections. The first chapter is involved how to receive the complaint letters and screen cases forward to the investigative audit. However, the second chapter is about the processes of investigative audit which concluded the stages of investigative audit.

Box 7**ISSAI 1240****The Auditor’s Responsibilities Relating to Fraud in the Audit of Financial Statements**

The propose of this practice note is provided supplementary guidance on ISA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. It deals with the auditor's responsibilities relating to fraud in an audit of financial statements. Specifically, it expands how ISA 315 (Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment) and 330 (The Auditor's Responses to Assessed Risks) are to be applied in relation to risks of material misstatement due to fraud. The Practice Note provides additional guidance for public sector auditors and provides in its Annexes examples of Fraud risk factors (Annex 1); Possible audit procedures to address the assessed risks of material misstatement due to fraud (Annex 2); Circumstances that indicate the possibility of fraud (Annex 3).

Source: www.intosai.org

Utilization of audit findings

Table 7 Utilization of audit findings for anti-corruption in the future

SAI	How to utilize audit findings for anti-corruption in the future?
China	CNAO suggested an online feedback system which could be accessed by the accountable institutions to feedback follow-up work after the issuance of audit reports, to guarantee the audit opinion & recommendations be seriously treated or implemented. When necessary, held bilateral or multilateral talks& meeting with relevant agencies to obtain the latest information and progress.
India	CAG explained that the important audit reports and audit findings are presented as case studies to various wings of SAI for education and awareness of audit teams towards possibility of such cases in their audit domain.
Indonesia	BPK could learn from the cause of typical audit finding, especially the state loss finding that caused from the lack of internal control. The weakness will be proven through investigative audit. Based on that, BPK proposed improvement of internal control related to such business process. Information that comes either from non-investigative or investigative audit can be used to improved government internal control. From investigative audit they can have deeper analyses in fraud risk assessment not just the internal control.
Iran	SAI Iran clarified the utilization of audit finding for anti-corruption at three levels, i.e., (1) international governmental and non-governmental anti-corruption organizations/agencies, (2) cooperation and coordination of SAI with the international anti-corruption bodies in detecting corruption and (3) finally how SAI can improve international measures on anti-corruption.
Korea	BAI explained that it will be useful to collect database about corruption-vulnerable information in audit process and cooperated with law enforcement and anti-corruption agencies.
Malaysia	The Auditor General's Report can be utilized as a mechanism of anti-corruption. It can be implemented through a system which is easily assessable, user friendly and timely available. For SAI Malaysia, General Auditor's Report on Performance Audit is tabled in the Parliament 3 times a year and can be viewed by the public an hour after being tabled through the Auditor General's Online Dashboard. Previously, the AG's Report used to be tabled once a year and it prevents any action to be taken against a person until the date has passed. This increase chances of evidence be tampered and make investigation difficult. Now, when it was tabled on every Parliament sitting, follow-up action can be taken by the enforcement agencies at an earlier stage.
Philippines	Fraud audit reports with findings of fraudulent acts discovered in audit/investigation are transmitted by Head of SAI to the Office of the Ombudsman with recommendation to file appropriate cases against persons liable/responsible.
Turkey	Utilization of audit results in the planning of future audits can be of great help to the fight against corruption. Analyses of risks (both inherent and control risks) and audit findings involving a certain amount of public loss and corruption cases detected during regular audits should be carried out and results of these analyses should be taken into account in the following year when deciding which public entities will be audited or on which subjects will be focused. In addition, audit reports which are prepared and made public in accordance with the international standards play a deterrent role in coping with corruption. Such audit reports may highlight certain corruption-prone areas and help auditees take necessary measures to prevent future cases.

SAI	How to utilize audit findings for anti-corruption in the future?
Thailand	<p>SAI Thailand suggested three views which we could utilize audit findings as follows.</p> <ul style="list-style-type: none"> • Under macro view, we should collect audit findings and categorized them in order to establish concrete measures for anti-corruption in the future. • Under micro view for auditor, we should develop these audit findings for red flags in each sector especially audit findings in high risk area. • In case of interesting audit findings, we should study them under academic research in order to find causes and solutions to prevent them.

17. From table 7, it represented how to utilize audit findings for anti-corruption in the future. Initially, we found that **SAI Turkey** explained that the utilization of audit results in **the planning of future audits** can be of great help to the fight against corruption. Analyses of risks (both inherent and control risks) and audit findings involving a certain amount of public loss and corruption cases detected during regular audits should be carried out and results of these analyses should be taken into account in the following year when deciding which public entities will be audited or on which subjects will be focused. In addition, audit reports which are prepared and made public in accordance with the international standards play a deterrent role in coping with corruption. Such audit reports may highlight certain corruption-prone areas and help auditees take necessary measures to prevent future cases. Likewise, **SAI Thailand** viewed auditors should develop these audit findings for red flags in each sector especially audit findings in high risk area. Additionally, we should collect audit findings and categorized them in order to establish concrete measures for anti-corruption in the future. Meanwhile, **SAI Indonesia** focused on the **internal control** which they could learn from the cause of typical audit finding, especially the state loss finding that caused from the lack of internal control. The weakness will be proven through investigative audit. Based on that, BPK proposed improvement of internal control related to such business process. Information that comes either from non-investigative or investigative audit can be used to improved government internal control. From investigative audit, they can have deeper analyses in fraud risk assessment not just the internal control.

18. On the other hand, **SAI Malaysia** pointed out that **the Auditor General's Report** can be utilized as a mechanism of anti-corruption. It can be implemented through a system which is easily assessable, user friendly and timely available. Currently, General Auditor's Report on Performance Audit is tabled in the Parliament 3 times a year and can be viewed by the public an hour after being tabled through the **Auditor General's Online Dashboard**. Previously, the AG's Report used to be tabled once a year and it prevents any action to be taken against a person until the date has passed. This increase chances of evidence be tampered and make investigation difficult. Now, when it was tabled on every Parliament sitting, follow-up action can be taken by the enforcement agencies at an earlier stage. However, **SAI Philippines** will send their fraud audit reports with findings of fraudulent acts discovered in audit/investigation to the Office of the Ombudsman with recommendation to file appropriate cases against persons liable/responsible.

19. In case of **SAI Iran**, they clarified the utilization of audit finding for anti-corruption at three levels, i.e., (1) international governmental and non-governmental anti-corruption organizations/agencies, (2) cooperation and coordination of SAI with the international anti-corruption bodies in detecting corruption and (3) finally how SAI can improve international measures on anti-corruption (See appendix 5). Meanwhile, **SAI China** suggested **an online feedback system** which could be accessed by the accountable institutions to feedback follow-up work after the issuance of audit reports, to guarantee the audit opinion & recommendations are seriously treated or implemented. When necessary, held bilateral or multilateral talks& meeting with relevant agencies to obtain the latest information and progress.

20. Finally, SAIs emphasized that we could utilize audit findings for anti-corruption through lesson learns in case studies. For example, **SAI India** explained that the important audit reports and audit findings are presented as case studies to various wings of SAI for education and awareness of audit teams towards possibility of such cases in their audit domain. Likewise, **SAI Korea** explained that it will be useful to collect database about corruption-vulnerable information in audit process and cooperated with law enforcement and anti-corruption agencies. Furthermore, **SAI Thailand** suggested that we should study interesting cases under academic research in order to find causes and solutions to prevent them.

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Appendix 2

Red flags in Public Procurement of COA Philippines

- Procurement of services, goods, or work projects not needed, or in excess of what may be required.
- Needs assessments for services, goods, or work projects that are not adequate or are not accurately developed.
- Requirements that justify continuing to contract with or buy from only certain contractors or vendors.
- Defining requirements so that only certain contractors or vendors can supply them.
- Unsuccessful bidders who become subcontractors, or goods and services suppliers.
- Contracting or purchasing from a single source without developing alternate sources of goods and services.
- Work statements or material specifications that appear to fit a favored or single contractor or vendor.
- Releasing procurement information to preferred or selected contractors or vendors.
- Consulting with preferred contractors and vendors about requirements and specifications.
- Designing pre-qualification standards, specifications or conditions to limit competition to preferred vendors or contractors.
- Splitting contract requirements to so that contractors and vendors can share or rotate bids and awards.
- Splitting procurement requirements to avoid procurement policies.
- Designing pre-qualification standards, specifications or conditions to limit competition to preferred vendors or contractors.
- Splitting contract requirements to so that contractors and vendors can share or rotate bids and awards.
- Splitting procurement requirements to avoid procurement policies.

- Lost or misplaced vendor or contractor bid proposals and price quotations.
- Questionable disqualification of a contractor or vendor.
- Biased proposal evaluation criteria.
- Award of contract or purchase order to other than lowest responsible bidder.
- Material changes to the contract or purchase order after the award.
- Awards to contractors or vendors with a history of poor or questionable performance.
- Incorrect certification by the contractor or vendor as to the stage of contract completion or delivery of goods and services.
- The delivery of services or materials that do not conform to contract or purchase order requirements.
- Acceptance without verification of contractor or vendor certification of service and material quality

Source: Results in part VI of SAI Philippines

Appendix 1

Questions for Discussion: Part VI Measures on Improving about audit function in detecting fraud and corruption

This instrument is designed to develop measures on improving about audit function in detecting fraud and corruption. Your contribution is of essential importance as your views will be used, analyzed, summarized and reflected in our 10th ASOSAI's research project which aims to improve the audit capability of Supreme Audit Institutions to detect corruption and money laundering in a comprehensive way and play a vital role in anti-corruption.

Instruction:

The research methodology of part VI is to discuss about measures on improving audit function in detecting fraud and corruption. The structure of discussion is consisted of three parts. The first part is involved to improve measures in *the international level* which SAI should be relevant to international organizations, e.g., World Bank, ADB, Transparency International, etc. For the second part, it is related to improve measures in *the national level* which SAI is coordinated with many Anti Corruption Agencies (ACAs) such as police, attorney or national anti-corruption agencies. The third part is focused on *the organization level* which will be clarified in four dimensions, that is, planning stage, formulating audit program, audit technique and methods, and utilization of audit findings.

In the 6th Meeting at Turkey, ASOSAI researcher should discuss together in part 1 and 2 in order to establish measures for anti-corruption in both international and national levels. Therefore, researchers in each SAI should prepare issues for discussions, too. On the other hand, the third part is represented how to improve measures in organization level. We could recommend measures which are appropriate for each SAI mandate. Respondents can provide appropriate answers based on their expert judgment, view or opinion.

Information Of Respondent

Country:	
Office / Organization / Institution :	
Address :	
Name : (*)	
Designation : (*)	
Phone : (*)	
Email : (*)	

(*) optional

Utilization of results in part V

In part V, it showed the introduction of typical audit practice which we found 21 typical examples in detecting role in anti-corruption. However, we categorized in 6 best practices as follows;

1. To develop audit technique;
2. To emphasize the investigative audit;
3. To create red flags;
4. To utilize general risk assessment;
5. To uncover corruption and communication with judicial institutions or law enforcement agencies;
6. To develop knowledge sharing in detecting technique.

Part 1 SAI and improving anti-corruption measures in international level

The objective of this part is to discuss about the measures which focused on mechanism or relationship between SAI and international organizations in anti-corruption.

Issue for discussion

1. How to establish or coordinate between SAI and international organizations for detecting corruption?

Part 2 SAI and improving anti-corruption measures in national level

The objective of part 2 is to discuss how to enhance SAI mandate especially detecting fraud and corruption. Also we will discuss together about the measure for collaboration with ACAs to anti-corruption.

Issue for discussion

1. Kenneth Dye (2000) suggested that “SAI should strengthen investigative powers in SAI mandate.” Do you agree with this suggestion? Please discuss¹
2. Under SAI mandate, how to develop anti-corruption standard for public servants?
3. Under SAI mandate, how to develop anti-corruption code of conduct for business communities?

¹ This question is based on Kenneth Dye (2000) which recommended to strengthen investigative power for SAI.

Part 3 SAI and improving anti-corruption measures in organization level

The objective of this part is to find measures which strengthen detective role particularly in developing audit techniques. We focus on 4 dimensions as follows.

Planning stage

(1) What is **the highest risk area** of corruption under your SAI's experience? For example, area in revenue collection, public procurement and contracting, construction sector, defense sector, health sector, education sector, and public private and partnerships (PPP), etc.

.....
.....

(2) How to detect corruption in the highest risk area?

.....
.....

Stage of Formulating Audit Program

(1) If your SAI has to create red flags for anti-corruption, which sector should be created red flags?

.....
.....

(2) Did your SAI have fraud indicators? If your SAI have fraud indicators, how to develop them²?

.....
.....

² This question is based on paper of Musa Kayrak (2008) which mentioned to determine fraud indicators.

Audit Techniques and methods

(1) Did your SAI have anti-corruption complaint mechanism? For example, hotline, denunciation letter, complaint letter

.....
.....

(2) If your SAI has to establish whistle blowing system or receive complaint letter for detecting corruption, how do you strengthen this system?

.....
.....

(3) Did your SAI have forensic audit units? If your SAI has to establish forensic audit units, how do you develop these units?

.....
.....

(4) Did you SAI have investigative audit units? If your SAI has to set up investigative audit units, how do you develop these units?

.....
.....

(5) If your SAI have investigative unit, how do you develop your auditor in inquiry technique for corruption cases?

.....
.....

(6) Did your SAI have fraud auditing standard? If your SAI have fraud audit standard, how do you set up these standard?

.....
.....

Utilization of audit findings

(1) In your opinion, how to implement or utilize audit findings in order to anti-corruption in the future?

.....
.....

Thank you for your answer

Appendix 3

Proposal of establishing forensic audit (FAU) of OAG Thailand

If OAG Thailand has to establish forensic audit units or FAU, we will determine the strategy in five phases as follows¹.

Phase 1 – To build awareness for OAG Thailand

The first phase is to build awareness on the importance of establishing an FAU at OAG Thailand. The activity in this phase should be the preparation of study report about forensic audit for SAI which consisted of relevance issues as corruption situation in Thailand, anti-corruption agencies in Thailand, the role OAG Thailand and anti-corruption, and the important of forensic audit in combating corruption.

Phase 2 – To define the objectives of the FAU

After building awareness in FAU, the next phase is to define the objectives of FAU. Clearly defined objectives will support to guide implementation of establishing FAU. Especially, we should determine how the FAU will be related to audit activities in the present and future.

Phase 3 – To develop policies and guidance on fraud and wrongdoing

This phase will be development of policies and guidelines which will be absorb considerable time and resources. We should review and adapt resource material from other SAI which have FAU. However, draft of anti-fraud and corruption policies and anti-corruption tools should be consistent with OAG Thailand mandate and ISSAI. Finally, we should present these policies and tools for our Auditor General for his/her approval.

Phase 4- To identify and fill resource requirements

Interestingly, effective FAU should be comprised a core dedicated staff with specialized skills. At least, it is envisioned the head of FAU and another senior member should be accredited as a Certified Fraud Examiner (CFE). In addition,

¹ This idea was adopted from Randolph Ivan Young (2011) who studied about the Establishing an Effective Forensic Audit Function at OAG Belize. This study was individual research of CCAF-FCVI Fellow during 2010/2011 by OAG Canada.

facilitated equipments are required to utilize in the FAU efficiently. The activities of phase 4 should be involved as follows:

- To define the FAU 'reporting structure;
- To identify staff, certificate requirements, training needs, and other tools;
- To advocate for recruitment of legal advisor;
- To identify funding required;
- To secure funding, staff, and tools;
- To register selected FAU staff for fraud certificate training;
- To develop and deliver in-house fraud training.

Phase 5 – To build awareness for stakeholders

Finally, the final phase is to build awareness for stakeholders especially investigative auditors in OAG Thailand. The activities in this phase should be conducted information sessions for Procurement and Investigative Office (PIO) which directly served as detecting corruption role in OAG Thailand. Further, we should provide updated information on OAG website.

Source: Results in part VI of SAI Thailand

Appendix 4

How to develop inquiry technique for corruption case

Lesson learn from ICAC Hong Kong

Tony Kwok Man-wai¹ (2009) suggested several essential investigative techniques for ICAC investigators, i.e., (1) ability to identify and trace persons, companies, and properties; (2) interview technique; (3) document examination; (4) financial investigation; (5) conducting a search and arrest operations; (6) physical and technical surveillance; (7) acting as undercover agent; (8) handling informers; (9) conducting and entrapment operation; and (10) witness protection.

Under our mandate, we could adopt some investigative techniques in order to develop inquiry technique for corruption case. In my opinion, I selected the improvement of interview technique in order to support investigative auditors.

Generally, interview technique is very important method for corruption investigators. Tony Kwok Man-wai (2009:143-144) clarified that interview techniques should be included following elements:

- Proper preparation and planning before interview: the interviewer must study the case thoroughly, the background of interviewee, the available evidence against him or her, the list of question areas, etc. Thus, the interviewer should formulate the structure of interview;
- Ability to deal with reluctant witness: the interviewer must have the ability to identify the reasons behind the interviewee's reluctance, whether it is due to his or her dislike of the agency, fear of going to justice process, his or her relations with corrupt offenders, etc.

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<http://www.unafei.or.jp/english/pages/RMS/No79.htm>

- Ability to build relationship: by putting the interviewee at ease in a hospitable environment, given him or her reassurance, and handling him with patience and sympathy;
- Need for active listening and to be flexible in the line of questions;
- Maintain eye-contact and watch body language, which often give you clue as to the truthfulness of what the interviewee is saying;
- If the interviewee is prepared to relate the full version, ensure that maximum details are obtained when, where, who, what , and how, in chronological sequence, and most important of all, who else is also involved in the corruption;
- Always keep control in the interview.

However, SAI is not police, special investigators or prosecutor; thus, we should adopt or implement some elements which might be facilitated us to support investigative audit.

Source: Results in part VI of SAI Thailand

Appendix 5

Suggestions of SAI Iran and improving anti-corruption measures in international level:

To determine the type and level of cooperation between Supreme Audit Institutions (SAI) and international anti-corruption organizations we have listed all those governmental and non-governmental anti-corruption organizations / agencies operation at international level and then determine coordination and cooperation of SAIs with such global bodies.

At this stage, we will deal with three distinctive sections: international governmental and non-governmental anti-corruption organizations/agencies, cooperation and coordination of SAI with the international anti-corruption bodies in detecting corruption and finally how SAI can improve international measures on anti-corruption.

1. International governmental and non-governmental anti-corruption organizations/agencies.

a) Governmental organizations bodies: The most important of such organizations include:

The United Nations: The UN is one of the foremost international organizations that coordinates and enforces conventions against corruption. The decision of the UN in anti-corruption is binding. The most important instrument used by the UN is the **UN Convention on Fight against Corruption (UNCAC)**.

This document has 71 Articles divided into 8 Chapters. It requires that States Parties implement several anti-corruption measures which may affect their laws, institutions and practices. These measures aim at preventing corruption, criminalizing certain conducts, strengthening international law enforcement and judicial cooperation, providing effective legal mechanisms for asset recovery, technical assistance and information exchange, and mechanisms for implementation of the Convention.

European Union: Since corruption continues to be a big challenge for the whole Europe, the EU sensitively monitors the level of corruption in the Europe and makes every attempt to create instruments and measures to fight with corruption. In this regard, the European Commission prepares anti-corruption reports in order to help the detection of corruption and find solutions through regional efforts.

World Bank: It is an international organization providing loans and financial assistance to poor countries. It also assists countries in human development and improves their economies through fight against corruption. To reduce poverty in the world, the World Bank views good governance and anti-corruption. The World Bank Group focuses on internal organizational integrity, minimizing corruption through World Bank-funded projects, and assisting countries in improving governance and controlling corruption. Other measures of World Bank include support to countries in improving governance and controlling corruption.

Asian Development bank: The Asian Development Bank (ADB) is a regional development bank Based in the Philippines, it was established in 1966 to facilitate economic development of countries in Asia. The Bank has established the Office of Anti-corruption and Integrity which helps fight corruption through funding different projects and a couple of multifaceted approaches through comprehensive network of partnerships and alliances.

b) Non- governmental organizations : These organizations include:

Transparency International: It is a non-governmental organization which is based in Berlin Germany and was founded in May 1993. Transparency International monitors and publicizes corporate and political corruption in international development. It publishes an annual Global Corruption Barometer and Corruption Perceptions Index, a comparative listing of corruption worldwide.

Global Organization of Parliamentarians against Corruption: It is an independent international institution made up of democratically-elected legislators from across the world. The organization makes every attempt to combat corruption, strengthen good government, and uphold the rule of law. It is based in Ottawa, Canada and has 52 members from 6 continents of the world

International Anti-Corruption Conference: The International Anti-Corruption Conference or IACC was founded in 1983 when it held its first conference in Washington D.C. The organization is a series of international conferences organized with the cooperation and assistance local governments and international anti-corruption organizations such as Transparency International. The conference is held every two years in a different country. The 15th IACC was held in Brasilia in November 2012, based on the theme "Mobilizing people: connecting agents of change" Since corruption poses the greatest threats to every economy and due to the fact that the root of corruption should be traced beyond national borders, it is vital to strengthen cooperation and coordination of SAIs with international anti-corruption bodies in order to deter such destructive and malicious actions.

SAIs can cooperate with international bodies through the following models:

a) **Implementation of binding international treaties/ conventions on corruption:**

There are a couple of intergovernmental anti-corruption organizations in the world where most of the world government represent. These organizations include: United Nations, European Commission, IMF, World Bank, IDM, OECD, and Global Organization against Corruption to name a few. To fight against corruption and to provide a healthy social and economic environment, such organizations now and then ratify international treaties/ convention on fight against corruption. Unfortunately, it happens that some of the same treaties remain on paper without implementation. The reason is that in spite of being legally binding documents, the signatories refuse to implement them fully due to political and capacity constraints. It is therefore advisable that SAIs encourage their governments to pay full attention to their commitments towards such international legally binding documents.

b) **Cooperation with Interpol and similar bodies:**

The International Criminal Police Organization, or INTERPOL, is an intergovernmental organization facilitating international police cooperation. One of the most important duties of the same body is fighting with international crimes including corruption and money laundering. Coordination and cooperation with the same organization can lead to better detection and prevention from fraud, bribery, money laundering and corruption.

Europol is another effective body that can be touched for reporting cases of corruptive actions within Europe. Europol is the short for European Police Office

which is the European Union's law enforcement agency that handles criminal intelligence.

However, the role of supreme audit institutions in fighting against corruption at global level is undeniable. Today SAIs are already on the track of advising their governments to encourage and mobilize international efforts in fight with the most destructive phenomenon of our century. With the advancement of technologies, the methods of corruptive actions have also developed. Today with one computer click it is possible to transfer millions of dollars instantly while this proved to be very difficult in the past. For this reason fighting against corruption requires multilateral cooperation. No country will be able to fight corruption individually within its borders. Information and experience sharing among the world government is very crucial in reducing the scopes and level of corruptive actions in the world.

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SAIs should get involved in knowledge sharing on fight against corruption through INTOSAI Working Group on Fight against Corruption and Money Laundering. It is advisable that ASOSAI establishes similar body so that the efforts of Asian countries are harmonized. The information and experiences obtained out of such interactions could be transferred to national government by SAIs. They can also help the development or improvement of international standards for fighting against corruption. This measure aims to improve the effectiveness of the actions to be taken by the world government in the future.

In addition to this, SAIs can locate and detect foreign bribery during the procurement process in their home countries. Bribery in foreign procurement has proved to be one of the most corruptive actions in every country.